

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

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 \$91.70. 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 16, 2004

TO THE CITIZENS OF
PONTOTOC COUNTY, OKLAHOMA

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

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

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

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

INTERNAL CONTROL /COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	19
Schedule of Findings.....	21

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

STATISTICAL DATA (Unaudited)

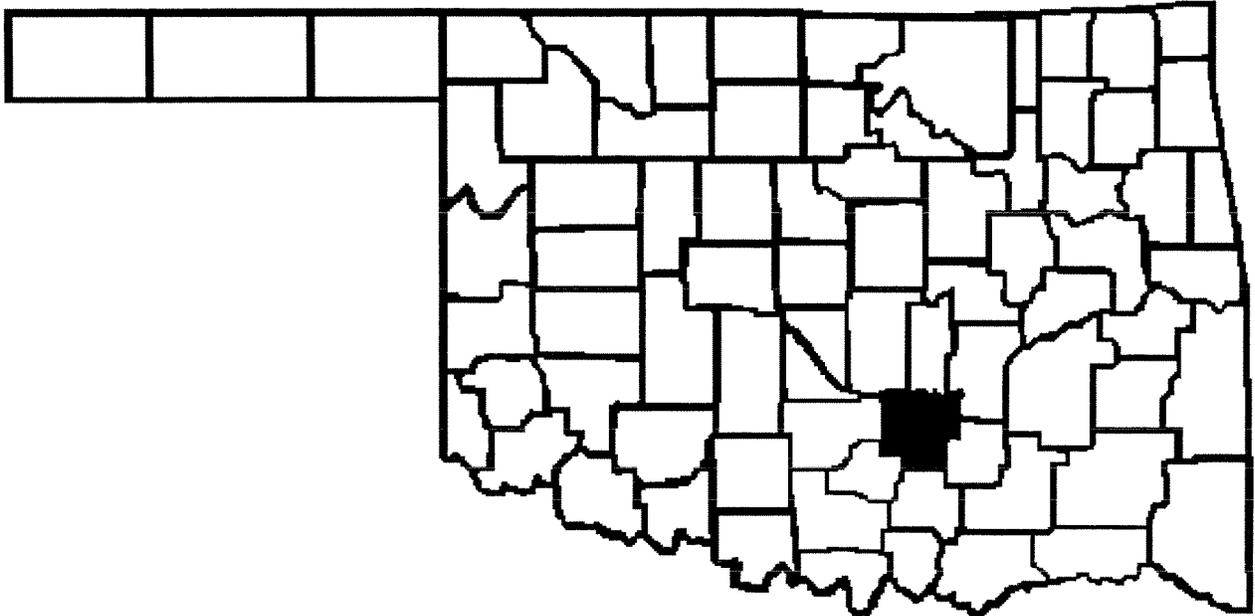
Top Ten Taxpayers.....23

Computation of Legal Debt Margin24

Ratio of Net General Bonded Debt to Assessed Value and
Net Bonded Debt Per Capita25

Assessed Value of Property26

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

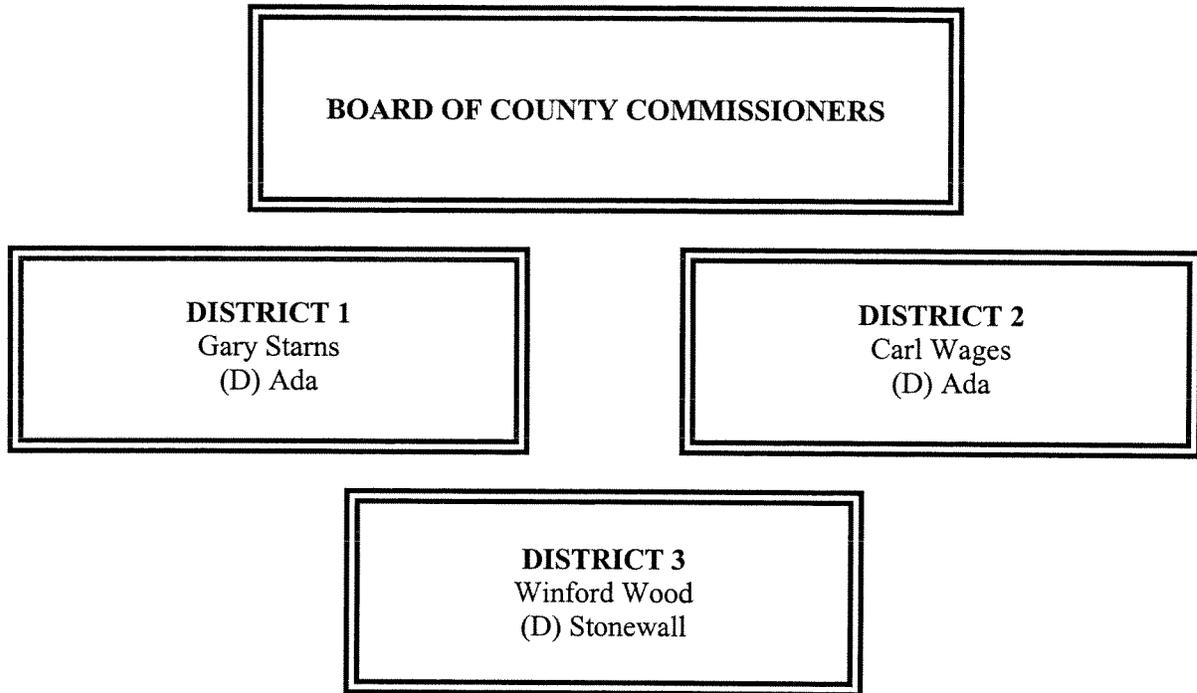
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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

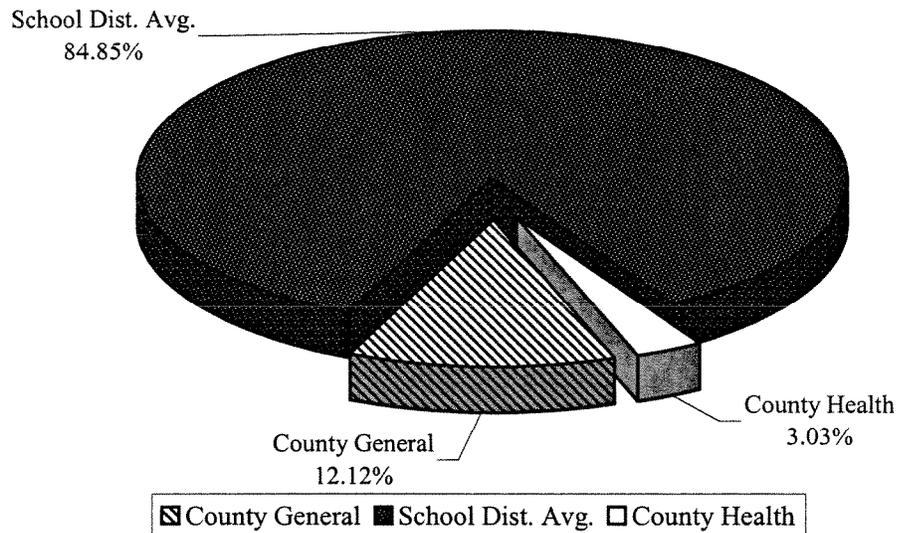
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within 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.	Skg.	Tech Cntr.	Common	Total
Co. General	10.24								
County Health	2.56	Allen	I-1	35.99	5.14	13.09	12.24	4.10	70.56
		Vaross	I-9	37.15	5.31	23.18	12.24	4.10	81.98
		Byng	I-16	35.61	5.09	7.71	12.24	4.10	64.75
		Ada	I-19	35.40	5.06	11.46	12.24	4.10	68.26
Ada	5.19	McLish	I-22	37.23	5.32	16.32	12.24	4.10	75.21
		Latta	I-24	36.04	5.15	20.66	12.24	4.10	78.19
		Stonewall	I-30	36.85	5.26	10.05	12.24	4.10	68.50
		Roff	I-37	36.93	5.27	10.65	12.24	4.10	69.19
		Pickett-Center	D-20	36.82	5.27	10.56	12.24	4.10	68.99
		Asher	J-112	36.83	5.26	20.91	15.63	4.10	82.73
		Stratford	J-2	37.36	5.34	6.07	11.61	4.10	64.48
		Tupelo	J-2A	36.67	5.24	9.38	12.24	4.10	67.63

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, 2004, 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. Oklahoma statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of 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, 2004, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

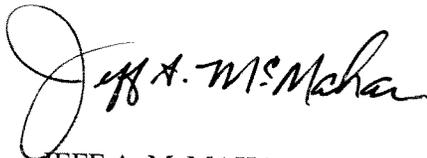
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Pontotoc County, Oklahoma, taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we 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 and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

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, 2004**

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
County General Fund	\$ 888,245	\$ 1,764,024	\$ 1,833,510	\$ 818,759
Highway	1,942,456	3,042,598	3,551,230	1,433,824
Resale Property	71,087	91,456	88,248	74,295
County Health	118,425	332,869	270,382	180,912
Visual Inspection	22,265		5,179	17,086
County Clerk Lien Fee	17,785	7,542	7,325	18,002
Sheriff Fees	95,963	201,574	233,471	64,066
Civil Defense	29,388	24,896	34,500	19,784
Senior Citizens Center	46			46
Mortgage Tax Certificate	9,739	12,195	18,584	3,350
Senior Citizens Transportation	163,371	874,411	876,555	161,227
Department of Corrections	2,521	12,656	13,403	1,774
Law Enforcement Block Grant	18,522	17	18,498	41
Agri-Plex CS Fund	53,859	133,245	145,821	41,283
FEMA	122,803	12,486	135,289	
Proceeds of Sale	21,525	250		21,775
Stop Violence	6,131	26,508	30,049	2,590
Court Clerk Trust	37,886	440		38,326
Prevent Child Abuse	15			15
Transportation Health Care	7			7
Trash Cop	1,020			1,020
County Assessor Revolving	19,891	11,546	4,789	26,648
Z-Cst Comm Sent Travel	1,966		57	1,909
Z-Preservation	92,641	50,526	13,811	129,356
Z-911	45,402	10,805	17,100	39,107
Law Library	4,990	22,123	21,857	5,256
Municipal	16,645	490,230	481,745	25,130
Schools	438,267	9,933,768	9,996,171	375,864
Excess Resale	2,040			2,040
Individual Redemption	772	28,583	28,509	846
Protest Tax	184,158	328	184,486	
District Attorney Victim's Rights	184			184
2001 and BackTaxes Retained	350	109	130	329
2002 Taxes Retained	730	108,377	107,265	1,842
2003 Taxes Retained		2,191	1,155	1,036
Miscellaneous Collections Retained	12,894		12,894	
Official Depository	2,321,987	3,897,939	5,618,457	601,469
Hot Checks		3,637	3,637	
Z-REAP	48,628	21,939	70,567	
Z-CDBG	11,069	231,656	242,725	
Total County Funds	\$ 6,825,673	\$ 21,350,924	\$ 24,067,399	\$ 4,109,198

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, 2004**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 888,245	\$ 888,245	\$ 888,245	\$ -
Less: Prior Year Outstanding Warrants	(128,611)	(128,611)	(128,611)	
Less: Prior Year Encumbrances	(32,973)	(32,973)	(27,986)	4,987
Beginning Cash Balances, Budgetary Basis	<u>726,661</u>	<u>726,661</u>	<u>731,648</u>	<u>4,987</u>
Receipts:				
Ad Valorem Taxes	1,173,950	1,173,950	1,271,322	97,372
Charges for Services	140,412	140,412	170,886	30,474
Intergovernmental Revenues	212,271	217,201	246,292	29,091
Miscellaneous Revenues	73,359	73,359	75,524	2,165
Total Receipts, Budgetary Basis	<u>1,599,992</u>	<u>1,604,922</u>	<u>1,764,024</u>	<u>159,102</u>
Expenditures:				
District Attorney	3,500	3,500	2,427	1,073
Total District Attorney	<u>3,500</u>	<u>3,500</u>	<u>2,427</u>	<u>1,073</u>
County Sheriff	480,700	510,520	508,375	2,145
Total County Sheriff	<u>480,700</u>	<u>510,520</u>	<u>508,375</u>	<u>2,145</u>
County Treasurer	158,970	163,470	159,870	3,600
Capital Outlay	4,500			
Total County Treasurer	<u>163,470</u>	<u>163,470</u>	<u>159,870</u>	<u>3,600</u>
County Commission	56,200	56,200	56,200	
Total County Commission	<u>56,200</u>	<u>56,200</u>	<u>56,200</u>	<u>-</u>
OSU Extension	74,514	74,514	63,308	11,206
Total OSU Extension	<u>74,514</u>	<u>74,514</u>	<u>63,308</u>	<u>11,206</u>
County Clerk	168,670	168,670	166,939	1,731
Total County Clerk	<u>168,670</u>	<u>168,670</u>	<u>166,939</u>	<u>1,731</u>
Court Clerk	131,970	131,970	130,796	1,174
Total Court Clerk	<u>131,970</u>	<u>131,970</u>	<u>130,796</u>	<u>1,174</u>
County Assessor	158,694	156,755	155,652	1,103
Capital Outlay	2,500	4,439	4,439	
Total County Assessor	<u>161,194</u>	<u>161,194</u>	<u>160,091</u>	<u>1,103</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, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	132,000	135,455	135,302	153
Capital Outlay	3,000	2,445	2,445	
Total Revaluation of Real Property	<u>135,000</u>	<u>137,900</u>	<u>137,747</u>	<u>153</u>
General Government	807,132	774,357	317,784	456,573
Total General Government	<u>807,132</u>	<u>774,357</u>	<u>317,784</u>	<u>456,573</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>
County Election Expense	102,442	103,358	103,248	110
Capital Outlay	1,850	1,009	1,009	
Total County Election Expense	<u>104,292</u>	<u>104,367</u>	<u>104,257</u>	<u>110</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	8,400	8,400	8,392	8
Capital Outlay	3,400	3,400	3,400	
Total Free Fair	<u>11,800</u>	<u>11,800</u>	<u>11,792</u>	<u>8</u>
County Audit Budget	12,611	12,611		12,611
Total County Audit Budget	<u>12,611</u>	<u>12,611</u>	<u>-</u>	<u>12,611</u>
Other Uses		4,910		4,910
Total Other Uses	<u>-</u>	<u>4,910</u>	<u>-</u>	<u>4,910</u>
Total Expenditures, Budgetary Basis	<u>2,326,653</u>	<u>2,331,583</u>	<u>1,835,183</u>	<u>496,400</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	660,489	<u>\$ 660,489</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			33,364	
Add: Current Year Outstanding Warrants			124,906	
Ending Cash Balance			<u>\$ 818,759</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, 2004**

	County Health Department			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 118,425	\$ 118,425	\$ 118,425	\$
Less: Prior Year Outstanding Warrants	(3,772)	(3,772)	(3,772)	
Less: Prior Year Encumbrances	(42,047)	(42,047)	(38,756)	3,291
Beginning Cash Balances, Budgetary Basis	<u>72,606</u>	<u>72,606</u>	<u>75,897</u>	<u>3,291</u>
Receipts:				
Ad Valorem Taxes	293,487	293,487	317,841	24,354
Charges for Services		11,869	11,669	(200)
Intergovernmental			3,349	3,349
Miscellaneous			10	10
Total Receipts, Budgetary Basis	<u>293,487</u>	<u>305,356</u>	<u>332,869</u>	<u>27,513</u>
Expenditures:				
Health and Welfare	346,093	357,962	244,000	113,962
Capital Outlay	20,000	20,000	3,046	16,954
Total Expenditures, Budgetary Basis	<u>366,093</u>	<u>377,962</u>	<u>247,046</u>	<u>130,916</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	161,720	<u>\$ 161,720</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			8,469	
Add: Current Year Outstanding Warrants			10,723	
Ending Cash Balance			<u>\$ 180,912</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, 2004**

Official Depository Accounts	Beginning Cash Balances July 1, 2003	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
#2 County Treasurer Interest Earned	\$	\$ 17,818	\$ 17,818	\$	\$
#3 County Clerk	23,386	314,671	314,461		23,596
#4 Court Clerk District Court	1,968,974	1,428,286	3,196,139	295	201,416
#5 Court Clerk Revolving	32,533	23,352	30,508		25,377
#6 Agri-Plex	13,306	143,729	133,287		23,748
#7 County Sheriff Fees	1,315	4,699	5,724		290
#8 County Sheriff Bond Money		42,507	42,507		
#9 County Sheriff Self Defense	325	1,125	1,350		
#10 County Health		20,294	20,294		100
#12 County Treasurer Trust	13,140	308,301	282,792	474	39,123
#13 Court Clerk Court Fund	91,517	671,219	627,147	1,858	137,447
#14 Election	88	35,941	29,945	760	6,844
#16 County Treasurer Motor Vehicle		23,730	23,730		
#17 County Treasurer Delinquent Personal		3,008	3,008		
#18 County Clerk Mech Lien	10,461	114			10,575
#19 District Attorney Restitution and Diversion Fees	4,825	11,534	11,656		4,703
#20 District Attorney Narcotics Enforcement	660	71,754	67,709	129	4,834
#21 District Attorney Child Support	43				43
#22 District Attorney Victim Witness Fee	1,554				1,554
#23 District Attorney Court Ordered Restitution	8,395	78,721	96,099	20,652	11,669
#24 County Treasurer Farm Implement		360	360		
#25 District Attorney State's Witness	493	5,250	5,835	113	21
#26 District Attorney VOCA Grant		8,355			8,355
#30 County Assessor Fees	1,745	9,817	11,030		532
#31 District Attorney Drug Task Force		142,387	135,730	6	6,663
#32 District Attorney Trust	58,254	13,541	28,179		43,616
#33 District Attorney Restitution	59,057	473,125	489,447	3,349	46,084
#34 District Attorney Incarceration Fees	819	429			1,248
#35 District Attorney VOCA Grant		27,754	27,754		
#36 Drug Court	31,097	16,118	43,584		3,631
Total Official Depository Accounts	<u>\$ 2,321,987</u>	<u>\$ 3,897,939</u>	<u>\$ 5,646,093</u>	<u>\$ 27,636</u>	<u>\$ 601,469</u>

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

Notes to the Financial Statements

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.

Summary of Significant Accounting Policies (continued)

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

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

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

E. Cash and Investments

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

F. Risk Management

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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability	The County participates in a public entity risk pool - Association of County Commissioners of Oklahoma-Self-Insured Group (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.
- Torts		
- Errors and Omissions		
- Law Enforcement Officers Liability		
- Vehicle		
Physical Plant		
- Theft		
- Damage to Assets		
- Natural Disasters		

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Worker's Compensation - Employees' Injuries	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Health and Life - Medical - Disability - Dental - Life	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 \$50,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance to cover claims that exceed the pool's risk retention limits up to \$1,000,000. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

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

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.

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

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.

Summary of Significant Accounting Policies (continued)

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 \$4,109,198 and the bank balance was \$4,185,300. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

B. Description of Funds

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.

Detailed Notes on Funds and Account Balances (continued)

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 2004.

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.

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.

Detailed Notes on Funds and Account Balances (continued)

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 2004.

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.

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.

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 County 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.

Detailed Notes on Funds and Account Balances (continued)

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

2001 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.

2003 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.

#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.

Detailed Notes on Funds and Account Balances (continued)

#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.

#17 County Treasurer Delinquent Personal – accounts for the collection of back personal taxes held in trust till paid in full and apportioned to the proper tax year.

#18 County Clerk Mech Lien – accounts for lien collections and disbursements as restricted by statutes.

#19 District Attorney Restitution and Diversion Fees - collections are from defendants that entered into 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.

Detailed Notes on Funds and Account Balances (continued)

#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.

#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 disbursement 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.

Detailed Notes on Funds and Account Balances (continued)

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2003, was approximately \$126,107,902.

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, 2004, were approximately 96.71 percent of the tax levy.

D. Pension Plan

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

Detailed Notes on Funds and Account Balances (continued)

E. Capital Leases

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

F. 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.

**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***



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
PONTOTOC COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Pontotoc County, Oklahoma, as of and for the year ended June 30, 2004, 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, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2004-1.

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

Compliance and Other Matters

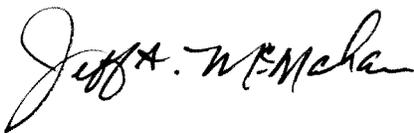
As part of obtaining reasonable assurance about whether Pontotoc County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain additional matter that we reported to management of Pontotoc County and is included in Section 2 of the schedule of findings, contained within this report.

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

This report is intended solely for the information and use of the management of the County and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

October 18, 2004

Schedule of Findings

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 2004-1 - Segregation of Duties (Repeat Finding)

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

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

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

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

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

Criteria: Title 19 O.S. 2001, § 178.1 states, "The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Two Hundred Fifty Dollars (\$250.00), and therefore maintain or cause 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
JUNE 30, 2004**

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, 2004
(UNAUDITED)**

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Centerpoint Energy	\$ 10,896,348	8.64%
Southwestern Bell	4,056,164	3.22%
OG&E	3,770,737	2.99%
Solo Cup Company	3,010,994	2.39%
Holnam Inc.	2,774,710	2.20%
General Motors	1,848,396	1.47%
Wal-Mart	1,558,949	1.24%
Williams Pipeline Company	1,492,050	1.18%
Seaway Crude Pipeline	1,387,918	1.10%
Flex-N-Gate Oklahoma LLC	1,204,142	0.95%
Total	<u>\$ 32,000,408</u>	<u>25.38%</u>

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

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

Total net assessed value as of January 1, 2003		<u>\$ 126,107,902</u>
Debt limit - 5% of total assessed value		6,305,395
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	-
Legal debt margin		<u>\$ 6,305,395</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, 2004
(UNAUDITED)**

	2004
Estimated population	35,143
Net assessed value as of January 1, 2003	\$ 126,107,902
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, 2004
 (UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2003	\$20,378,821	\$29,495,109	\$85,005,627	\$8,771,655	\$126,107,902	\$1,007,285,173