

COUNTY AUDIT

JEFFERSON COUNTY

For the fiscal year ended June 30, 2006



*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

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

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Oklahoma State Auditor & Inspector

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

March 3, 2011

TO THE CITIZENS OF
JEFFERSON COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive.

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

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

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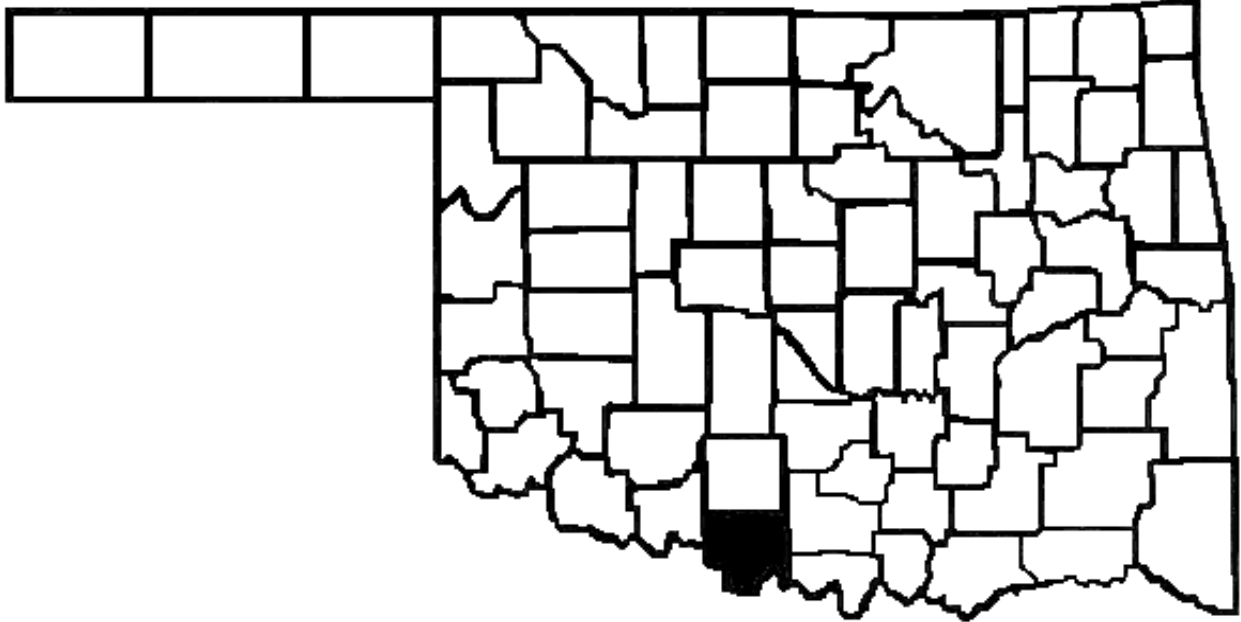
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**REPORT TO THE CITIZENS
OF
JEFFERSON COUNTY, OKLAHOMA**



Named for President Thomas Jefferson, this county was created from a portion of Comanche County in Oklahoma Territory and the southwestern corner of the Chickasaw Nation. A marker on S.H. 70 in Waurika, the county seat, designates the 98th Meridian, the dividing line between Indian Territory and Oklahoma Territory.

Waurika, meaning “camp of clear water,” was built at the junction of Beaver and Cow creeks, and is the site of Waurika Lake. Ringling was named for John Ringling, who built a railroad on this site to bring his circus to the area for its winter headquarters. Ryan is the site of the Jefferson County Courthouse, built in 1894 by the Chickasaw Nation. Landmarks include the Rock Island Railroad Depot built in 1912, and Monument Hill Marker, honoring the Chisholm Trail and its trail drivers.

Although an industrial base has been established, cattle, oil, and agriculture are still the leading sources of income. Annual events include the Waurika Volunteer Firemen Rattlesnake Hunt, the Waurika Art Show, and the Terral Melon Jubilee.

The Chisholm Trail Historical Association is located in Waurika, and two publications, *A History of Jefferson County* and *Post Offices in Jefferson County*, offer written historical accounts. For more information, call the county clerk’s office at 580/228–2029.

County Seat – Waurika

Area – 773.83 Square Miles

County Population – 6,460
(2004 est.)

Farms – 483

Land in Farms – 407,194 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor’s report.

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

COUNTY ASSESSOR
Teresa Tallon

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
Doris Pilgreen

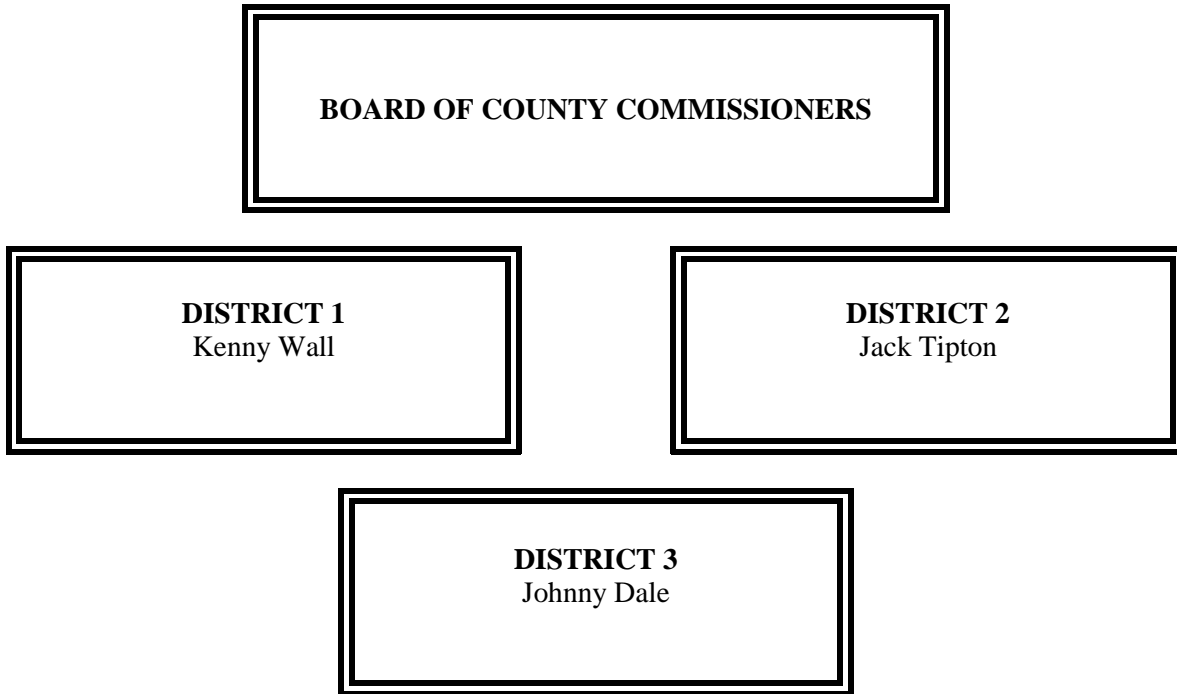
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

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



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.

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

COUNTY SHERIFF
Michael Bryant

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
Vickie Behrens

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.

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

COURT CLERK
Linda Graham

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
Gene Christian

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.

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

ELECTION BOARD SECRETARY
Tammy Richardson

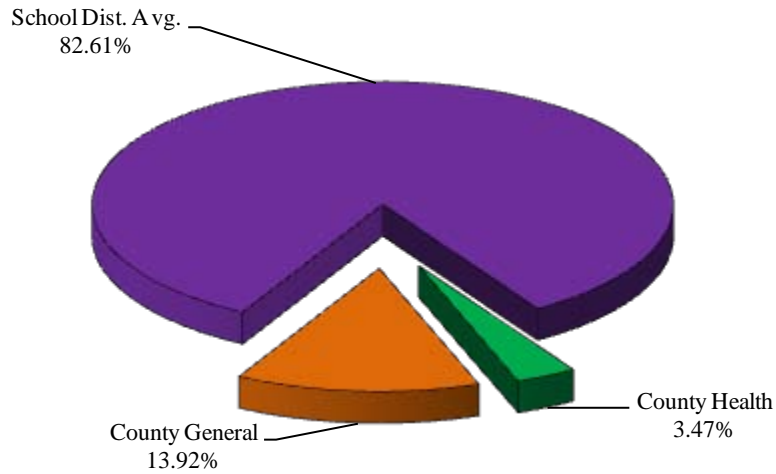
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

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



County-Wide Millages		School District Millages										
				Gen.	Bldg.	Skg.	Career Tech 19 Gen.	Career Tech 19 Bldg.	Career Tech 20 Gen.	Career Tech 20 Bldg.	Common	Total
County General	10.54											
County Health	2.63	Ryan	I-1	36.52	5.22						4.21	45.95
		Terral	I-3	36.34	5.19		10.45	2.09			4.21	58.28
		Ringling	I-14	37.87	5.41				8.65	2.16	4.21	58.30
Cities and Towns		Waurika	23A	36.61	5.23		10.45	2.09			4.21	58.59
Waurika Sinking	7.61	Waurika	23B	36.61	5.23		10.45	2.09			4.21	58.59
		Comanche	JT2	36.05	5.15	20.22	10.45	2.09			4.21	78.17
Other		Healdton	JT55	35.00	5.00	20.79			8.65	2.16	4.21	75.81
EMS, SD 14	3.25	Grandview	JT82	35.00	5.00		10.45	2.09			4.21	56.75
EMS, SD 23	3.14	Temple	JT101	37.12	5.30	13.27	10.45	2.09			4.21	72.44
EMS, SD JT55	3.00											

See independent auditor's report.

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

Total net assessed value as of January 1, 2005		<u>\$ 28,107,907</u>
Debt limit - 5% of total assessed value		1,405,395
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 1,405,395</u>

See independent auditor's report.

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

	2006
Estimated population	6,460
Net assessed value as of January 1, 2005	\$ 28,107,907
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.

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2005	\$2,314,187	\$8,642,858	\$18,654,797	\$1,503,935	\$28,107,907	\$212,565,857

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
JEFFERSON COUNTY, OKLAHOMA

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2011, on our consideration of Jefferson 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, reading "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

March 2, 2011

Basic Financial Statement

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

	Beginning Cash Balances July 1, 2005	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2006
Combining Information:				
County General Fund	\$ 209,106	\$ 722,233	\$ 748,552	\$ 182,787
T-Highway Fund	537,726	1,555,029	1,493,359	599,396
REAP	36,554	121,700	59,943	98,311
County Health	71,723	70,001	95,047	46,677
Resale Property	59,442	22,253	41,879	39,816
Mortgage Certification Fee	3,301	1,735	1,683	3,353
Assessor Visual Inspection	5,242	41	669	4,614
Assessor Revolving	3,279	2,364	2,148	3,495
Sheriff Service Fee	52,876	170,171	172,805	50,242
Sheriff DOC	25,994	133,460	122,442	37,012
Sheriff Drug Abuse	20			20
Sheriff Annex Surplus	668			668
Community Development Block Grant	102	25,650	1,890	23,862
Sheriff's Drug Cash	11			11
INS Account	86			86
Community Service Sentencing Program	365			365
Jefferson County Healthcare	18,199	259,636	256,295	21,540
County Clerk Lien Fee	4,742	4,558	5,145	4,155
County Clerk Preservation	12,258	8,955	8,897	12,316
Sheriff Commissary	2,849	10,524	9,219	4,154
Trash COP	8			8
Domestic Violence Grant	205			205
Juvenile Justice Delinquency Prevention	488			488
Indigent Grant	800			800
Free Fair Special	6,292	700	1,873	5,119
Combined Total -- All County Funds	\$ 1,052,336	\$ 3,109,010	\$ 3,021,846	\$ 1,139,500

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

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

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 Jefferson County, Oklahoma. The financial statement referred to includes only the primary government of Jefferson 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.

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

REAP - accounts for state grant funds received for various projects.

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

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

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

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

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

Assessor Revolving - 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.

Sheriff DOC – accounts for the monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections’ prisoners.

Sheriff Drug Abuse – accounts for donations to be disbursed for drug awareness classes.

Sheriff Annex Surplus – accounts for the surplus of funds from the operation of the Sheriff’s annex.

Community Development Block Grant - accounts for federal grant monies received from the Oklahoma Department of Commerce and disbursements as restricted by the grant agreement.

Sheriff’s Drug Cash – accounts for donations to be disbursed for drug awareness.

INS Account – accounts for the receipt and disbursement of monies for the INS Detention Facility.

Community Service Sentencing Program - accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

Jefferson County Healthcare – accounts for sales tax revenues collected for the planning and construction associated with the Jefferson County Hospital and related facilities.

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

County Clerk Preservation - accounts for fees collected for instruments filed with the Registrar of Deeds as restricted by statute for preservation of records.

Sheriff Commissary – accounts for monies received from inmates for purchase from the County’s commissary and disbursements as restricted by state statutes.

Trash COP – accounts for grant funds received from the State of Oklahoma for the enforcement of trash and litter laws.

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

Domestic Violence Grant – accounts for grant funds received from the U.S. Department of Justice disbursed as restricted by the grant agreement.

Juvenile Justice Delinquency Prevention – accounts for grant funds received from the U.S. Department of Justice disbursed as restricted by the grant agreement.

Indigent Grant – accounts for monies received from ASCOG to aide in funeral expense for the indigent.

Free Fair Special – accounts for revenue derived from the rental of the fair building.

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

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

E. Cash

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

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

F. Investments

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

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

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

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may not be accumulated. Employees with up to 5 years of service earn 10 days per year. Employees exceeding 5 years of service earn 15 days per year. Vacation leave is accrued monthly. Vacation leave is paid upon termination.

Sick leave benefits are accrued at the rate of 1 day per month and employees may accumulate up to 45 days. Sick leave is not paid upon termination.

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

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2005, was approximately \$28,107,907.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.54 mills for general fund operations and 2.63 mills for county health department. In addition, the County collects the ad valorem taxes assessed by cities and towns, school districts, and emergency medical 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.

Current year tax collections for the year ended June 30, 2006, were approximately 95.76 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.

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

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 		

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

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

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

and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 6.5% and 11.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 11.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2006, 2005, and 2004, were \$122,521, \$101,264, and \$107,529, respectively, equal to the required contributions for each year.

2.5% Step-Up. Members have the option 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. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

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

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

9. Sales Tax

The voters of Jefferson County approved a 1% sales tax effective December 1, 1992. The voters approved the tax with no termination date. This sales tax was established to provide revenue to the general operations of the County government, and for support of County Civil Defense, OSU Extension Service, County Law Enforcement, county-wide rural fire protection, and fair board maintenance and operations. The voters also passed a 1% sales tax effective November 1, 2004, for a period of five years. This sales tax was established to provide revenue to the Jefferson County Healthcare Authority for the purpose of planning and construction associated with the Jefferson County Hospital or related medical facilities.

OTHER SUPPLEMENTARY INFORMATION

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 209,106	\$ 209,106	\$ 209,106	\$ -
Less: Prior Year Outstanding Warrants	(35,482)	(35,482)	(35,482)	
Less: Prior Year Encumbrances	(2,235)	(2,235)	(1,991)	244
Beginning Cash Balances, Budgetary Basis	<u>171,389</u>	<u>171,389</u>	<u>171,633</u>	<u>244</u>
Receipts:				
Ad Valorem Taxes	269,325	269,325	274,787	5,462
Charges for Services	28,247	57,382	32,267	(25,115)
Intergovernmental Revenues	317,404	317,404	391,368	73,964
Miscellaneous Revenues	12,980	12,979	23,811	10,832
Total Receipts, Budgetary Basis	<u>627,956</u>	<u>657,090</u>	<u>722,233</u>	<u>65,143</u>
Expenditures:				
District Attorney	1	1		1
Capital Outlay	1	1		1
Total District Attorney	<u>2</u>	<u>2</u>	<u>-</u>	<u>2</u>
County Sheriff	199,999	200,011	199,964	47
Capital Outlay	1			
Total County Sheriff	<u>200,000</u>	<u>200,011</u>	<u>199,964</u>	<u>47</u>
County Treasurer	39,497	39,384	39,096	288
Total County Treasurer	<u>39,497</u>	<u>39,384</u>	<u>39,096</u>	<u>288</u>
OSU Extension	13,899	11,699	9,910	1,789
Capital Outlay	1	2,201	2,196	5
Total OSU Extension	<u>13,900</u>	<u>13,900</u>	<u>12,106</u>	<u>1,794</u>
County Clerk	56,092	55,956	55,944	12
Capital Outlay	1	1		1
Total County Clerk	<u>56,093</u>	<u>55,957</u>	<u>55,944</u>	<u>13</u>
Court Clerk	34,649	60,906	60,906	
Total Court Clerk	<u>34,649</u>	<u>60,906</u>	<u>60,906</u>	<u>-</u>
County Assessor	51,012	50,914	50,516	398
Capital Outlay	1	1		1
Total County Assessor	<u>51,013</u>	<u>50,915</u>	<u>50,516</u>	<u>399</u>

continued on next page

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	67,000	58,000	40,758	17,242
Capital Outlay		5,000	4,638	362
Total Revaluation of Real Property	<u>67,000</u>	<u>63,000</u>	<u>45,396</u>	<u>17,604</u>
General Government	126,651	122,768	86,666	36,102
Capital Outlay	1	5,001	5,000	1
Total General Government	<u>126,652</u>	<u>127,769</u>	<u>91,666</u>	<u>36,103</u>
Excise-Equalization Board	4,100	4,075	3,096	979
Total Excise-Equalization Board	<u>4,100</u>	<u>4,075</u>	<u>3,096</u>	<u>979</u>
County Election Board	48,565	50,323	50,159	164
Capital Outlay	1	1		1
Total County Election Board	<u>48,566</u>	<u>50,324</u>	<u>50,159</u>	<u>165</u>
Insurance	121,581	125,944	115,170	10,774
Total Insurance	<u>121,581</u>	<u>125,944</u>	<u>115,170</u>	<u>10,774</u>
County Purchasing Agent	23,592	23,592	23,561	31
Total County Purchasing Agent	<u>23,592</u>	<u>23,592</u>	<u>23,561</u>	<u>31</u>
Recording Account	3,700	3,700	3,683	17
Total Recording Account	<u>3,700</u>	<u>3,700</u>	<u>3,683</u>	<u>17</u>
County Audit Budget Account	5,000	5,000	4,903	97
Total County Audit Budget Account	<u>5,000</u>	<u>5,000</u>	<u>4,903</u>	<u>97</u>
Free Fair Budget	4,000	4,000	3,977	23
Total Free Fair Budget	<u>4,000</u>	<u>4,000</u>	<u>3,977</u>	<u>23</u>
 Total Expenditures, Budgetary Basis	 <u>799,345</u>	 <u>828,479</u>	 <u>760,143</u>	 <u>68,336</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 <u>\$ -</u>	 133,723	 <u>133,723</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			16,498	
Add: Current Year Outstanding Warrants			<u>32,566</u>	
Ending Cash Balance			<u>\$ 182,787</u>	

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

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

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 71,723	\$ 71,723	\$ 71,723	\$ -
Less: Prior Year Outstanding Warrants	(500)	(500)	(500)	
Less: Prior Year Encumbrances	(615)	(615)	(566)	49
Beginning Cash Balances, Budgetary Basis	<u>70,608</u>	<u>70,608</u>	<u>70,657</u>	<u>49</u>
Receipts:				
Ad Valorem Taxes	67,204	67,204	68,141	937
Charges for Services		1,209	1,212	3
Intergovernmental			583	583
Miscellaneous Revenues			65	65
Total Receipts, Budgetary Basis	<u>67,204</u>	<u>68,413</u>	<u>70,001</u>	<u>1,588</u>
Expenditures:				
Health and Welfare	112,812	104,021	76,473	27,548
Capital Outlay	25,000	35,000	33,022	1,978
Total Expenditures, Budgetary Basis	<u>137,812</u>	<u>139,021</u>	<u>109,495</u>	<u>29,526</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	31,163	<u>\$ 31,163</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			14,062	
Add: Current Year Outstanding Warrants			1,452	
Ending Cash Balance			<u>\$ 46,677</u>	

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

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

Budgetary Schedules

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

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

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE 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

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
JEFFERSON COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Jefferson County, Oklahoma, as of and for the year ended June 30, 2006, which comprises Jefferson County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 2, 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 Jefferson 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2006-1, 2006-5, and 2006-6 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2006-1 and 2006-6 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2006-2.

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

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

This report is intended solely for the information and use of the management of the 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.



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

March 2, 2011

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

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

Finding 2006-1 - Segregation of Duties

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: We noted the following concerns in regards to recording, authorization, custody, and execution of revenue transactions:

County Treasurer's Office:

- The Treasurer performs the duties of opening mail, posting daily receipts to the ledger, and preparing deposits. However, this employee is also performing the duties of issuing receipts and making deposits.
- The 1st Deputy performs the duties of opening mail, posting daily receipts to the ledger, and preparing deposits. However, this employee is also performing the duties of issuing receipts and making deposits.
- The Part-time Deputy performs the duties of opening mail. However, this employee is also performing the duties of issuing receipts.
- All Treasurer's employees receive money and issue receipts from one cash drawer.

County Clerk's Office:

- The County Clerk performs the duties of opening mail, posting daily receipts to the ledger, and preparing deposits. However, this employee is also performing the duties of issuing receipts and making deposits.
- The 1st Deputy performs the duties of opening mail, posting daily receipts to the ledger, and preparing deposits. However, this employee is also performing the duties of issuing receipts and making deposits.

County Sheriff's Office:

- The Sheriff performs the duties of opening mail, posting daily receipts to the ledger, and preparing deposits. However, this employee is also performing the duties of issuing receipts and making deposits.
- The Undersheriff performs the duties of opening mail, posting daily receipts to the ledger, and preparing deposits. However, this employee is also performing the duties of issuing receipts and making deposits.

County Assessor's Office:

- The Assessor performs the duties of opening mail. However, this employee is also performing the duties of issuing receipts.

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

- The 1st Deputy performs the duties of preparing deposits and posting daily receipts to the ledger. However, this employee is also performing the duties of issuing receipts and making deposits.
- All employees in the Assessor's office are receiving money and issuing receipts from one cash box.

Election Board:

- The Election Board Secretary performs the duties of opening mail, posting daily receipts to the ledger, and preparing deposits. However, this employee is also performing the duties of issuing receipts and making deposits.
- The Clerk performs the duties of opening mail. However, this employee is also performing the duties of issuing receipts.
- The Secretary and Clerk are receiving money and issuing receipts from one cash drawer.

We noted the following concerns in regards to recording, authorization, custody, and execution of expenditure transactions:

County Clerk's Office:

- The 1st deputy performs all payroll duties; including enrolling new employees, calculating payroll, issuing payroll warrant/checks, signing warrants/checks, and posting payroll warrants to the payroll register.

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. Regarding the receipting process, OSAI recommends management establish separate cash drawers for each employee that receipts monies. The cash drawer should be closed out, reconciled to the employee's daily receipts and be approved by someone independent of the cash drawer. Regarding the disbursement process, the duties of enrolling new employees, calculating payroll, issuing warrants, signing warrants, and posting to the payroll register should be segregated.

Views of responsible officials and planned corrective actions: Management has knowledge of office operations and will perform periodic review of these operations.

Finding 2006-2 – Sales Tax Remittance

Criteria: Title 68 O.S. § 1370.E states:

Any sales tax which may be levied by a county shall be designated for a particular purpose. Such purposes may include, but are not limited to, projects owned by the state, any agency or instrumentality thereof, the county and/or any political subdivision located

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

in whole or in part within such county, regional development, economic development, common education, general operations, capital improvements, county roads, weather modification or any other purpose deemed, by a majority vote of the county commissioners or as stated by initiative petition, to be necessary to promote safety, security and the general well-being of the people, including any authorized purpose pursuant to the Oklahoma Community Economic Development Pooled Finance Act. The county shall identify the purpose of the sales tax when it is presented to the voters pursuant to the provisions of subsection A of this section. Except as otherwise provided in this section and except as required by the Oklahoma Community Economic Development Pooled Finance Act, the proceeds of any sales tax levied by a county shall be deposited in the general revenue or sales tax revolving fund of the county and shall be used only for the purpose for which such sales tax was designated. If the proceeds of any sales tax levied by a county pursuant to this section are pledged for the purpose of retiring indebtedness incurred for the specific purpose for which the sales tax is imposed, the sales tax shall not be repealed until such time as the indebtedness is retired. However, in no event shall the life of the tax be extended beyond the duration approved by the voters of the county.

Title 68 O.S. § 1370.I states:

Except for the levies imposed pursuant to Section 14 of this act, there are hereby created one or more county sales tax revolving funds in each county which levies a sales tax under this section if any or all of the proceeds of such tax are not to be deposited in the general revenue fund of the county or comply with the provisions of subsection G of this section. Each such revolving fund shall be designated for a particular purpose and shall consist of all monies generated by such sales tax which are designated for such purpose. Monies in such funds shall only be expended for the purposes specifically designated as required by this section. A county sales tax revolving fund shall be a continuing fund not subject to fiscal year limitations.

Condition: The County General Remittance Fund accounts for sales tax monies collected for the Jefferson County Health Authority. The sales tax monies remitted to the Jefferson County Health Authority with remittance warrants and expenditures are not being made under the County purchasing system.

Effect: This condition could result in misstated financial reports by not properly recording and classifying disbursements.

Recommendation: OSAI recommends all sales tax money be deposited in a special revenue account and be expended on county purchase orders.

Views of responsible officials and planned corrective actions: This condition has since been corrected.

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

Finding 2006-5 – Information Systems

Criteria: According to the standards of the Information Systems Audit Control Association (CobiT, Delivery and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Condition: The computers in the County Clerk's office do not automatically log off of their systems after periods of inactivity. Employees do not have user ID's and there are no permission restrictions for employee access to Kellpro. Passwords are not changed nor are they required to be a certain length or be character or case sensitive.

Effect: This condition could result in security for the computer, computer systems and data being compromised.

Recommendation: OSAI recommends that the County Clerk work with their IT personnel or in conjunction with software vendors to establish controls that will log off or lock computers after periods of inactivity or when the user is away from their computer. OSAI further recommends that passwords be set up with a requirement for length, character and an expiration of a minimum of 90 days and controls established for permission restrictions so all employees do not have unlimited access to Kellpro data.

Views of responsible officials and planned corrective actions: Employees are required to log off when leaving their station and unique passwords are now assigned.

Finding 2006-6 – County-Wide Controls

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Control Environment, Risk Assessment, Information and Communication and Monitoring for the achievement of these goals.

Condition: County-wide controls regarding Risk Assessment and Monitoring have not been designed.

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

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

Recommendation: OSAI recommends that the County implement a system of internal controls to provide a reasonable assurance regarding the achievement of goals and objectives.

Views of responsible officials and planned corrective actions: The County will have quarterly meetings to discuss possible implementation of controls to help provide reasonable assurance that proper internal controls are implemented and adhered to.

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.

2006-3 – Consumable Inventory

Criteria: Title 19 O.S. § 1502 prescribes the procedures to be used to account for supplies and materials used in the construction and maintenance of roads and bridges.

Condition: During the testing of fuel inventory for District 3, the following discrepancies were noted:

Gasoline on Hand	544	gallons
Gasoline per Fuel Log	<u>1080</u>	gallons
Variance	(536)	gallons
Diesel on Hand	307.8	gallons
Diesel per Fuel Log	<u>341.0</u>	gallons
Variance	(33.2)	gallons

Effect: This condition could result in the County being in violation of law or regulation, unrecorded transactions, or misappropriation of assets.

Recommendation: OSAI recommends that the County Commissioners investigate the discrepancies between the consumable records and the physical inventory of the consumable items and make the appropriate adjustments. OSAI further recommends that fuel on hand be reconciled to the fuel logs.

Views of responsible officials and planned corrective actions: This condition has since been corrected.

Finding 2006-4 –Fixed Assets Inventory

Criteria: Statutory requirements have been established for inventory control in county government.

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

Title 19 O.S. § 178.1 states in part:

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 part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record...biennially thereafter, or oftener...

Condition: During our testing of fixed assets inventory, it was noted that Officers, excluding District 1 and District 2, do not perform a biennial verification of fixed assets inventory. It was further noted that none of the Officers maintain the biennial verification on form #3512.

Effect: This condition could result in unrecorded transactions, misappropriation of assets, inaccurate records, and incomplete information.

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

Views of responsible officials and planned corrective actions: This condition has since been corrected.



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV