

**PONTOTOC COUNTY, OKLAHOMA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2003**

This publication is printed and issued by the State Auditor and Inspector as authorized by 19 O.S. § 171. Pursuant to 74 O.S. § 3105, 35 copies have been prepared and distributed at a cost of \$103.95. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

December 7, 2004

TO THE CITIZENS OF
PONTOTOC COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pontotoc County, Oklahoma, for the fiscal year ended June 30, 2003. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

**PONTOTOC COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

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

FINANCIAL SECTION

Report of State Auditor and Inspector.....	1
Special-Purpose Financial Statements:	
Statement of Receipts, Disbursements, and Changes in Cash Balances - All Funds.....	3
Comparative Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund.....	4
Comparative Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - County Health Department Fund.....	6
Detailed Statement of Receipts, Disbursements, and Changes in Cash Balances - Official Depository Accounts	7
Notes to the Financial Statements.....	8

SUPPLEMENTARY SCHEDULE

Schedule of Expenditures of Federal Awards	19
Notes to the Schedule of Expenditures of Federal Awards.....	20

**PONTOTOC COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

COMPLIANCE/INTERNAL CONTROL SECTION

Report on Compliance and on Internal Control Over Financial Reporting
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 Internal Control Over Compliance in Accordance With OMB Circular A-133 23

Schedule of Findings and Questioned Costs 25

STATISTICAL DATA (Unaudited)

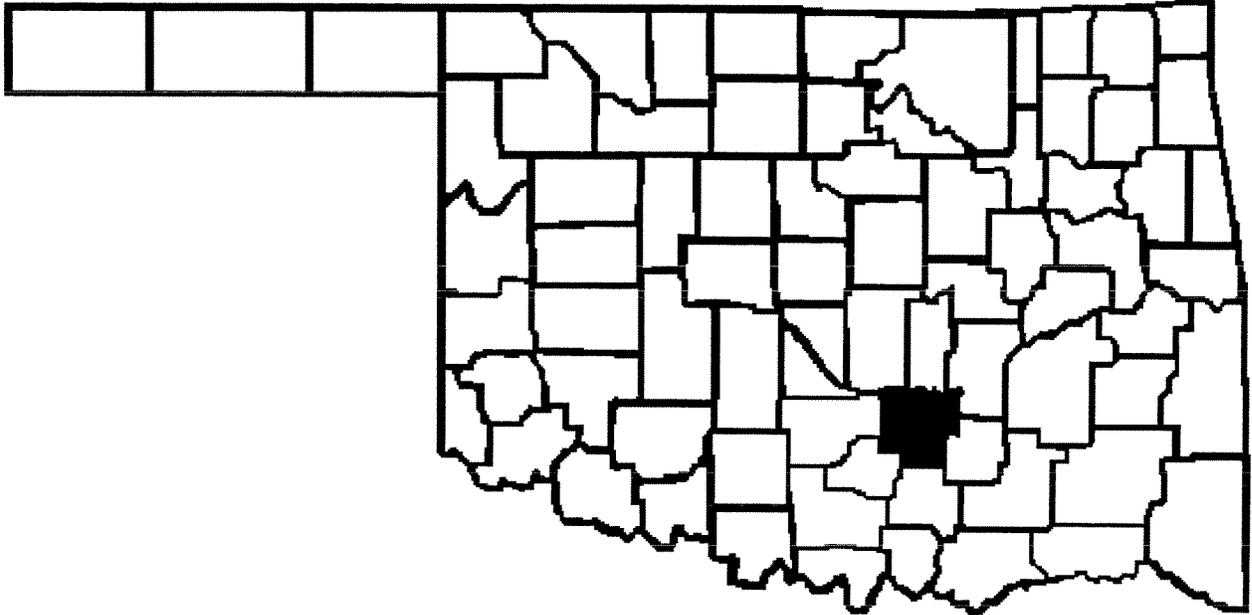
Top Ten Taxpayers..... 28

Computation of Legal Debt Margin 29

Ratio of Net General Bonded Debt to Assessed Value and
Net Bonded Debt Per Capita..... 30

Assessed Value of Property..... 31

REPORT TO THE CITIZENS
OF
PONTOTOC COUNTY, OKLAHOMA



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 U.S., and the area’s natural resources of limestone, shale, silica sand, and clay have attracted manufacturing 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 – 719.7 Square Miles

County Population - 35,143 (2000 est.)

Farms – 1,133

Land in Farms - 335,463 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor’s report.

**PONTOTOC COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Mike Reynolds
(D) Stonewall

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
(D) Ada

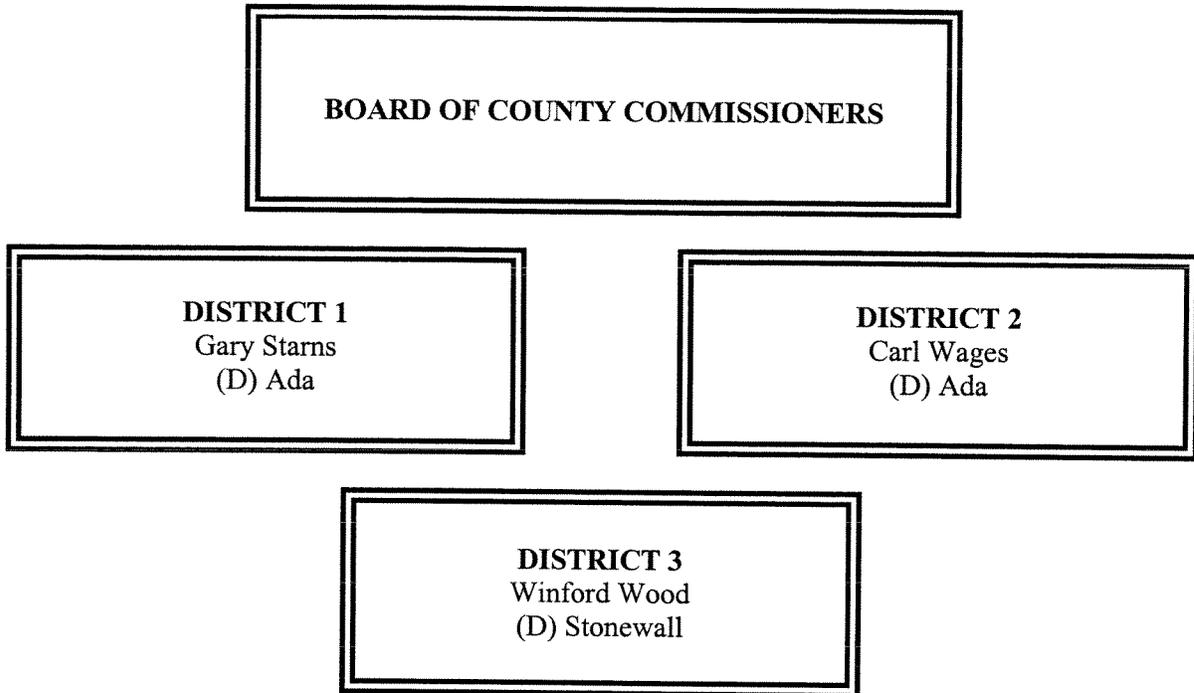
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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**



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**

COUNTY SHERIFF
Jeffery S. Glase
(D) Ada

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
Thelma Hooper
(D) Ada

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**

COURT CLERK
Janis Rowsey
(D) Ada

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
(D) Ada

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**

ELECTION BOARD SECRETARY

Annette Price
(D) Ada

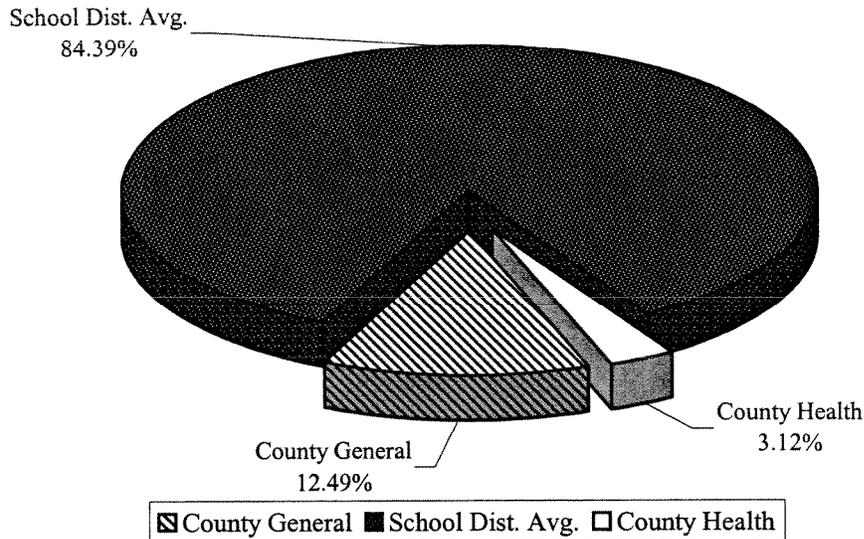
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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.	Skp.	Tech Cntr.	Common	Total
Co. General	10.24			35.99	5.14	13.01	12.24	4.10	70.48
County Health	2.56	Allen	I-1	37.15	5.31		12.24	4.10	58.80
		Vaross	I-9	35.61	5.09	8.07	12.24	4.10	65.11
		Byng	I-16	35.40	5.06	12.21	12.24	4.10	69.01
		Ada	I-19	37.23	5.32	18.35	12.24	4.10	77.24
Ada	0.67	McLish	I-22	36.04	5.15	8.48	12.24	4.10	66.01
		Latta	I-24	36.85	5.26	9.71	12.24	4.10	68.16
		Stonewall	I-30	36.93	5.27	8.77	12.24	4.10	67.31
		Roff	I-37	36.82	5.27	10.68	12.24	4.10	69.11
		Pickett-Center	D-20	36.83	5.26	23.12	15.63	4.10	84.94
		Asher	J-112	37.36	5.34	5.94	11.61	4.10	64.35
		Stratford	J-2	36.67	5.24	11.70	12.24	4.10	69.95
		Tupelo	J-2A						

See independent auditor's report.

Independent Auditor's Report



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
PONTOTOC COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Pontotoc County, Oklahoma, as of and for the year ended June 30, 2003, as listed in the table of contents. These special-purpose financial statements are the responsibility of Pontotoc County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Pontotoc County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and the county health department fund of the County, as of and for the year ended June 30, 2003, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

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

Sincerely,

A handwritten signature in black ink that reads "JEFF A. McMAHAN". The signature is written in a cursive, flowing style with a large initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

October 18, 2004

Special-Purpose Financial Statements

**PONTOTOC COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2003**

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2003
County General Fund	\$ 940,250	\$ 1,745,513	\$ 1,797,518	\$ 888,245
Highway	895,870	3,780,988	2,734,402	1,942,456
Resale Property	75,130	87,307	91,350	71,087
County Health	177,480	320,328	379,383	118,425
Visual Inspection	22,265			22,265
County Clerk Lien Fee	11,030	10,307	3,552	17,785
Sheriff Fees	71,629	164,450	140,116	95,963
Civil Defense	16,081	34,103	20,796	29,388
Senior Citizens Center	46			46
Mortgage Tax Certificate	5,405	11,655	7,321	9,739
Senior Citizens Transportation	254,357	926,410	1,017,396	163,371
Department of Corrections	2,866	11,676	12,021	2,521
Law Enforcement Block Grant	22,704	33,942	38,124	18,522
Agri-Plex CS Fund	131,000	150,036	227,177	53,859
FEMA	1,931,173	87,243	1,895,613	122,803
Proceeds of Sale	21,238	287		21,525
Stop Violence	2,366	32,445	28,680	6,131
Court Clerk Trust	37,381	505		37,886
Prevent Child Abuse	15			15
Transportation Health Care	7			7
Trash Cop	1,020			1,020
County Assessor Revolving	10,855	9,552	516	19,891
Child Health Care	39		39	
Building Blocks Grant	23		23	
Z-Cst Comm Sent Travel		2,000	34	1,966
Z-Preservation	42,536	50,105		92,641
Z-911	63,796	67,805	86,199	45,402
Law Library	4,909	20,356	20,275	4,990
Municipal	20,714	267,854	271,923	16,645
Schools	297,493	9,432,372	9,291,598	438,267
Excess Resale	2,040			2,040
Individual Redemption	787	12,356	12,371	772
Protest Tax	10,448	184,173	10,463	184,158
District Attorney Victim's Rights	184			184
2001 Taxes Retained	389	389	609	169
Prior and Back Taxes Retained	1,172	38	1,029	181
2002 Taxes Retained		2,792	2,062	730
Miscellaneous Collections Retained		12,894		12,894
Official Depository	1,037,339	4,906,508	3,621,860	2,321,987
Hot Checks		1,286	1,286	
Z-REAP		169,942	121,314	48,628
Z-CDBG		41,999	30,930	11,069
Total County Funds	\$ 6,112,037	\$ 22,579,616	\$ 21,865,980	\$ 6,825,673

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

**PONTOTOC COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 940,250	\$ 940,250	\$ 940,250	\$ -
Less: Prior Year Outstanding Warrants	(131,575)	(131,575)	(131,575)	
Less: Prior Year Encumbrances	(29,359)	(29,359)	(26,149)	3,210
Beginning Cash Balances, Budgetary Basis	<u>779,316</u>	<u>779,316</u>	<u>782,526</u>	<u>3,210</u>
Receipts:				
Ad Valorem Taxes	1,137,293	1,137,293	1,221,518	84,225
Charges for Services	145,088	145,088	156,013	10,925
Intergovernmental Revenues	217,078	217,078	267,196	50,118
Miscellaneous Revenues	78,463	78,463	100,786	22,323
Total Receipts, Budgetary Basis	<u>1,577,922</u>	<u>1,577,922</u>	<u>1,745,513</u>	<u>167,591</u>
Expenditures:				
District Attorney	3,500	3,500	3,164	336
Total District Attorney	<u>3,500</u>	<u>3,500</u>	<u>3,164</u>	<u>336</u>
County Sheriff	486,500	486,500	481,317	5,183
Total County Sheriff	<u>486,500</u>	<u>486,500</u>	<u>481,317</u>	<u>5,183</u>
County Treasurer	152,163	152,163	150,591	1,572
Capital Outlay	4,000	4,000	3,912	88
Total County Treasurer	<u>156,163</u>	<u>156,163</u>	<u>154,503</u>	<u>1,660</u>
County Commission	66,000	66,000	65,911	89
Total County Commission	<u>66,000</u>	<u>66,000</u>	<u>65,911</u>	<u>89</u>
OSU Extension	74,514	74,514	74,323	191
Total OSU Extension	<u>74,514</u>	<u>74,514</u>	<u>74,323</u>	<u>191</u>
County Clerk	160,747	160,747	159,340	1,407
Capital Outlay	9,000	9,000		9,000
Total County Clerk	<u>169,747</u>	<u>169,747</u>	<u>159,340</u>	<u>10,407</u>
Court Clerk	126,600	126,600	120,159	6,441
Total Court Clerk	<u>126,600</u>	<u>126,600</u>	<u>120,159</u>	<u>6,441</u>
County Assessor	151,420	151,420	151,210	210
Capital Outlay	3,500	3,500	3,485	15
Total County Assessor	<u>154,920</u>	<u>154,920</u>	<u>154,695</u>	<u>225</u>

continued on next page

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

**PONTOTOC COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	130,783	130,783	130,688	95
Capital Outlay	2,773	2,773	2,773	
Total Revaluation of Real Property	<u>133,556</u>	<u>133,556</u>	<u>133,461</u>	<u>95</u>
General Government	842,521	842,521	316,255	526,266
Capital Outlay	2,000	2,000	1,437	563
Total General Government	<u>844,521</u>	<u>844,521</u>	<u>317,692</u>	<u>526,829</u>
Excise - Equalization Board	4,600	4,600	4,597	3
Total Excise - Equalization Board	<u>4,600</u>	<u>4,600</u>	<u>4,597</u>	<u>3</u>
Election Expense	103,800	103,800	101,781	2,019
Total Election Expense	<u>103,800</u>	<u>103,800</u>	<u>101,781</u>	<u>2,019</u>
Civil Defense	11,000	11,000	11,000	
Total Civil Defense	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>-</u>
Free Fair	9,600	9,600	7,218	2,382
Total Free Fair	<u>9,600</u>	<u>9,600</u>	<u>7,218</u>	<u>2,382</u>
County Audit Budget	12,217	12,217	12,217	
Total County Audit Budget	<u>12,217</u>	<u>12,217</u>	<u>12,217</u>	<u>-</u>
Total Expenditures, Budgetary Basis	<u>2,357,238</u>	<u>2,357,238</u>	<u>1,801,378</u>	<u>555,860</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	726,661	<u>\$ 726,661</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			32,973	
Add: Current Year Outstanding Warrants			128,611	
Ending Cash Balance			<u>\$ 888,245</u>	

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

**PONTOTOC COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
COUNTY HEALTH DEPARTMENT FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 177,480	\$ 177,480	\$ 177,480	\$ -
Less: Prior Year Outstanding Warrants	(27,836)	(27,836)	(27,836)	
Less: Prior Year Encumbrances	(37,935)	(37,935)	(24,669)	13,266
Beginning Cash Balances, Budgetary Basis	<u>111,709</u>	<u>111,709</u>	<u>124,975</u>	<u>13,266</u>
Receipts:				
Ad Valorem Taxes	284,323	284,323	305,351	21,028
Charges for Services		10,769	11,216	447
Intergovernmental			3,761	3,761
Total Receipts, Budgetary Basis	<u>284,323</u>	<u>295,092</u>	<u>320,328</u>	<u>25,236</u>
Expenditures:				
Health and Welfare	344,000	405,021	370,917	34,104
Capital Outlay	52,032	1,780	1,780	
Total Expenditures, Budgetary Basis	<u>396,032</u>	<u>406,801</u>	<u>372,697</u>	<u>34,104</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	72,606	<u>\$ 72,606</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			42,047	
Add: Current Year Outstanding Warrants			3,772	
Ending Cash Balance			<u>\$ 118,425</u>	

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

**PONTOTOC COUNTY, OKLAHOMA
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2003**

Official Depository Accounts	Beginning Cash Balances		Cancelled Vouchers	Ending Cash Balances	
	July 1, 2002	Receipts			Disbursements
#2 County Treasurer Interest Earned	\$	\$ 18,980	\$ 18,980	\$	\$
#3 County Clerk	20,462	283,905	281,038	57	23,386
#4 Court Clerk District Court	692,563	2,716,064	1,440,062	409	1,968,974
#5 Court Clerk Revolving	19,326	16,796	3,589		32,533
#6 Agri-Plex	13,962	151,653	152,309		13,306
#7 County Sheriff Fees	330	4,277	3,292		1,315
#8 County Sheriff Bond Money		31,124	31,124		
#9 County Sheriff Self Defense	200	1,450	1,325		325
#10 County Health		20,244	20,244		
#12 County Treasurer Trust	9,693	173,819	170,390	18	13,140
#13 Court Clerk Court Fund	108,291	549,640	567,833	1,419	91,517
#14 Election	105	46,308	47,585	1,260	88
#16 County Treasurer Motor Vehicle		21,413	21,413		
#18 County Clerk Mech Lien	12,283	166	1,988		10,461
#19 District Attorney Restitution and Diversion Fees	1,769	10,003	6,947		4,825
#20 District Attorney Narcotics Enforcement	7,377	81,157	87,928	54	660
#21 District Attorney Child Support	43				43
#22 District Attorney Victim Witness Fee	1,554				1,554
#23 District Attorney Court Ordered Restitution	6,796	95,682	97,615	3,532	8,395
#24 County Treasurer Farm Implement		816	816		
#25 District Attorney State's Witness	1,010	1,500	2,148	131	493
#26 District Attorney VOCA Grant	14,156		14,326	170	
#30 County Assessor Fees	575	11,397	10,227		1,745
#31 District Attorney Drug Task Force		128,027	128,027		
#32 District Attorney Trust	8,184	60,923	10,853		58,254
#33 District Attorney Restitution	74,806	411,757	430,495	2,989	59,057
#34 District Attorney Incarceration Fees	412	407			819
#35 District Attorney VOCA Grant		27,754	27,754		
#36 Drug Court	43,442	41,246	53,591		31,097
Total Official Depository Accounts	<u>\$ 1,037,339</u>	<u>\$4,906,508</u>	<u>\$ 3,631,899</u>	<u>\$ 10,039</u>	<u>\$ 2,321,987</u>

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

Notes to the Financial Statements

PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Summary of Significant Accounting Policies (continued)

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

The Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund and 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 Statement of Receipts, Disbursements, and Changes in Cash Balances - All Funds because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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

E. Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2003.

F. Risk Management

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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability	The County participates	If claims exceed authorized
- Torts	in a public entity risk pool;	deductibles, the County would
- Errors and Omissions	Association of County	have to pay its share of the pool
- Law Enforcement	Commissioners of	deficit.
Officers Liability	Oklahoma-Self-Insurance	
- Vehicle	Group. (See ACCO-SIG.)	

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool. (See ACCO-SIG.)	If claims exceed authorized deductibles, the County would have to pay its share of the pool deficit.
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Fund. (See ACCO-SIF.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&W.)	If claims exceed authorized deductibles, the County 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 will pay a deductible amount (\$1,000 to \$100,000; the County has a \$50,000 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

ACCO-SIF - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. ACCO-SIF was set up in 1984 and will pay legitimate worker's compensation claims up to \$500,000 per incident. A reinsurance policy, with no limit, pays claims that exceed \$500,000 for a particular incident. The pool has not recently assessed additional premiums to be paid by its members.

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. The pool has assessed additional premiums to be paid by its members in the current fiscal year.

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

The County does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and must be taken during the year earned. Employees with 1 to 5 years of service earn 80 hours per year, employees with 6 to 20 years of service earn 120 hours per year and employees with 20 plus years of service earn 144 hours per year.

Sick leave is accrued on a monthly basis. Sick leave shall accumulate at the rate of 4 hours for each calendar month of service and may be accrued up to a maximum of 130 days.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$6,825,673 and the bank balance was \$6,847,102. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Funds and Account Balances (continued)

- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

B. Description of Funds

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

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.

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. This account was inactive in fiscal year 2003.

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

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

Department of Corrections – accounts for monies received from the State Department of Corrections for housing prisoners.

Law Enforcement Block Grant – accounts for grant monies received and used to purchase equipment as restricted by grant agreement.

PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Funds and Account Balances (continued)

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

FEMA – accounts for the collection of grant monies received from the Federal Emergency Management Agency and disbursed as restricted by the grant agreement.

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

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

Court Clerk Trust – accounts for the collection of monies from the Court Administrator's office for computer equipment.

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 2003.

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

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

Child Health Care – accounts for the general operation of the Child Health Care Program.

Building Blocks Grant – accounts for grant monies received and disbursed as restricted by grant agreement.

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 with 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.

Law Library – accounts for monies received for disbursement from the state for the law library board.

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

Detailed Notes on Funds and Account Balances (continued)

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

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

Excess Resale – accounts for the proceeds of sale of property in excess of tax against property to be held in trust for a two-year period.

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

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

District Attorney Victim's Rights – accounts for the collection of restitution and disbursements to victims.

2001 Taxes Retained – accounts for taxes collected and being held for apportionment to various government entities.

Prior and Back Taxes Retained – accounts for taxes collected and being held for apportionment to various government entities.

2002 Taxes Retained – accounts for taxes collected and being held for apportionment to various government entities.

Miscellaneous Collections Retained – accounts for miscellaneous collections being held for apportionment to various government entities.

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

Hot Checks – accounts for the collection of insufficient checks.

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

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

The following narrative details the official depository accounts.

#2 County Treasurer Interest Earned – accounts for the interest earned on official depository accounts and apportioned to the designated funds.

PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Funds and Account Balances (continued)

- #3 County Clerk – accounts for the collection of filing fees and disbursed to the Oklahoma Tax Commission and general fund.
- #4 Court Clerk District Court – accounts for the collection of bond money, court fines, and fees. Money is disbursed for fees and restitution.
- #5 Court Clerk Revolving – accounts for a charge of \$5.00 for each warrant. Money is disbursed in the same manner as court fund.
- #6 Agri-Plex – accounts for the collection of rental, concessions, and R.V. hook-ups. Money is disbursed at the end of the month to the Agri-Plex cash account.
- #7 County Sheriff Fees – accounts for all collections of foreign services fees. Monies are disbursed at the end of the month to the sheriff service fee account.
- #8 County Sheriff Bond Money – accounts for the collection of cash bonds and disbursements are to the Court Clerk.
- #9 County Sheriff Self Defense – accounts for the collection of the Oklahoma Self-Defense Act sheriff fees. Monies are disbursed at the end of the month to the sheriff's service fee account.
- #10 County Health - accounts for the collection of state funds and charges for services. Money is disbursed on a monthly basis to be transferred to the county health department cash account.
- #12 County Treasurer Trust – accounts for miscellaneous collections held in trust for disbursement.
- #13 Court Clerk Court Fund - accounts for fees transferred from district court and interest. Money is disbursed for the purpose of fees for various entities, salaries, and the operation of the office.
- #14 Election - accounts for reimbursement of elections and is disbursed for refunds or election fees and maintenance and operation of the office.
- #16 County Treasurer Motor Vehicle – accounts for the collection of motor vehicle tax stamp sales and disbursements are to the County Treasurer and Oklahoma Tax Commission.
- #18 County Clerk Mech Lien – accounts for lien collections and disbursements as restricted by statutes.

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

Detailed Notes on Funds and Account Balances (continued)

#19 District Attorney Restitution and Diversion Fees - collections are from defendants that entered into a deferred prosecution agreement with the District Attorney to pay a district attorney fee of \$134 if case would have been filed as a felony, and \$114 if case would have been filed as a misdemeanor. Disbursements are for the operation of the District Attorney's office.

#20 District Attorney Narcotics Enforcement – accounts for collections from asset forfeitures and disbursement of funds are restricted by court order and state statute.

#21 District Attorney Child Support – accounts for child support incentive money from the state. Disbursements are for the operation of the child support office.

#22 District Attorney Victim Witness Fee – accounts for the proceeds received from the sale of seized and forfeited property and is disbursed according to 21 O.S. 2001, § 1738.O.4.

#23 District Attorney Court Ordered Restitution – accounts for the collections received by court order to reimburse victims.

#24 County Treasurer Farm Implement – accounts for the collection of farm implement tax stamps and disbursements are to the Oklahoma Tax Commission.

#25 District Attorney State's Witness – accounts for collections received from the state to reimburse for witness expense.

#26 District Attorney VOCA Grant – accounts for the collections from defendants ordered by the court to pay \$20.00 per month supervision. Expenditures will be for personnel and maintenance and operation.

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

#31 District Attorney Drug Task Force – accounts for collections received from Federal Byrne Grant money. Disbursements are for personnel and maintenance and operation.

#32 District Attorney Trust – accounts for money held in asset forfeiture cases until the case has been resolved and disbursement of funds are restricted by court orders and state statutes.

#33 District Attorney Restitution – accounts for the collection of bogus checks and District Attorney fees to be disbursed to the merchant and used for the maintenance and operation of the bogus check office.

PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Funds and Account Balances (continued)

#34 District Attorney Incarceration Fees – accounts for collection of 5% received from the Court Clerk and disbursement of funds to be used to fund personnel to process victim compensation claims.

#35 District Attorney VOCA Grant – accounts for the collection of federal money and disbursements of funds are to the District Attorney's Council for personnel only.

#36 Drug Court – accounts for drug court collections by court order and disbursements are for drug testing and supplies.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2002, was approximately \$122,170,110.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.24 mills for the general fund operations and 2.56 mills for the county health department. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2003, were approximately 96.37 percent of the tax levy.

PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Funds and Account Balances (continued)

D. Pension Plan

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

E. Capital Leases

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

F. 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. 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 government expects such amounts, if any, to be immaterial.

The government 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 government.

Schedule of Expenditures of Federal Awards

PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through the Oklahoma Department of Transportation:			
Federal Transit Capital and Operating Assistance Formula Grants	20.509	2002	\$ 62,951
Federal Transit Capital and Operating Assistance Formula Grants	20.509	2003	<u>158,121</u>
Total Department of Transportation			<u>221,072</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grant	14.228	10249 CDBG 01	<u>40,748</u>
Total U.S. Department of Housing and Urban Development			<u>40,748</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through District Attorney's Council:			
Stop Violence Against Women	16.588	V00-249	1,311
Stop Violence Against Women	16.588	V01-326	18,490
Stop Violence Against Women	16.588	V02-368	2,430
Direct Grant:			
Local Law Enforcement Block Grant	16.592	2000-LB-BX-2552	19,608
Local Law Enforcement Block Grant	16.592	2002-LB-BX-1977	<u>22,947</u>
Total U.S. Department of Justice			<u>64,786</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through State Department of Civil Emergency Management:			
Public Assistance Grants	83.544		433,154
State and Local All Hazards Emergency Operations Planning	83.562		13,962
Emergency Management Performance Grant	83.552		<u>6,035</u>
Total Federal Emergency Management Agency			<u>453,151</u>
Total Expenditures of Federal Awards			<u>\$ 779,757</u>

PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Pontotoc 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*.

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**Report on Compliance and on Internal Control Over Financial Reporting
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 special-purpose financial statements of Pontotoc County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 18, 2004. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. 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.

Compliance

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

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 special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-1.

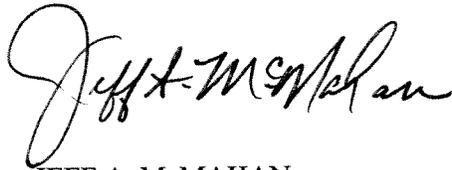
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2003-1 to be a material weakness.

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

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

October 18, 2004

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
PONTOTOC COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Pontotoc 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, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

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

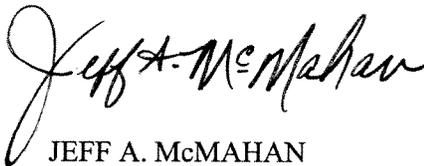
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively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

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

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

October 18, 2004

Schedule of Findings and Questioned Costs

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003**

SECTION 1 - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
83.544	Public Assistance Grant
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	No

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003**

SECTION 2 - Findings related to the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Finding 2003-1 - Segregation of Duties

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.

Management's Response: We concur with the auditor's findings. Management does have knowledge of County operations and will perform a periodic review of these operations.

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

No matters were reported.

SECTION 4 - Other Audit Findings - This section contains audit findings not required to be reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards, but which we believed were significant enough to bring to the County's attention. We recommend that the County consider these matters and take appropriate corrective action.

Finding 2003-2 – Fixed Assets Inventory

Criteria: Title 19 O.S. 2001, § 178.1 states, "The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Two Hundred Fifty Dollars (\$250.00), and therefore maintain or cause 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...."

PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

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

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

Management's Response: We concur with the auditor's findings. All officers are currently updating inventory records and will complete form #3512.

**Statistical Data
(Unaudited)**

**PONTOTOC COUNTY, OKLAHOMA
TOP TEN TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Reliant Energy	\$ 10,070,492	8.24%
Southwestern Bell	5,471,288	4.48%
OG&E	3,839,992	3.14%
Solo Cup Company	3,109,340	2.55%
Holnam Inc.	2,774,710	2.27%
General Motors	2,032,826	1.66%
Wal-Mart	1,492,425	1.22%
Flex-N-Gate Oklahoma LLC	1,411,584	1.16%
Williams Pipeline Company	1,279,759	1.05%
Mid-American Telephone	1,204,864	0.99%
Total	<u>\$ 32,687,280</u>	<u>26.76%</u>

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

**PONTOTOC COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

Total net assessed value as of January 1, 2002		<u>\$ 122,170,110</u>
Debt limit - 5% of total assessed value		6,108,506
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 6,108,506</u>

**PONTOTOC COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

	2003
Estimated population	35,143
Net assessed value as of January 1, 2002	\$ 122,170,110
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	\$ -

**PONTOTOC COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE YEAR ENDED JUNE 30, 2003
(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>
1/1/2002	\$20,959,032	\$27,880,985	\$82,172,628	\$8,842,535	\$122,170,110	\$981,447,940