

COUNTY AUDIT

BEAVER COUNTY

For the fiscal years ended June 30, 2009 and June 30, 2010



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**BEAVER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2010**

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Oklahoma State Auditor & Inspector

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April 25, 2011

TO THE CITIZENS OF
BEAVER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Beaver County, Oklahoma for the fiscal years ended June 30, 2009 and June 30, 2010. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

**BEAVER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2010**

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**BEAVER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2010**

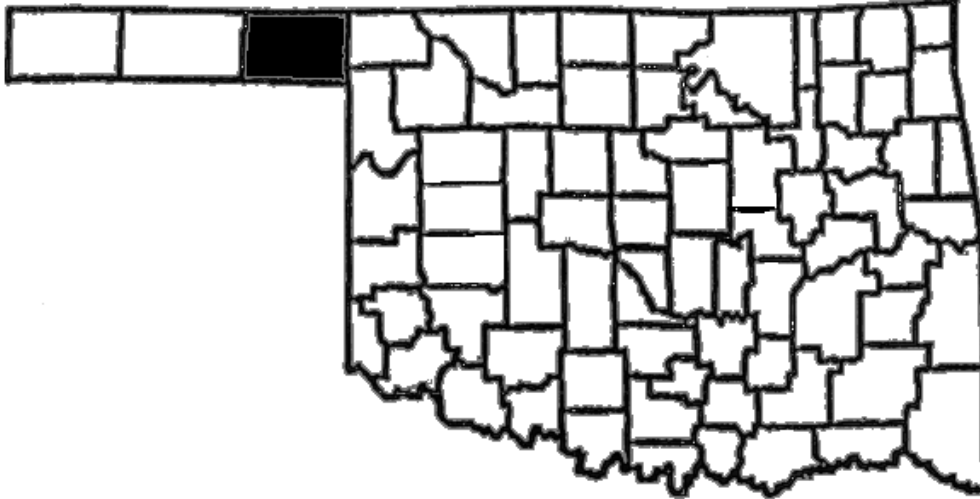
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**REPORT TO THE CITIZENS
OF
BEAVER COUNTY, OKLAHOMA**



Located in the Oklahoma Panhandle, present-day Beaver County was created from the eastern one-third of that area. Named for Beaver River, this county comprised the entire panhandle prior to statehood.

Bordered on the north by Kansas and the south by Texas, Beaver County was crossed by the Jones and Plummer Trail. Established around 1874, this trail served first as a supply route and then a cattle trail between Texas and Kansas.

The local economy is based on agriculture and cattle and is supplemented by the oil and gas industry.

County Seat - Beaver

Area – 1,817.58 Square Miles

County Population - 5,380
(2007 est.)

Farms - 952

Land in Farms - 1,128,871 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor's report.

**BEAVER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2010**

COUNTY ASSESSOR

Dayla Sue Pugh

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

Karen Schell

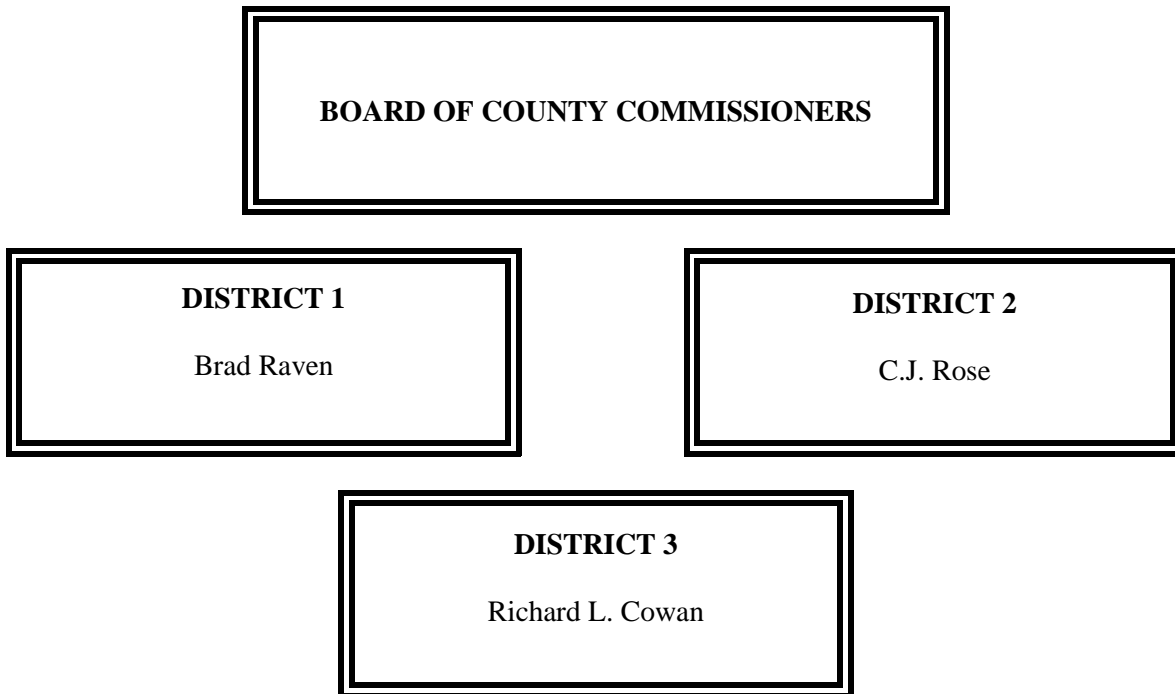
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**BEAVER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2010**



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.

**BEAVER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2010**

COUNTY SHERIFF

Reuben Parker Jr.

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

Mechille Pester

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.

See independent auditor's report.

**BEAVER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2010**

COURT CLERK

Sharon Raven

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.

DISTRICT ATTORNEY

James M. Boring

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.

**BEAVER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2010**

ELECTION BOARD SECRETARY

Vera Floyd

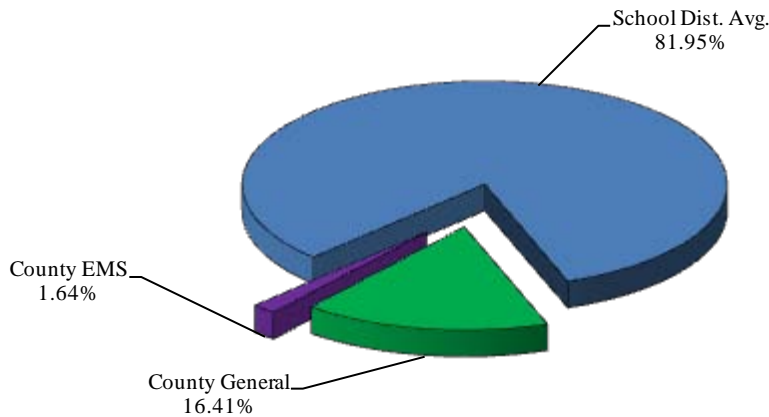
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

**BEAVER COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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.

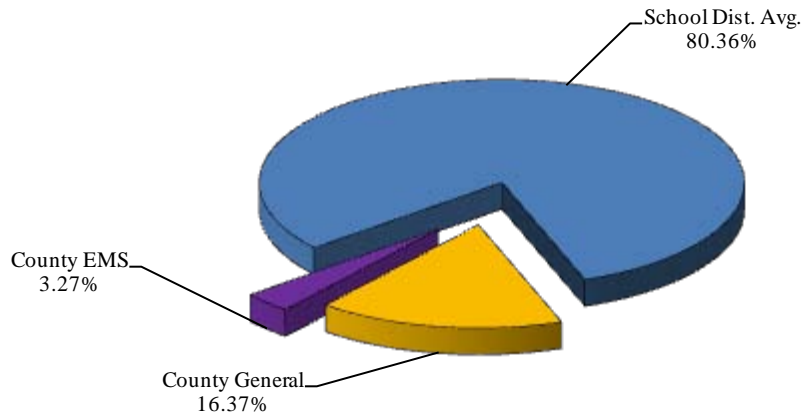


<u>County-Wide Millages</u>		<u>School District Millages</u>						
				<u>Gen.</u>	<u>Bldg.</u>	<u>Skg.</u>	<u>Common</u>	<u>Total</u>
County General	10.00							
County EMS	1.00	Beaver	I-22	35.00	5.00	4.96	4.00	48.96
		Balko	I-75	35.00	5.00		4.00	44.00
		Forgan/Knowles	I-123	35.00	5.00	2.45	4.00	46.45
		Turpin	I-128	35.00	5.00	8.01	4.00	52.01
		Laverne	JT-1	35.00	5.00	4.35	4.00	48.35
		Shattuck	JT-42	35.00	5.00	15.81	4.00	59.81

See independent auditor's report.

**BEAVER COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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.	Common	Total
County General	10.00							
County EMS	2.00							
		Beaver	I-22	35.00	5.00	6.14	4.00	50.14
		Balko	I-75	35.00	5.00		4.00	44.00
		Forgan/Knowles	I-123	35.00	5.00		4.00	44.00
		Turpin	I-128	35.00	5.00	7.68	4.00	51.68
		Laverne	JT-1	35.00	5.00	4.15	4.00	48.15
		Shattuck	JT-42	35.00	5.00	12.51	4.00	56.51

See independent auditor's report.

**BEAVER COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Total net assessed value as of January 1, 2008		<u>\$ 117,175,404</u>
Debt limit - 5% of total assessed value		5,858,770
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 5,858,770</u>

See independent auditor's report.

**BEAVER COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

Total net assessed value as of January 1, 2009		<u>\$ 123,004,986</u>
Debt limit - 5% of total assessed value		6,150,249
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 6,150,249</u>

See independent auditor's report.

**BEAVER COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

	2009
Estimated population	5,380
Net assessed value as of January 1, 2008	\$ 117,175,404
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

BEAVER COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

	2010
Estimated population	5,380
Net assessed value as of January 1, 2009	\$ 123,004,986
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**BEAVER COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(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>
1/1/2008	\$44,221,365	\$32,871,690	\$41,468,813	\$1,386,464	\$117,175,404	\$792,348,707

See independent auditor's report.

**BEAVER COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2009	\$47,581,235	\$34,162,717	\$42,596,689	\$1,335,655	\$123,004,986	\$832,910,678

See independent auditor's report.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Independent Auditor's Report

TO THE OFFICERS OF
BEAVER COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Beaver County, Oklahoma, as of and for the fiscal years ended June 30, 2009 and June 30, 2010, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Beaver County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Beaver County as of June 30, 2009 and June 30, 2010, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Beaver County for the fiscal years ended June 30, 2009 and June 30, 2010, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2011, on our consideration of Beaver County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

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

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

March 31, 2011

Basic Financial Statement

**BEAVER COUNTY, OKLAHOMA
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 (WITH COMBINING INFORMATION)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Beginning Cash Balances July 1, 2008	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2009
Combining Information:				
County General Fund	\$ 1,952,080	\$ 2,304,178	\$ 2,171,814	\$ 2,084,444
Highway Cash	3,543,062	5,767,549	6,298,570	3,012,041
Resale Property	35,024	15,815	12,893	37,946
Treasurer Mortgage Tax Certification Fee	4,446	900	992	4,354
County Clerk Lien Fee	31,256	31,000	21,477	40,779
County Clerk Records Preservation Fee	41,109	20,282	16,591	44,800
Assessor Revolving Fee	3,020	3,156	999	5,177
Sheriff Service Fee	83,970	102,328	105,461	80,837
Emergency Management	16,822	4,095	471	20,446
County Hospital Sales Tax	62,076	677,044	703,233	35,887
County Health Sales Tax	47,100	6,646	11,430	42,316
General Use Sales Tax	783,061	207,111		990,172
Beaver County Library	20,839	169	11,324	9,684
Local Emergency Planning Committee Grant	12,881	2,000	6,233	8,648
Library State Aid Grant 950	1,082	18,467	16,891	2,658
Library Continuing Education Grant		877	877	
Balko Fire REAP Grant		12,071	12,071	
Town of Turpin REAP Grant		49,999	49,999	
Safety Award Cash		10,000	10,000	
Combined Total--All County Funds	\$ 6,637,828	\$ 9,233,687	\$ 9,451,326	\$ 6,420,189

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

**BEAVER COUNTY, OKLAHOMA
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 (WITH COMBINING INFORMATION)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Beginning Cash Balances July 1, 2009	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2010
Combining Information:				
County General Fund	\$ 2,084,444	\$ 2,189,082	\$ 2,101,885	\$ 2,171,641
Highway Cash	3,012,041	5,260,505	5,669,914	2,602,632
Resale Property	37,946	15,730	13,946	39,730
Treasurer Mortgage Tax Certification Fee	4,354	1,015	453	4,916
County Clerk Lien Fee	40,779	24,978	13,994	51,763
County Clerk Records Management Preservation Fee	44,800	18,941	32,594	31,147
Assessor Revolving Fee	5,177	2,540	1,828	5,889
Sheriff Service Fee	80,837	74,678	68,073	87,442
Emergency Management	20,446	4,385	4,945	19,886
County Hospital Sales Tax	35,887	591,553	587,205	40,235
County Health Sales Tax	42,316	7,435	9,664	40,087
General Use Sales Tax	990,172	136,889	187,569	939,492
Beaver County Library	9,684	65	112	9,637
Local Emergency Planning Committee Grant	8,648	4,766	4,149	9,265
Library State Aid Grant 950	2,658	16,540	17,545	1,653
Library Automation Grant		1,000	1,000	
Littering Reward Cash Fund		100		100
Combined Total--All County Funds	\$ 6,420,189	\$ 8,350,202	\$ 8,714,876	\$ 6,055,515

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

**BEAVER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2010**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Beaver County, Oklahoma. The financial statement referred to includes only the primary government of Beaver County, Oklahoma, and does not include financial information for any of the primary government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

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

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

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

Highway Cash - 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.

Treasurer Mortgage Tax Certification Fee - accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by statute.

County Clerk Lien Fee - accounts for lien collections and disbursements as restricted by statute.

**BEAVER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2010**

County Clerk Records Preservation Fee - accounts for fees collected for instruments filed in the County Clerk's office as restricted by statute for preservation of records.

Assessor Revolving Fee – accounts for the collection of fees for copies restricted by state statute.

Sheriff Service Fee - accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

Emergency Management – accounts for the collection of grant money to be disbursed for the purpose of Homeland Security by Beaver County.

County Hospital Sales Tax – accounts for the collection of sales tax and disbursement of funds used for general operations of the county hospital.

County Health Sales Tax – accounts for sales tax monies collected on behalf of the county health facility to be used to fund the operations.

General Use Sales Tax – accounts for taxes collected and will be disbursed for future capital improvements.

Beaver County Library – accounts for donations to be used for special projects for the county library.

Local Emergency Planning Committee Grant – accounts for money collected from dues paid by oil companies for local emergency planning and related issues.

Library State Aid Grant 950 – accounts for grant monies to be used to improve library service.

Library Continuing Education Grant – accounts for grant monies to be used by a library employee to attend a conference.

Balko Fire REAP Grant – accounts for grant money used to update firefighting equipment and turn out gear.

Town of Turpin REAP Grant – accounts for grant money used for overlay on the streets of Turpin.

Safety Award Cash – accounts for funds received from ACCO for a drawing between the counties of Oklahoma to disburse to county employees for safety awards.

Library Automation Grant – accounts for grant money used for an automation system to replace and update the current program.

**BEAVER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2010**

Littering Reward Cash Fund – accounts for a percentage of fines imposed for littering in accordance with Title 21 § 1753.3 and § 1761.1 of the Oklahoma Statutes. The money is used to pay rewards for the arrest and conviction or for evidence leading to the arrest and conviction of any person who violates the provisions of the afore mentioned sections and to offset the cost of any special enforcement programs originated by any law enforcement agency responsible for the arrest or prosecution of any person who violates the provisions of Title 21 § 1753.3 and § 1761.1 of the Oklahoma Statutes.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including school districts and emergency medical service districts. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

C. Basis of Accounting

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

D. Budget

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

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

E. Cash

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

**BEAVER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2010**

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

F. Investments

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

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

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

G. Compensated Absences

Vacation time is intended to benefit the employee, and employees are encouraged to take vacations on a regular basis. Regular permanent employees shall be entitled to vacation leave based on the following schedule:

Personnel hired after January 1, of any given year, will accrue vacation time at 6 hours per month, beginning with the first full calendar month of employment until January 1 of the following year, at which time they will be eligible for their full vacation leave. Employees' vacation time starts over on January 1 every year. Leave accrual is no longer based on the employees' hire date. Unused vacation accrued is paid upon termination of employment.

**BEAVER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2010**

Accrual Rates for Highway Employees Working 8 Hour Days		
Years of Service	Annual Leave	Accumulation Limits
0-Less than 5 Years on Jan. 1	80 Hours	80 Hours
5-Less than 10 Years on Jan. 1	96 Hours	96 Hours
10-Less than 20 Years on Jan. 1	120 Hours	120 Hours
20 & Over Years	160 Hours	160 Hours
Accrual Rates for Courthouse Employees Working 7 Hour Days		
Years of Service	Annual Leave	Accumulation Limits
0-Less than 5 Years on Jan. 1	70 Hours	70 Hours
5-Less than 10 Years on Jan. 1	84 Hours	84 Hours
10-Less than 20 Years on Jan. 1	105 Hours	105 Hours
20 & Over Years	140 Hours	140 Hours

Accrual Rates for Courthouse Employees Working 6 Hour Days		
Years of Service	Annual Leave	Accumulation Limits
0-Less than 5 Years on Jan. 1	60 Hours	60 Hours
5-Less than 10 Years on Jan. 1	72 Hours	72 Hours
10-Less than 20 Years on Jan. 1	90 Hours	90 Hours
20 & Over Years	120 Hours	120 Hours

Vacation leave must be earned before it is taken. No vacation will be longer than 10 consecutive working days without permission of the appropriate elected official.

All County personnel employed on January 1, 2005, are entitled annually to 96 hours of sick leave. Personnel hired after January 1, 2005, accrue 8 hours per month, beginning with the first full calendar month of employment until January 1 of the following year, at which time they will be eligible for their full 96 hours. Sick leave is allowed to accrue from one year to the next (not to exceed 960 hours). After an employee has reached the maximum accumulated sick leave of 960 hours as set out above, said employee may use a portion of such sick leave for annual leave, said portion not to exceed 5 days annually. Sick leave is not paid upon termination of employment.

2. Ad Valorem Tax

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

**BEAVER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2010**

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, 2008, was approximately \$117,175,404.

The County levied 10.00 mills (the legal maximum) for general fund operations, and 1 mill for county emergency medical service. In addition, the County collects the ad valorem taxes assessed by school districts and remits the ad valorem taxes collected to the appropriate taxing units.

The assessed property value as of January 1, 2009, was approximately \$123,004,986.

The County levied 10.00 mills (the legal maximum) for general fund operations, and 2 mills for county emergency medical service. In addition, the County collects the ad valorem taxes assessed by school districts and remits the ad valorem taxes collected to the appropriate taxing units.

On November 10, 2009, the voters of Beaver County passed a proposition to levy an ad valorem tax of 2 mills on the assessed valuation of taxable property situated in the County for the purpose of continued funding and maintenance of the Beaver County Emergency Medical Service, to be levied for the fiscal year 2009-2010 and each fiscal year thereafter until the Authority therefore shall be repealed by the voters of Beaver County.

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, 2009, were approximately 99.26 percent of the tax levy.

Current year tax collections for the year ended June 30, 2010, were approximately 98.60 percent of the tax levy.

3. Fuel Tax

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

**BEAVER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2010**

4. Risk Management

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

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers' Liability • Vehicle 	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 		
Employee <ul style="list-style-type: none"> • 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 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 member chooses a deductible amount (\$10,000, \$25,000, or \$50,000). The County has chosen a \$10,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the County's deductible amount. The pool has acquired specific excess insurance with retention limits of \$250,000 for property claims and \$500,000 for general liability claims. The pool has acquired reinsurance in the amount of \$2,000,000 for general liability and \$50,000,000 per occurrence for property to cover claims that exceed the pool's retention limits. If claims exceed pool assets, the County could be liable for its share of the pool's deficit. 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. 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.

**BEAVER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2010**

5. Long-term Obligations

Capital Leases

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

6. Pension Plan

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

Funding Policy for fiscal year ended June 30, 2009. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 9.5% and 14.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 14.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2009, 2008, and 2007, were \$363,004, \$324,347, and \$282,827, respectively, equal to the required contributions for each year.

Funding Policy for fiscal year ended June 30, 2010. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 10.5% and 15.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 15.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2010, 2009, and 2008, were \$389,165, \$363,004 and \$324,347, respectively, equal to the required contributions for each year.

**BEAVER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2010**

2.5% Step-Up. Members have the option to elect to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service.

7. Other Post Employment Benefits (OPEB)

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

8. Contingent Liabilities

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

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

9. Sales Tax

The voters of Beaver County approved a one-cent sales tax effective April 1, 2003. This sales tax expires April 1, 2009. The sales tax is distributed among the following entities; OSU Extension office (12%), Free Fair (15%), Health Department (15%), County Library (10%), City Transit Bus (1.3%), Rural Fire (10.4%), general use (19.3%), Rural Economic Development (1%), Courthouse Maintenance and Operation (10%), and Senior Citizens (6%).

On November 18, 2003, the voters of Beaver County approved a continuation of a 1% sales tax for the general support of Beaver County Memorial Hospital Authority. This sales tax will expire February 1, 2011.

On November 4, 2008, the voters of Beaver County approved a one-cent sales tax to begin April 1, 2009. This sales tax will expire April 1, 2015. The sales tax is distributed among the following entities: OSU Extension Office (11%), Free Fair (15%), Health Department (15%), County Library (10%), City Transit Bus (1.3%), Rural Fire (10.4%), general use (19.3%), Rural Economic Development (1%), Jones and Plummer Trail Museum (1%), Courthouse Maintenance and Operation (10%) and Senior Citizens (6%).

OTHER SUPPLEMENTARY INFORMATION

BEAVER COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 1,952,080	\$ 1,952,080	\$ 1,952,080	\$ -
Less: Prior Year Outstanding Warrants	(125,179)	(125,179)	(125,179)	
Less: Prior Year Encumbrances	(64,659)	(64,659)	(25,854)	38,805
Beginning Cash Balances, Budgetary Basis	<u>1,762,242</u>	<u>1,762,242</u>	<u>1,801,047</u>	<u>38,805</u>
Receipts:				
Ad Valorem Taxes	1,065,231	1,065,231	1,154,126	88,895
Charges for Services	121,438	121,438	145,974	24,536
County Sales Tax	522,965	545,682	676,168	130,486
Intergovernmental Revenues	113,857	113,857	125,069	11,212
Miscellaneous Revenues	196,091	235,843	202,841	(33,002)
Total Receipts, Budgetary Basis	<u>2,019,582</u>	<u>2,082,051</u>	<u>2,304,178</u>	<u>222,127</u>
Expenditures:				
District Attorney	<u>2,250</u>	<u>2,250</u>	<u>2,217</u>	<u>33</u>
County Sheriff	<u>468,367</u>	<u>468,454</u>	<u>455,730</u>	<u>12,724</u>
County Treasurer	<u>125,248</u>	<u>125,248</u>	<u>123,801</u>	<u>1,447</u>
County Commissioners	<u>25,001</u>	<u>25,001</u>	<u>460</u>	<u>24,541</u>
OSU Extension	<u>266,245</u>	<u>267,078</u>	<u>68,469</u>	<u>198,609</u>
County Clerk	<u>166,351</u>	<u>166,351</u>	<u>166,265</u>	<u>86</u>
Court Clerk	<u>97,665</u>	<u>121,797</u>	<u>121,797</u>	<u>-</u>
County Assessor	<u>111,421</u>	<u>111,421</u>	<u>101,814</u>	<u>9,607</u>
Revaluation of Real Property	<u>93,688</u>	<u>93,688</u>	<u>87,450</u>	<u>6,238</u>
General Government	<u>565,907</u>	<u>580,505</u>	<u>519,836</u>	<u>60,669</u>
Excise-Equalization Board	<u>3,900</u>	<u>3,900</u>	<u>3,229</u>	<u>671</u>
County Election Board	<u>55,219</u>	<u>56,155</u>	<u>51,712</u>	<u>4,443</u>
Charity	<u>4,000</u>	<u>4,000</u>	<u>1,852</u>	<u>2,148</u>

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

**BEAVER COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Library	15,101	15,101	13,794	1,307
Senior Citizens	102,945	102,974	28,004	74,970
Fire Departments	187,554	187,587	81,124	106,463
Rural Economic Development	7,404	7,404	6,198	1,206
Beaver City Bus Transit	11,517	11,517	5,957	5,560
Emergency Management	36,680	36,680	34,647	2,033
General Government Sales Tax	1,009,126	1,029,171	20,717	1,008,454
Audit Budget	11,718	11,718	-	11,718
Free Fair	156,920	158,110	105,406	52,704
Library Sales Tax	78,989	78,989	66,485	12,504
Health Sales Tax	149,314	149,900	120,118	29,782
Hospital Sales Tax	29,294	29,294	29,294	-
Total Expenditures, Budgetary Basis	3,781,824	3,844,293	2,216,376	1,627,917
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	1,888,849	\$ 1,888,849
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			51,693	
Add: Current Year Outstanding Warrants			143,902	
Ending Cash Balance			<u>\$ 2,084,444</u>	

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

BEAVER COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 2,084,444	\$ 2,084,444	\$ 2,084,444	\$ -
Less: Prior Year Outstanding Warrants	(143,902)	(143,902)	(143,902)	
Less: Prior Year Encumbrances	(51,693)	(51,693)	(21,080)	30,613
Beginning Cash Balances, Budgetary Basis	<u>1,888,849</u>	<u>1,888,849</u>	<u>1,919,462</u>	<u>30,613</u>
Receipts:				
Ad Valorem Taxes	1,118,227	1,118,227	1,180,550	62,323
Charges for Services	125,381	125,381	118,251	(7,130)
County Sales Tax	540,934	540,934	609,688	68,754
Intergovernmental Revenues	127,579	127,579	143,950	16,371
Miscellaneous Revenues	125,916	170,589	136,643	(33,946)
Total Receipts, Budgetary Basis	<u>2,038,037</u>	<u>2,082,710</u>	<u>2,189,082</u>	<u>106,372</u>
Expenditures:				
District Attorney	1,500	1,500	1,000	500
County Sheriff	432,140	432,140	424,962	7,178
County Treasurer	125,248	124,365	124,145	220
County Commissioners	15,000	15,000	425	14,575
OSU Extension	278,754	278,754	59,674	219,080
County Clerk	162,631	162,631	161,280	1,351
Court Clerk	97,365	121,497	121,497	-
County Assessor	109,599	109,598	106,190	3,408
Revaluation of Real Property	100,232	100,232	91,984	8,248
General Government	539,688	554,265	504,185	50,080
Excise-Equalization Board	3,900	3,900	3,372	528
County Election Board	50,747	51,375	46,512	4,863
Charity	4,000	4,000	1,088	2,912

continued on next page

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

**BEAVER COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Library	13,600	13,600	12,973	627
Senior Citizens	117,688	117,688	31,275	86,413
Fire Departments	184,549	184,549	35,850	148,699
Rural Economic Development	7,923	7,923	4,763	3,160
Beaver City Bus Transit	15,845	18,345	7,688	10,657
Museum	691	691	691	-
Emergency Management	38,937	38,937	38,846	91
General Government Sales Tax	1,205,254	1,205,504	66,027	1,139,477
Audit Budget	24,018	24,902	884	24,018
Free Fair	156,578	156,578	82,154	74,424
Library Sales Tax	79,671	79,671	53,725	25,946
Health Sales Tax	130,577	133,163	93,975	39,188
Hospital Sales Tax	30,751	30,751	30,751	-
Total Expenditures, Budgetary Basis	3,926,886	3,971,559	2,105,916	1,865,643
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	2,002,628	\$ 2,002,628
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			27,042	
Add: Current Year Outstanding Warrants			141,971	
Ending Cash Balance			\$ 2,171,641	

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

**BEAVER COUNTY, OKLAHOMA
NOTE TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2010**

Budgetary Schedule

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

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

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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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
BEAVER COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Beaver County, Oklahoma, as of and for the years ended June 30, 2009 and June 30, 2010, which comprises Beaver County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 31, 2011. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. 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 Beaver County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting. 2009-1 and 2010-1

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. 2009-2, 2009-7, 2010-2, and 2010-11

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beaver County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Beaver County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Beaver County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Beaver County's response and, accordingly, we express no opinion on it.

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

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

March 31, 2011

**BEAVER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2010**

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 2009-1 – 2010-1 - Segregation of Duties (Repeat Finding)

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Condition: The County Treasurer has three full-time deputies. While the Treasurer has implemented several controls, employees that issue receipts, also prepare the deposit and/or take the deposit to the bank, as well as balance cash drawers.

Effect: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Views of responsible officials and planned corrective actions: We concur with the Auditor's comments. The Treasurer is aware of this condition and has assigned each employee segregated duties within the office.

Finding 2009-2 – 2010-2 - Revenue Codes for Miscellaneous Receipts (Repeat Finding)

Criteria: Effective internal controls include that reporting information be complete and accurate to provide detailed information of account activity.

Condition: While testing cash receipts, using ACL, it was noted that the Treasurer's office had improperly coded several revenue sources on miscellaneous receipts. The Treasurer's office miscoded \$376,049.65 for fiscal year 2009 and \$404,431.10 for fiscal year 2010 in miscellaneous receipts resulting in receipts that could not be identified to a specific source.

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Effect: This could result in inconsistent recording of revenues and financial reporting that provides insufficient detail for management decision making.

Recommendation: OSAI recommends the County in conjunction with the County Treasurer, develop source codes for all material revenue sources so that reporting information is complete and accurate to provide detailed account information.

Views of responsible officials and planned corrective actions: The Treasurer is aware of this condition and has changed receipts to be coded in a more specific manner.

Finding 2009-7 – 2010-11 - Footnote Disclosures (Repeat Finding)

Criteria: The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. Statement on Auditing Standards (SAS) No. 115 indicates that a control deficiency exists when management does not have adequate expertise to apply accounting principles to the financial statements or to review financial statements prepared on their behalf by others to ensure they are prepared in accordance with these principles. Professional audit standards preclude the external financial statement auditor from performing any part of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

Condition: Internal controls have not been developed to prevent or detect misstatements in a timely manner or to ensure all required disclosures are presented with the financial statement.

Effect: The potential exists for misstatements to go undetected, specifically for the completeness of financial statement disclosures.

Recommendation: OSAI recommends the County consider one or more of the following controls:

- Having at least one staff member with sufficient skills necessary to understand the application of accounting principles in regards to the preparation of financial statements.
- Contract an outside firm or individual to review or prepare the financial statements and accompanying notes to the financial statements to ensure appropriate disclosures are presented.

Views of responsible officials and planned corrective actions: We concur with the Auditor's comments and are aware of pending legislation regarding audits of financial statement for county governments, and we will consider contacting our budget maker to assist us with preparing financial statements and footnotes.

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

Finding 2009-3 – 2010-3 - Sheriff’s Commissary Account (Repeat Finding)

Criteria: Title 19 O.S. §180.43.D. states in part:

Each county sheriff may operate, or contract the operation of, a commissary for the benefit of persons lawfully confined in the county jail under the custody of the sheriff. Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff’s Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff’s Commissary Account for administering expenses for training equipment, travel or capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later the January 15 of each year. The State Auditor and Inspector shall conduct an audit of the report in the same manner as other public records of the county....

Condition: The Sheriff’s Commissary Account was not established as a cash fund on the Treasurer’s general ledger or as a cash fund separated from the Sheriff Cash Fund.

Effect: When commissary funds are deposited into the service fee account instead of the required Sheriff’s Commissary Account and the annual report is not prepared or filed, improper use of funds could occur and statute is being violated.

Recommendation: OSAI recommends management be aware of these conditions and realize that statute is being violated and implement procedures to establish the commissary fund as required.

Views of responsible officials and planned corrective actions: Beginning with fiscal year 2012, the Sheriff Commissary account will be removed from the Sheriff Cash Fund, and be given a fund within itself. Annual reports will also be provided no later than January 15th of each year.

Finding 2010-7 – Sheriff - Commissary Fund

Criteria: Title 19 O.S. § 180.43.D. states in part:

Each county sheriff may operate, or contract the operation of, a commissary for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. Any funds received pursuant to said operations shall be the funds of the county

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where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no compensation for the operation of said commissary...

Condition: The Beaver County Sheriff's Office transferred profit from commissary sales into the Sheriff Cash – Commissary Line of the Sheriff Cash Account rather than the required Sheriff Commissary Account.

Effect: When commissary funds are deposited into the Sheriff Cash Account instead of the Commissary Account, improper use of funds could occur.

Recommendation: OSAI recommends the County Sheriff implement policies and procedures to ensure the commissary funds are deposited correctly into the Sheriff Commissary Account as required by 19 O.S. §180.43D.

Views of responsible officials and planned corrective actions: Beginning with fiscal year 2012, the Sheriff Commissary account will be removed from the Sheriff Cash fund and be given a fund within itself, therefore, prohibiting the transfer to any other Sheriff Cash Fund.

Finding 2010-8 – Sheriff – Inmate Trust Account – Segregation of Duties and Reconciliation of Bank Account

Criteria: Accountability and stewardship are overall goals in the evaluation of management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated. Additionally, someone other than the person reconciling bank statements should review and approve them.

Condition: Based upon inquiries of County personnel and test work performed, it was noted that the duties of receiving, receipting, recording, and depositing collections were not adequately separated. There does not appear to be any type of approval with initials of a supervisor or officer that the reconciliation of bank statements are reviewed and correct nor any initials stating who performed the reconciliation.

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

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

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Views of responsible officials and planned corrective actions: The Sheriff or Under Sheriff will take deposits to segregate from the Secretary, whom reconciles bank statement duties.



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