

COUNTY AUDIT

JOHNSTON COUNTY

For the fiscal year ended June 30, 2008



*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

**JOHNSTON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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

December 5, 2012

TO THE CITIZENS OF
JOHNSTON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Johnston County, Oklahoma for the fiscal year ended June 30, 2008. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

**JOHNSTON COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**JOHNSTON COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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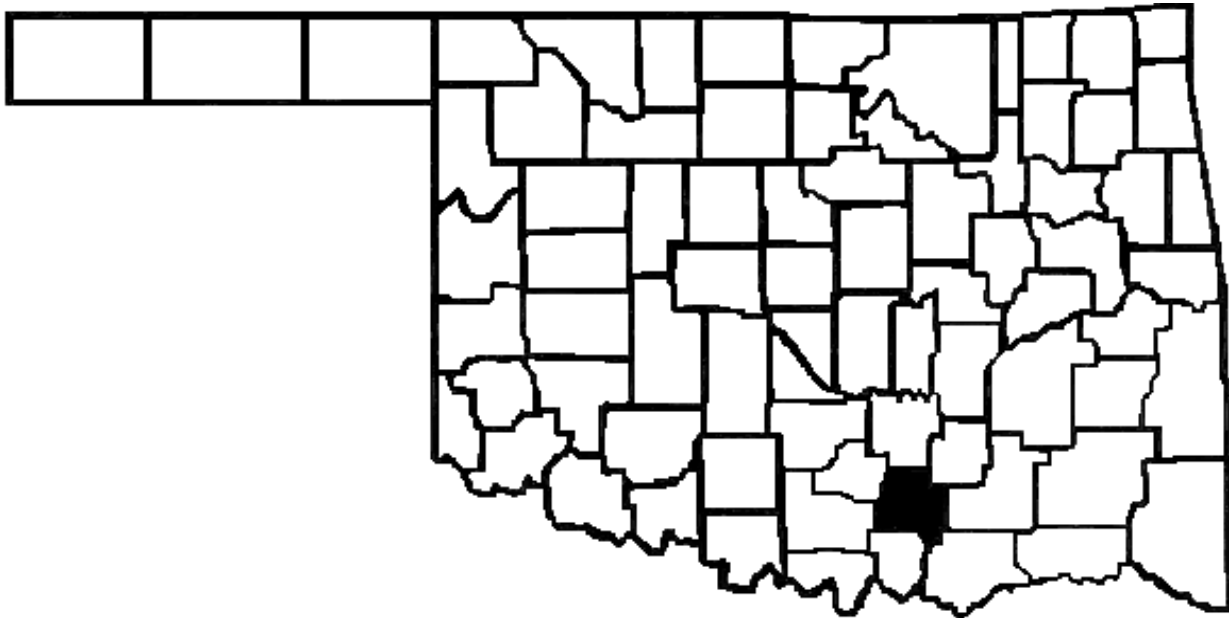
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**JOHNSTON COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**



Johnston County was created at statehood and named for Douglas H. Johnston, governor of the Chickasaw Nation. The County seat, Tishomingo, is the historic Capitol of the Chickasaw Nation. The County is rich in history, and the state has had two governors from Tishomingo. They were William H. ‘Alfalfa Bill’ Murray, 1932 – 1935, and his son Johnston Murray, 1951 – 1955.

The Great Chickasaw Nation has restored the two-story granite building which was the last council house of the Chickasaw at the time of statehood. That building constructed in 1898 became the Johnston County Courthouse following statehood. The Capitol Building is now one of the finest cultural centers of the area, housing early artifacts and the history of the Chickasaw Nation.

Major industries in the County are Martin Marietta Material; Unimuin; U.S. Silica; TXI; Tape-Matics; Scott Pet Products Inc; Sundowner Trailers; agriculture and cattle operations. Wildlife and recreational areas include the Tishomingo National Wildlife Refuge, the Federal Fish Hatchery and Catfish Research Center near Reagan, and the Blue River Public Hunting and Fishing area. *Johnston County History* and other books by the Johnston County Historical Society document the history of the area.

For additional information, call the County Clerk at (580) 371-3184.

County Seat – Tishomingo

Area - 658.29 Square Miles

County Population – 10,259
(2005 est.)

Farms – 682

Land in Farms – 325,983 Acres

Primary Source: Oklahoma Almanac 2007-2008

**JOHNSTON COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Board of County Commissioners

District 1 – Roy Wayne Blevins
District 2 – Mike Thompson
District 3 – Melvin Farmer

County Assessor

Guyla Hart

County Clerk

Kathy Ross

County Sheriff

Tom Winkler

County Treasurer

Rana Gilpin

Court Clerk

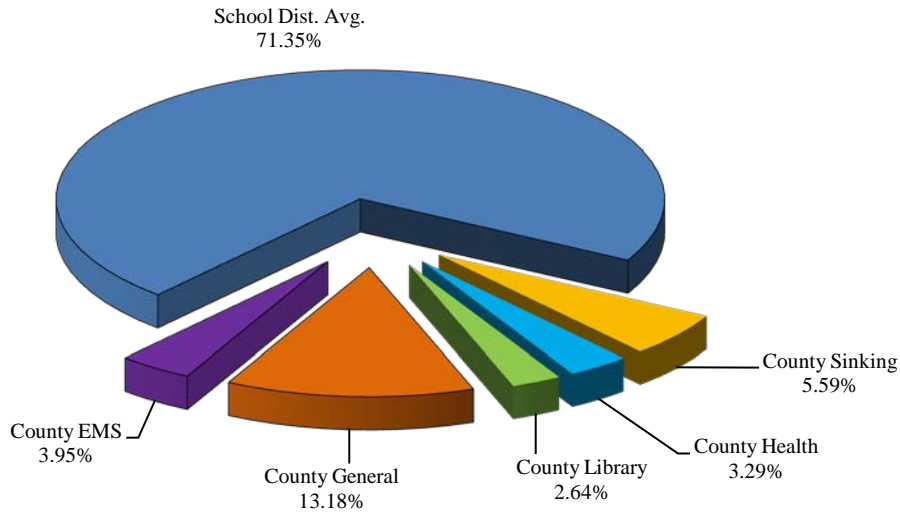
Cassandra Slover

District Attorney

Craig Ladd

**JOHNSTON COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

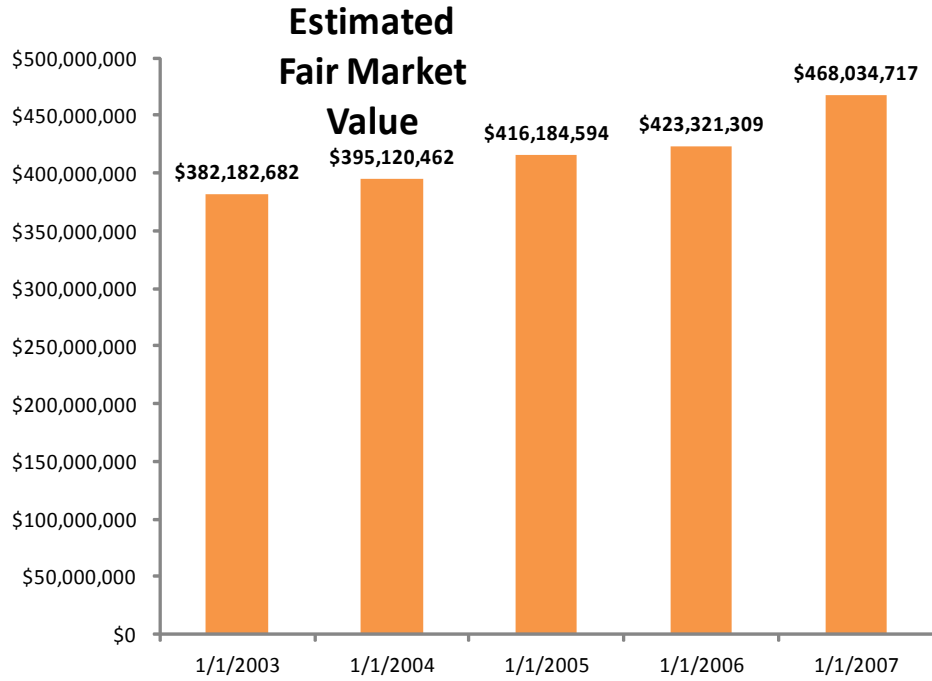
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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						
			Career					
			Gen.	Bldg.	Skg.	Tech	Common	Total
County General	10.30	Mill Creek	35.63	5.09	-	-	4.12	44.84
County Health	2.57	Mannsville	37.04	5.29	-	10.59	4.12	57.04
County Library	2.06	Ravia	35.79	5.11	-	-	4.12	45.02
County EMS	3.09	Tishomingo	36.66	5.24	7.15	-	4.12	53.17
County Sinking	4.37	Milburn	36.95	5.28	-	-	4.12	46.35
		Coleman	35.87	5.12	13.00	-	4.12	58.11
		Wapanucka	36.60	5.23	15.19	12.55	4.12	73.69
		Joint Schools	36.08	5.15	10.14	12.37	4.12	67.86

**JOHNSTON COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

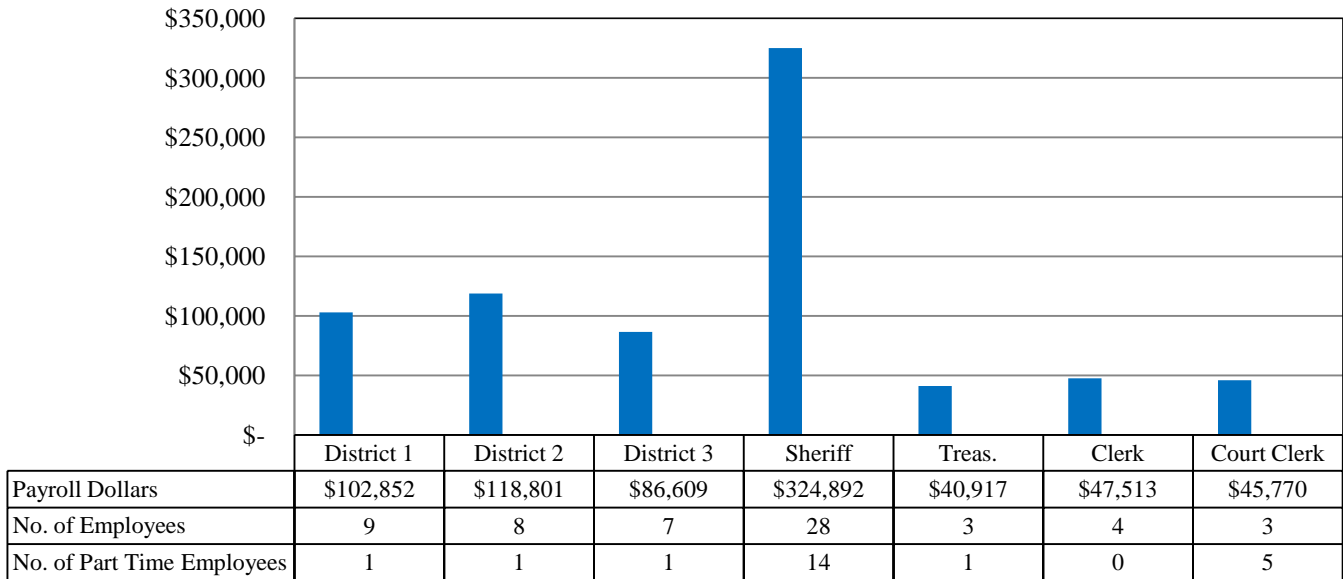
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2007	\$15,367,631	\$9,511,209	\$31,285,326	\$2,949,429	\$53,214,737	\$468,034,717
1/1/2006	\$11,555,881	\$10,320,618	\$29,849,154	\$2,568,932	\$49,156,721	\$423,321,309
1/1/2005	\$11,690,316	\$10,014,563	\$29,082,708	\$2,635,030	\$48,152,557	\$416,184,594
1/1/2004	\$10,520,758	\$9,559,368	\$28,162,809	\$2,671,002	\$45,571,933	\$395,120,462
1/1/2003	\$10,401,550	\$9,366,556	\$26,955,267	\$2,750,267	\$43,973,106	\$382,182,682



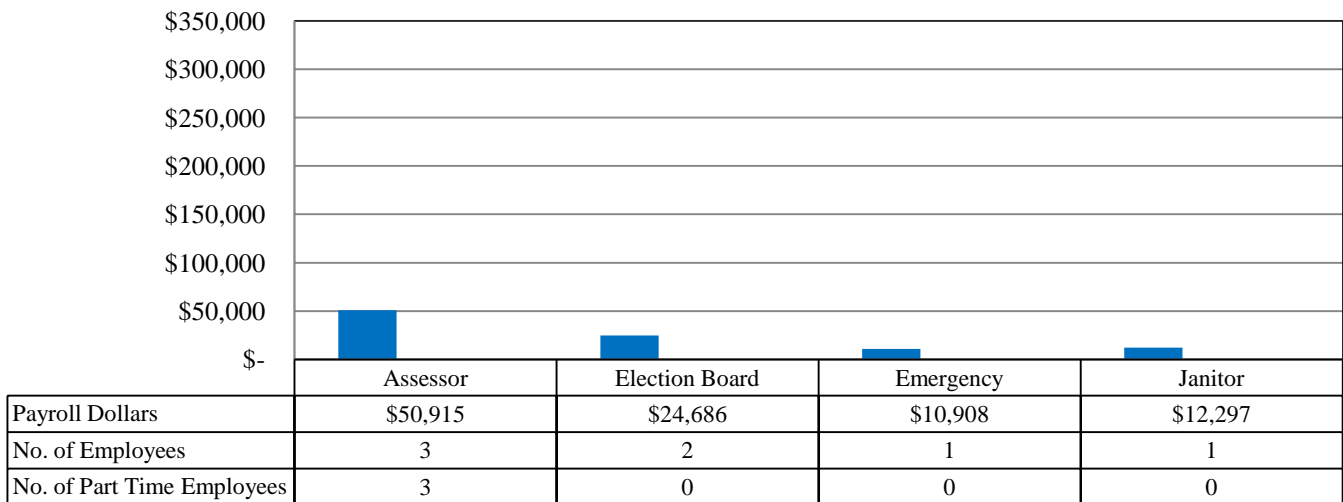
**JOHNSTON COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2008.

Payroll Expenditures by Department



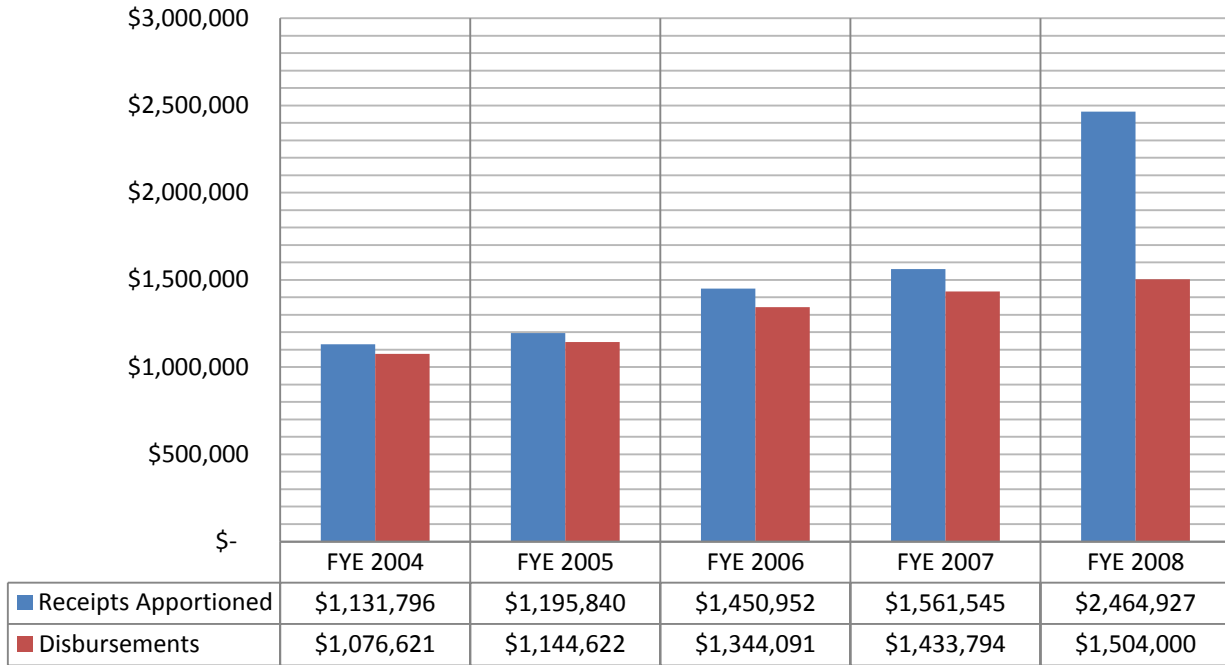
Payroll Expenditures by Department



**JOHNSTON COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

County General Fund

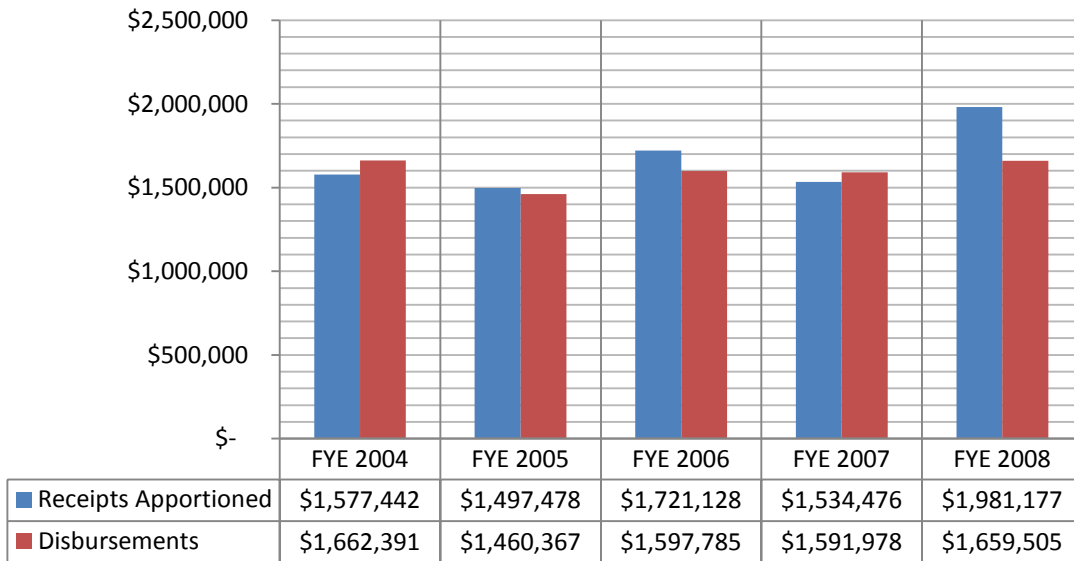
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the County's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the County's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.



**JOHNSTON COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

County Highway Fund

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. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



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
JOHNSTON COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Johnston County, Oklahoma, as of and for the year ended June 30, 2008, listed in the table of contents as the financial statement. This financial statement is the responsibility of Johnston County's management. Our responsibility is to express an opinion on the combined total—all county funds 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 differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects 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 Johnston County as of June 30, 2008, 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 balances for all county funds of Johnston County, for the year ended June 30, 2008, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012, on our consideration of Johnston 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 county funds on the financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. The remaining 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 financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. 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".

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

November 19, 2012

REGULATORY BASIS FINANCIAL STATEMENT

JOHNSTON COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Beginning Cash Balances July 1, 2007	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2008
Combining Information:						
Major Funds:						
County General Fund	\$ 1,261,914	\$ 2,464,927	\$ -	\$ -	\$ 1,504,000	\$ 2,222,841
T-Highway	742,290	1,981,177			1,659,505	1,063,962
County Health	98,819	135,233			145,144	88,908
Sheriff's Cash Fund	86,678	225,826	14		153,711	158,807
Hospital One-Cent Sales Tax	33,346	306,142			339,488	
Jail One-Cent Sales Tax	33,219	168,517			145,870	55,866
Sinking Fund	339,689	236,817			237,375	339,131
CDBG	3,827	423,007			293,893	132,941
Johnston County Public Facilities	507,531	1,075,072			1,508,024	74,579
Remaining Aggregate Funds	239,982	317,165		14	273,060	284,073
Combined Total - All County Funds	\$ 3,347,295	\$ 7,333,883	\$ 14	\$ 14	\$ 6,260,070	\$ 4,421,108

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

**JOHNSTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

A. Summary of Significant Accounting Policies

A. Reporting Entity

Johnston County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. 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, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, libraries, 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.

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 County funds included as combining information within the financial statement:

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

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

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

Sheriff's Cash Fund - accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

Hospital One-Cent Sales Tax - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

**JOHNSTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Jail One-Cent Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Sinking Fund - accounts for the payment of interest and principal on the matured portion of long-term bonded debt. Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

CDBG – accounts for federal grant funds for various projects, including a community system, water treatment facility, and capital improvement planning.

Johnston County Public Facilities – accounts for loan proceeds used to construct a family health center. The County Commissioners are the Board for this Authority. All purchases are subject to county purchasing procedures and are accounted for on the County's ledgers.

C. Basis of Accounting

The 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 regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement on a regulatory basis. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

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.

E. Cash and Investments

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various

**JOHNSTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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).

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

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. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

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."

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.

3. Other Information

A. 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

**JOHNSTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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.

B. 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.

C. 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.

D. Long Term Obligations

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Debt service on the bonds will be paid from ad valorem taxes levied and assessed on behalf of the issuer and deposited to the Sinking Fund.

Johnston County, Oklahoma – County Jail Bond of 2001 – Bonds in the amount of \$1,650,000 were issued November 1, 2001, for the purpose of erecting, equipping, and furnishing a new county jail.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 25 years from the date of issue. General obligation bonds currently outstanding are as follows:

**JOHNSTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Purpose	Interest Rate	Original Amount
Johnston County, Oklahoma – County Jail Bond of 2001	3.899587%	\$1,650,000

Beginning Balance	Additions	Reductions	Ending Balance	Amount due within one year
\$1,050,000	\$ - 0-	\$200,000	\$850,000	\$200,000

During fiscal year 2008, payments included \$200,000 for principal, \$36,925 interest, and \$450 for fees.

Annual debt service requirements to maturity for general obligation bonds, including interest of \$69,513, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 200,000	\$ 29,275	\$ 229,275
2010	200,000	21,525	221,525
2011	200,000	13,775	213,775
2012	250,000	4,938	254,938
Total	\$850,000	\$69,513	\$919,513

E. Sales Tax

The voters of Johnston County passed a 2 cents sales tax, (1 cent) designated to fund various County functions expiring December 31, 2009, (.075 cent) designated for the County hospital expiring April 31, 2008, and (.025 cent) designated for the construction of a County jail facility expiring March 31, 2013.

F. Lodging Tax

The voters of Johnston County passed a lodging tax of five percent per room per night derived from the occupancy of hotel, motel, or lodge rooms to be used for the purpose of economic development expiring December 31, 2008.

G. Interfund Transfers

During the fiscal year, the County closed the District Attorney Council Grant Fund and transferred the remaining balance of \$14 to the Sheriff Cash Fund.

OTHER SUPPLEMENTARY INFORMATION

**JOHNSTON 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, 2008**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,261,914	\$ 1,261,914	\$ -
Less: Prior Year Outstanding Warrants	(91,876)	(91,876)	
Less: Prior Year Encumbrances	(16,348)	(15,283)	1,065
Beginning Cash Balances, Budgetary Basis	<u>1,153,690</u>	<u>1,154,755</u>	<u>1,065</u>
Receipts:			
Ad Valorem Taxes	483,082	504,985	21,903
Charges for Services		73,339	73,339
Intergovernmental Revenues	339,588	1,763,670	1,424,082
Miscellaneous Revenues		122,933	122,933
Total Receipts, Budgetary Basis	<u>822,670</u>	<u>2,464,927</u>	<u>1,642,257</u>
Expenditures:			
District Attorney	10,812	10,758	54
County Sheriff	324,683	312,769	11,914
County Treasurer	58,781	58,780	1
County Clerk	91,831	91,785	46
Court Clerk	61,476	61,475	1
County Assessor	59,731	59,730	1
Revaluation of Real Property	104,232	53,485	50,747
General Government	126,421	115,862	10,559
Excise-Equalization Board	3,600	2,634	966
County Election Board	51,678	47,962	3,716
Insurance	200,068	200,032	36
Sales Tax	877,888	484,064	393,824
Audit Budget	5,159	5,159	
Total Expenditures, Budgetary Basis	<u>1,976,360</u>	<u>1,504,495</u>	<u>471,865</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	2,115,187	<u>\$ 2,115,187</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		17,263	
Add: Current Year Outstanding Warrants		90,391	
Ending Cash Balance		<u>\$ 2,222,841</u>	

**JOHNSTON 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, 2008**

	<u>County Health Department Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Beginning Cash Balances	\$ 98,819	\$ 98,819	\$ -
Less: Prior Year Outstanding Warrants	(12,605)	(12,605)	
Less: Prior Year Encumbrances	(833)	(574)	259
Beginning Cash Balances, Budgetary Basis	<u>85,381</u>	<u>85,640</u>	<u>259</u>
Receipts:			
Ad Valorem Taxes	120,536	130,229	9,693
Intergovernmental	1,776	5,004	3,228
Total Receipts, Budgetary Basis	<u>122,312</u>	<u>135,233</u>	<u>12,921</u>
Expenditures:			
Health and Welfare	207,693	141,880	65,813
Total Expenditures, Budgetary Basis	<u>207,693</u>	<u>141,880</u>	<u>65,813</u>
Excess of Receipts and Beginning Cash Balances over Expenditures, Budgetary Basis	<u>\$ -</u>	78,993	<u>\$ 78,993</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		1,725	
Add: Current Year Outstanding Warrants		8,190	
Ending Cash Balance		<u>\$ 88,908</u>	

JOHNSTON COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Beginning Cash Balances July 1, 2007	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2008
Remaining Aggregate Funds:						
Resale Property	\$ 36,437	\$ 49,119	\$ -	\$ -	\$ 52,825	\$ 32,731
Sheriff Unclaimed Property	1,256				630	626
Treasurer's Mortgage Certification Fee	2,200	2,555			1,766	2,989
County Clerk Fee Fund	21,148	13,844			8,159	26,833
Visual Inspection	2				2	
Assessor Revolving	4,241	2,830			3,368	3,703
Sheriff Drug Fund	6,422	553			3,018	3,957
Waste Grant	4,405					4,405
Fair Barn Grant 2001	19,248	70,389			77,345	12,292
CIP	19				19	
Reward Fund	500					500
County Clerk Preservation	39,154	16,785			21,439	34,500
Emergency 911	91,420	144,434			91,478	144,376
District Attorney Council Grant	14			14		
Jail Bond Construction Account	1				1	
SODA Special Project	77				64	13
Sheriff BOJ Fund	4,018	7,789			5,239	6,568
Free Fair Cash Voucher Fund	2,200					2,200
Sheriff Commissary Cash Fund	7,220	8,867			7,707	8,380
Combined Total - Remaining Aggregate Funds	\$ 239,982	\$ 317,165	\$ -	\$ 14	\$ 273,060	\$ 284,073

**JOHNSTON COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. 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.

A. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

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

Sheriff Unclaimed Property – accounts for monies generated as a result of the sale of unclaimed property and the disbursement of the funds as restricted by statutes.

Treasurer's Mortgage Certification Fee – accounts for the collection of fees by the County Treasurer for mortgage tax certificates and disbursements as restricted by statutes.

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

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 Drug Fund – accounts for the collection of the Sheriff's percentage of drug forfeitures.

Waste Grant – accounts for federal grant monies received for solid waste stations across the County.

**JOHNSTON COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Fair Barn Grant 2001 – accounts for state grant monies received and used to construct a new Fair Barn.

CIP – accounts for state grant funds received for the purpose of capital improvements within the County.

Reward Fund – accounts for donations to be used as a reward for information leading to the arrest of vandals.

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

Emergency 911 – accounts for grant funds received for the purpose of a 911 service.

District Attorney Council Grant – accounts for grant monies received for the purchase of patrol cars.

Jail Bond Construction Account – accounts for monies generated from the sale of bonds to construct a county jail.

SODA Special Project – accounts for state funds to be used for various highway projects.

Sheriff BOJ Fund – accounts for bond fees collected by the Sheriff's office and the disbursement of funds as restricted by statute.

Free Fair Cash Voucher Fund – accounts for the collection of revenue generated from building rent, booth rent, and other fees, and the disbursement of funds as restricted by state statute.

Sheriff Commissary Cash Fund – accounts for the collection of fees transferred from the inmate trust money for commissary items and the disbursement of funds as restricted by state statute.

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through the Oklahoma Department of Commerce:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Housing Revitalization	14.228	12156-06	\$ 134,410
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Fair Barn	14.228	12228-06	88,200
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Bromide Sewer	14.228	12461-06	79,678
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Wastewater System	14.228	13054-07	<u>122,660</u>
Total U.S. Department of Housing and Urban Development			<u>424,948</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226	P.I.L.T.	<u>38,976</u>
Total U.S. Department of Interior			<u>38,976</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through the Oklahoma Department of Emergency Management:			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	--	299,981
Passed through the State Dept of Homeland Security:			
Homeland Security Grant Program	97.067	75.028	<u>26,000</u>
Total U.S. Department of Homeland Security			<u>325,981</u>
Total Expenditures of Federal Awards			<u>\$ 789,905</u>

**JOHNSTON COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Johnston County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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
JOHNSTON COUNTY, OKLAHOMA

We have audited the combined totals—all County funds on the accompanying Regulatory Basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Johnston County, Oklahoma, as of and for the year ended June 30, 2008, which comprises Johnston County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 19, 2012. 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. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2008 on the basis of accounting prescribed by Oklahoma state law, described in Note 1. 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 Johnston 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 Johnston 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 described in the accompanying schedule of findings and questioned costs, 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

questioned costs to be material weaknesses in internal control over financial reporting. 2008-1, 2008-3, 2008-5, and 2008-10.

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 questioned costs to be significant deficiencies in internal control over financial reporting. 2008-2 and 2008-6.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Johnston 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* and which is described in the accompanying schedule of findings and questioned costs as item 2008-9.

We noted certain matters that we reported to the management of Johnston County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

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

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. 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

November 19, 2012



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 on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

TO THE OFFICERS OF
JOHNSTON COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Johnston County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Johnston County's major federal program for the year ended June 30, 2008. Johnston County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Johnston County's management. Our responsibility is to express an opinion on Johnston County's compliance based on our audit.

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

In our opinion, Johnston County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

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

and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Johnston County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-12 and 2008-13 to be material weaknesses.

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

This report is intended solely for the information and use of management, those charged with governance, others within the entity, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than the specified parties. 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

November 19, 2012

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SECTION 1—Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unqualified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? None Reported

Type of auditor's report issued on
compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133?..... Yes

Identification of Major Programs

CFDA Number(s)
14.228

Name of Federal Program or Cluster
Community Development Block Grants/
State’s Program and Non-Entitlement
Grants in Hawaii

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?..... No

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SECTION 2—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 2008-1—Segregation of Duties (Repeat Finding)

Condition: The County Treasurer’s office has two full-time employees. The County Treasurer and all employees issue receipts and balance their own cash drawer. No log is maintained of payments received through the mail and all employees receipt mail-in payments. Bank reconciliations are performed each month; however, there is no review or approval of these functions other than the employee performing the task.

The County Clerk’s office has two full-time employees. The County Clerk and all employees issue receipts from the same cash drawer. One of these deputies prepares and makes the deposit. There is no review or approval of these functions other than the employee performing the task.

The County Sheriff’s office has multiple jailers and dispatchers as well as a full-time secretary. The secretary, jailers, and dispatchers all issue receipts. There is no reconciliation of receipts to the deposit. The secretary prepares the deposits. There is no review or approval of these functions other than the employee performing the task.

The County Assessor’s office has four full-time employees. The County Assessor and all deputies issue receipts and use the same cash drawer. One employee prepares the deposit. There is no review or approval of these functions other than the employee performing the task.

The County Election Board office has one full-time employee. The Election Board Secretary and the deputy issue receipts and the deputy prepares the deposit. There is no review or approval of these functions other than the employee performing the task.

Cause of Condition: Procedures have not been designed to adequately segregate the receipting, depositing, recording, and reconciling duties within each office.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, or undetected errors.

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 oversight of office operations and a periodic review of operations. OSAI recommends management provide for 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

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

processes and/or critical functions of the office, and management review and approval of accounting functions.

Management Response:

County Treasurer: This has been corrected. The duties within the Treasurer's office have been properly segregated.

County Assessor: This has been corrected. The duties within the Assessor's office have been properly segregated.

County Clerk: In order to efficiently utilize office space and employee time, we only have one cash drawer. We will maintain documentation of an independent verification of all reconciliations. The County Clerk will implement compensating controls to mitigate the risks involved with a concentration of duties.

County Election Board Secretary: I will maintain documentation of an independent verification of all reconciliations. I will implement compensating controls to mitigate the risks involved with a concentration of duties.

County Sheriff: We will implement compensating controls to mitigate the risks involved with a concentration of duties. This will include maintaining documentation where receipts are reconciled to deposits, and an independent verification of all reconciliations.

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

Finding 2008-2—Footnote Disclosures

Condition: Internal controls have not been developed to ensure all required disclosures are presented with the financial statement.

Cause of Condition: Procedures have not been designed to prepare the accompanying notes to the financial statements.

Effect of Condition: The potential exists for incomplete 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 footnote disclosures.
- Contract an outside firm or individual to review or prepare the accompanying notes to the financial statements to ensure appropriate disclosures are presented.

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Management Response: Procedures have been implemented to prepare and approve the accompanying notes to the financial statements.

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.

Finding 2008-3—Inadequate County-Wide Controls

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

Cause of Condition: Procedures have not been designed to address risks of the County.

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

Recommendation: OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

Examples of risks and procedures to address risk management:

Risks	Procedures
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws	Attend workshops
Natural disasters	Written disaster recovery plans
New employee errors	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring:

Monitoring	Procedures
Communication between officers	Periodic meetings to address items that should be included in the handbook and to determine if the County is meeting its goals and objectives.
Annual Financial Statement	Review the financial statement of the County for accuracy and completeness.

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Policies and procedures	Ensure employees understand expectations in meeting the goals of the County.
Following up on complaints	Determine source of complaint and course of action for resolution.
Estimate of needs	Work together to ensure this financial document is accurate and complete.

Management Response: The Board of County Commissioners will work together with all County Officials to develop a plan to monitor the County’s internal controls to ensure that audit findings and other reviews are properly resolved. The Board of County Commissioners will strive to make risk assessment and monitoring a priority in Johnston County.

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 Risk Assessment and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Finding 2008-5—Lack of Segregation of Duties over Disbursements

Condition: Duties over the disbursement process are not adequately segregated:

- The Purchasing Agent, encumbers funds, posts to ledgers, prints the warrants, and distributes payments.

Cause of Condition: Policies and procedures have not been designed to provide for adequate segregation of duties over disbursements.

Effect of Condition: These conditions could result in undetected errors or misappropriation of funds.

Recommendation: OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. 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.

Management Response: The County Clerk will implement compensating controls to mitigate the risks involved with a concentration of duties.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated.

Finding 2008-6—Purchase Orders Not Timely Encumbered

Condition: Eighteen of 39 disbursements tested were not timely encumbered.

PO#	Warrant#	Fund	PO Date	Invoice Date	Amount	Purpose
2147	1782	General	2/6/08	1/31/08	\$4,529.99	Computers
2066	15	CDBG	1/29/08	11/30/07	\$59,560.00	Payment
1081	6	CDBG	10/9/07	9/20/07	\$59,470.75	Payment
1295	4	JCPF Authority	10/31/07	10/23/07	\$13,150.00	Service
2054	12	JCPF Authority	1/25/08	1/17/08	\$2,400.00	Waterline Bore
1734	9	JCPF Authority	12/19/07	12/17/07	\$3,998.25	Pipe and Fittings
2056	14	JCPF Authority	1/28/08	1/14/08	\$14,474.75	Telephone Install
2522	16	JCPF Authority	3/12/08	3/3/08	\$1,200.00	Waterline
2744	18	JCPF Authority	4/8/08	4/7/08	\$4,101.60	24" Plastic Pipe

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

3321	19	JCPF Authority	6/6/08	4/29/08	\$86,760.00	Construction
2748	17	JCPF Authority	4/8/08	3/31/08	\$104,152.00	Construction
1340	5	JCPF Authority	11/5/07	9/26/07	\$106,270.00	Construction
1785	8	JCPF Authority	12/28/07	11/27/07	\$127,947.00	Construction
184	1	JCPF Authority	7/16/07	6/27/07	\$147,605.00	Construction
4229	8	JCPF Authority	6/21/07	5/30/07	\$195,683.00	Construction
1517	7	JCPF Authority	11/28/07	10/26/07	\$198,108.00	Construction
584	2	JCPF Authority	8/17/07	7/26/07	\$199,743.00	Construction
957	3	JCPF Authority	9/27/07	8/24/07	\$222,340.00	Construction

Cause of Condition: Policies and procedures have not been designed to ensure implementation of timely encumbrance of county funds.

Effect of Condition: Noncompliance with state statutes.

Recommendation: OSAI recommends that the County encumber purchase orders prior to ordering or receiving goods and services, and strictly adhere to state purchasing laws.

Management Response: Officials stated that they would make sure that all Purchase Orders were timely encumbered.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, purchase orders should be encumbered prior to receiving the goods or services.

Finding 2008-9—Sales Tax Appropriations

Condition: The County has not properly appropriated the excess sales tax collections. During the fiscal year ending June 30, 2008, the County budgeted \$487,979.38 for sales tax. The County actually collected \$669,385.38. The excess collections of \$181,406.00 were not appropriated in accordance with the sales tax ballot. The excess collections should have been appropriated to the following accounts:

Emergency Services

City and Rural Fire Protection	12%	\$21,768.72
Ambulance Service	10%	\$18,140.60
Civil Defense	1%	\$ 1,814.06
Sheriff's Reserves	1%	\$ 1,814.06
General Emergency Services	1%	\$ 1,814.06
Total Emergency Services		\$45,351.50

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Community Services

Extension and 4-H	10%	\$18,140.60
Counseling, Inc.	2%	\$ 3,628.12
County Free Fair	2%	\$ 3,628.12
Senior Citizens	4%	\$ 7,256.24
General Community Services	2%	\$ 3,628.12
Total Community Services		\$36,281.20

General County Government

Courthouse Maintenance	11%	\$19,954.66
Support of County Offices	37%	\$67,120.22
General County Government	7%	\$12,698.42
Total General County Government		\$99,773.30

Cause of Condition: Procedures have not been designed to ensure compliance with 68 O.S. § 1370.E.

Effect of Condition: Sale tax was not appropriated in accordance with the sales tax ballot.

Recommendation: OSAI recommends that the excess sales tax collections be appropriated in accordance with the sales tax ballot.

Management Response:

County Commissioners: We have discussed this issue with the budget maker. This was an oversight and corrective measures will be taken.

Criteria: Title 68 O.S. § 1370E requires the sales tax collections to be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

Finding 2008-10—Segregation of Duties over Payroll Disbursements

Condition: Duties over the County’s payroll processes are not adequately segregated:

- The Payroll Clerk enrolls new employees, makes payroll changes, runs verification reports and reconciles, and prints payroll affidavits and warrants.
- There is no signed approval of the payroll reconciliation.

Cause of Condition: Policies and procedures have not been designed to provide for adequate segregation of duties over the payroll process.

Effect: These conditions could result in undetected errors or misappropriation of funds.

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Recommendation: OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. 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. Further, the duties of enrolling new employees, making payroll changes, running verification reports and reconciling, initiating payment of payroll, and printing of affidavits and warrants should be adequately segregated.

Management Response: The County Clerk will implement compensating controls to mitigate the risks involved with a concentration of duties.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

SECTION 3—Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

Finding 2008-12—Lack of Internal Controls over Federal Programs

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: United States Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Activities Allowed; Allowable Costs; Cash Management; Davis-Bacon; Matching, Level of Effort; Period of Availability; and Procurement and Suspension and Debarment

QUESTIONED COSTS: -\$0-

Condition: Johnston County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed; Allowable Costs; Cash Management; Davis-Bacon; Matching, Level of Effort; Period of Availability; and Procurement and Suspension and Debarment.

Cause of Condition: Policy and procedures have not been designed by management to provide appropriate internal controls to ensure compliance with grant requirements.

Effect of Condition: This condition could result in noncompliance to grant requirements.

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Recommendation: OSAI recommends the County gain an understanding of requirements for these programs and implement internal controls to ensure compliance with requirements.

Management Response: Johnston County, to the best of its ability, will implement procedures to correct this issue. The Board of County Commissioners will communicate, with the County Clerk and County Treasurer, the grant requirements and allowable costs associated with federal grants.

Criteria: Circular A-133 § ____.300 (b) states that the auditee shall:

Maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs.

Further, accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designated to monitor compliance with laws and regulations pertaining to grant contracts.

Finding 2008-13—County-Wide Controls over Major Programs

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: United States Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Activities Allowed; Allowable Costs; Cash Management; Davis-Bacon; Matching, Level of Effort; Period of Availability; and Procurement and Suspension and Debarment

QUESTIONED COSTS: -\$0-

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

Cause of Condition: Policy and procedures have not been designed by management to provide appropriate internal controls to ensure compliance with grant requirements.

Effect of Condition: This condition could result in noncompliance to grant requirements.

Recommendation: OSAI recommends the County implement a system of internal controls to ensure compliance to grant requirements

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Examples of risks and procedures to address risk management for federal programs:

Risks	Procedures
Errors and misstatements in reporting	Independent review by another employee
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws and grant requirements	Attend workshops, ensure employees receive current compliance supplements
New employee errors	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring of federal programs:

Monitoring	Procedures
Communication between officers	Discussion in BOCC meetings to monitor progress of grant and compliance with grant requirements.
Schedule of Expenditures of Federal Awards	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are timely corrected
Financial status	Periodically review budgeted amount to actual amounts and resolve unexplained variances.
Compliance with grant requirements	Ensure employees understand grant requirements for federal program and are provided with the latest version of the compliance supplement.

Management Response: The Board of County Commissioners will work together with all County Officials to develop a plan to monitor the County’s internal controls to ensure that audit findings and other reviews are properly resolved. The Board of County Commissioners will strive to make risk assessment and monitoring a priority in Johnston County.

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 Risk Assessment and Monitoring for the achievement of these goals.

Risk assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

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Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

SECTION 4—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 2008-7—Lack of Segregation of Duties over Inmate Trust Fund

Condition: The Sheriff’s secretary performs all duties of receipting, depositing, issuing checks, and reconciling the Inmate Trust Fund without independent verification of accuracy.

Cause of Condition: Policies and procedures have not been implemented to provide appropriate segregation of duties over the Sheriff’s Inmate Trust Fund.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

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 oversight 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.

Management Response:

County Sheriff: We will implement compensating controls to mitigate the risks involved with a concentration of duties. This will include maintaining documentation where receipts are reconciled to deposits, and an independent verification of all reconciliations.

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

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Finding 2008-8—No Annual Report Submitted for the Sheriff’s Commissary Account

Condition: The Sheriff’s office did not file an annual report for the commissary fund.

Cause of Condition: Policies and procedures have not been designed to ensure that the annual report for the commissary fund is completed and filed with the County Commissioners as outlined in 19 O.S. § 180.43.

Effect of Condition: This condition could result in errors and improprieties, or unrecorded transactions.

Recommendation: The Sheriff should file a report of the commissary with the County Commissioners by January 15 of each year.

Management Response:

County Sheriff: This will be corrected and the annual report for the commissary fund will be filed with the Board of County Commissioners.

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets.

Further, 19 O.S. § 180.43.E states in part:

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 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. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.

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Finding 2002-6

CFDA: 14.228

Federal Program: Community Development Block Grant

Funding Agency: United States Department of Housing and Urban Development

Finding Summary: The County Clerk did not maintain grant files including a grant agreement or supporting documentation for CDBG project #10083ED 01. Additionally, we reviewed documentation from a monitoring visit conducted by the Oklahoma Department of Commerce that states upon their review the programmatic files were not present at the courthouse.

Status: This has been corrected. The current County Clerk maintains grant files and supporting documentation for all Federal Awards.



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