

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

December 27, 2007

TO THE CITIZENS OF
JOHNSTON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Johnston 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 black ink that reads "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

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

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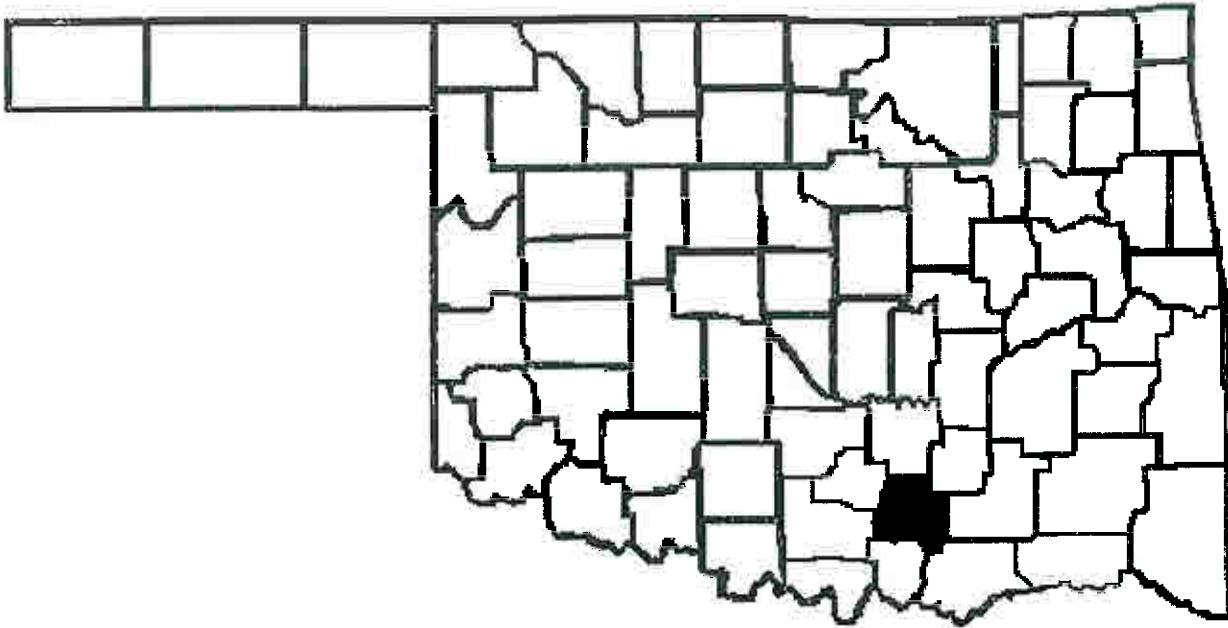
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**JOHNSTON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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REPORT TO THE CITIZENS
OF
JOHNSTON COUNTY, OKLAHOMA



Johnston County was created at statehood and named for Douglas H. Johnston, governor of the Chickasaw Nation. The county seat, Tishomingo, is the historic capital of the Chickasaw Nation.

Major industries in the county are Meridian Aggregates, Unimin, U.S. Silica, and Sundowner Trailers. 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 are north of Tishomingo. Blue River is stocked with trout every fall and trout derbies are held in February and November each year.

Tishomingo is the home of Murray State College and the Chickasaw Council House Museum. Johnston County was the home of both William H. Murray and son Johnston Murray, governors of Oklahoma; and entertainer Gene Autry.

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 – 10,440
(2004 est.)

Farms – 682

Land in Farms – 325,983 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

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

COUNTY ASSESSOR
Eugenia Wood
(D) Tishomingo

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
Kathy Ross
(D) Tishomingo

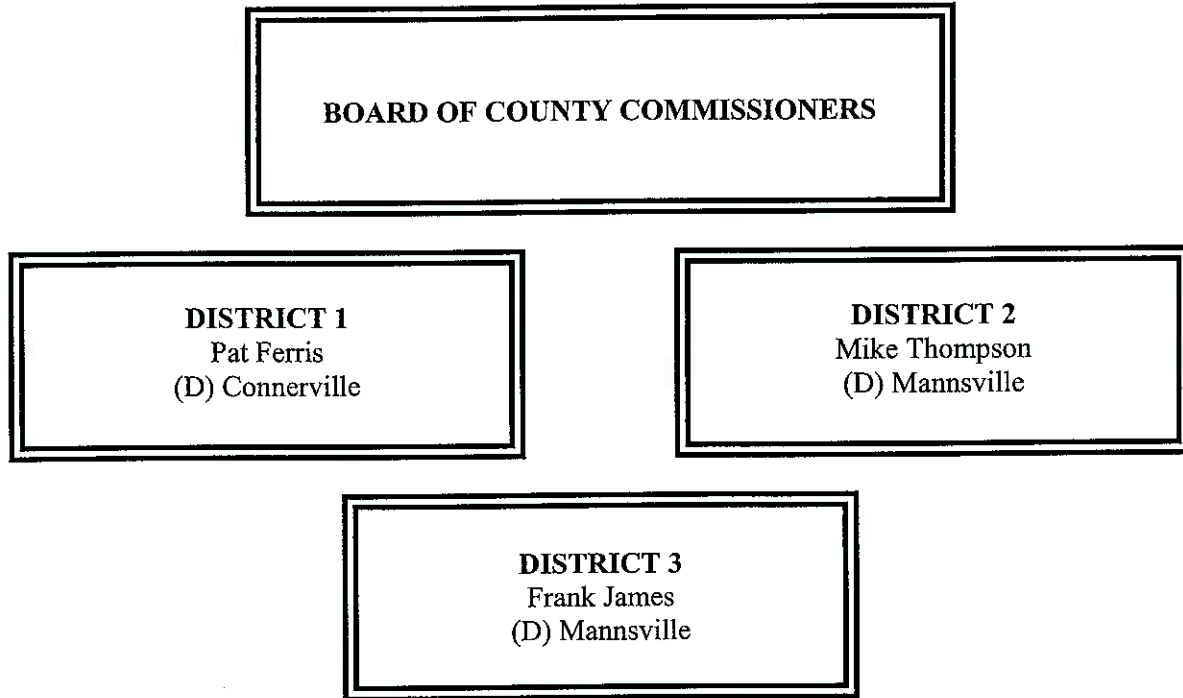
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**JOHNSTON 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.

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

COUNTY SHERIFF

Tom Winkler
(D) Tishomingo

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

Rana Gilpin
(D) Tishomingo

All collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. The State Auditor and Inspector's Office prescribes all the forms used by the County Treasurer, and at least twice a year inspects the County Treasurer's accounts.

See independent auditor's report.

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

COURT CLERK
Judy Beavers
(D) Milburn

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government. Court Clerks use forms and follow procedures prescribed by the Court Administrator's Office, the Oklahoma Supreme Court, and the State Auditor and Inspector.

DISTRICT ATTORNEY
Mitch Sperry (to 12/23/2005)
(D) Ardmore
Craig Ladd (12/23/2005 to Present)
(D) Ardmore

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.

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

ELECTION BOARD SECRETARY

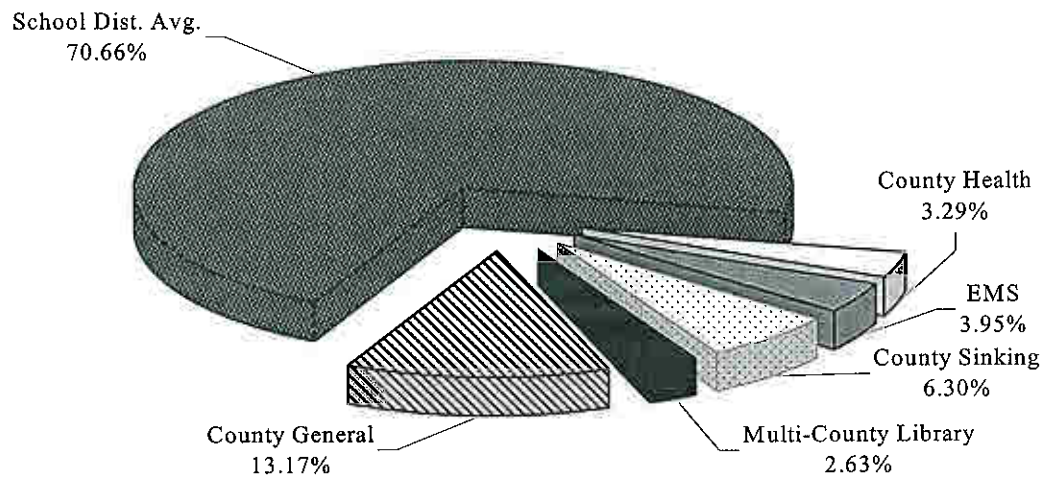
Janis Stewart
(D) Tishomingo

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.

**JOHNSTON 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 General
 ☒ School Dist. Avg.
 ☐ County Health
 ☒ EMS
 ☐ County Sinking
 ☒ Multi-County Library

| County-Wide Millages | | | | School District Millages | | | | | | |
|----------------------|-------|------------|------|--------------------------|-------|-------|-------------|------------------|--------|-------|
| Co. General | 10.00 | | | Gen. | Bldg. | Sk. | Career Tech | Career Tech Bldg | Common | Total |
| County Health | 2.50 | Mill Creek | I-2 | 35.00 | 5.00 | | | | 4.00 | 44.00 |
| Multi-County Library | 2.00 | Mannsville | D-7 | 35.00 | 5.00 | | 8.00 | 2.00 | 4.00 | 54.00 |
| EMS | 3.00 | Ravia | D-10 | 35.00 | 5.00 | | | | 4.00 | 44.00 |
| County Sinking | 4.78 | Tishomingo | I-20 | 35.00 | 5.00 | 2.66 | | | 4.00 | 46.66 |
| | | Milburn | I-29 | 35.00 | 5.00 | | | | 4.00 | 44.00 |
| | | Coleman | I-35 | 35.00 | 5.00 | 13.13 | | | 4.00 | 57.13 |
| | | Wapanucka | I-37 | 35.00 | 5.00 | 15.13 | 10.00 | 2.00 | 4.00 | 71.13 |
| | | Pontotoc | P-22 | 35.00 | 5.00 | 12.24 | 10.00 | 2.00 | 4.00 | 68.24 |

See independent auditor's report.

**JOHNSTON 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>\$ 48,152,557</u> |
| Debt limit - 5% of total assessed value | | 2,407,628 |
| Total bonds outstanding | 1,250,000 | |
| Total judgments outstanding | - | |
| Less cash in sinking fund | <u>358,434</u> | <u>891,566</u> |
| Legal debt margin | | <u>\$ 1,516,062</u> |

See independent auditor's report.

**JOHNSTON 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)**

| | <u>2006</u> |
|---|----------------------|
| Estimated population | <u>10,440</u> |
| Net assessed value as of January 1, 2005 | <u>\$ 48,152,557</u> |
| Gross bonded debt | 1,250,000 |
| Less available sinking fund cash balance | <u>358,434</u> |
| Net bonded debt | <u>\$ 891,566</u> |
| Ratio of net bonded debt to assessed value | <u>1.85%</u> |
| Net bonded debt per capita | <u>\$ 85</u> |

See independent auditor's report.

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

| <u>Valuation Date</u> | <u>Personal</u> | <u>Public Service</u> | <u>Real Estate</u> | <u>Homestead Exemption</u> | <u>Net Value</u> | <u>Estimated Fair Market Value</u> |
|---------------------------|-----------------|---------------------------|------------------------|--------------------------------|------------------|--|
| 1/1/2005 | \$11,690,316 | \$10,014,563 | \$29,082,708 | \$2,635,030 | \$48,152,557 | \$416,184,594 |

See independent auditor's report.

FINANCIAL SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
JOHNSTON COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Johnston 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 Johnston 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. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

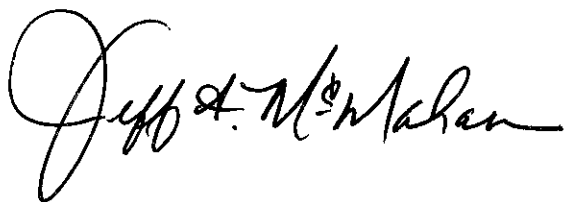
As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between 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 Johnston 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 Johnston 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 7, 2007, 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 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. Johnston County has not presented the budgetary comparison information for the Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund. Although not a part of the basic financial statement, such information is an integral part of the regulatory presentation for county government. 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 black ink, reading "Jeff A. McMahen". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

JEFF A. McMAHAN
State Auditor and Inspector

March 7, 2007

Basic Financial Statement

**JOHNSTON 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 | \$ 1,027,302 | \$ 1,450,952 | \$ 1,344,091 | \$ 1,134,163 |
| T-Highway | 676,449 | 1,721,128 | 1,597,785 | 799,792 |
| Resale Property | 40,869 | 47,969 | 44,497 | 44,341 |
| County Health | 145,572 | 119,907 | 183,000 | 82,479 |
| Sheriff Cash Fund | 80,704 | 308,961 | 284,584 | 105,081 |
| Sheriff Unclaimed Property | 1,743 | 10,523 | 2,347 | 9,919 |
| Treasurer's Mortgage Certification Fee | 1,801 | 2,595 | 1,751 | 2,645 |
| County Clerk Fee Fund | 5,850 | 5,653 | 678 | 10,825 |
| Community Service Sentencing Program | 1,029 | | 1,029 | |
| Visual Inspection | 2 | | | 2 |
| Assessor Revolving | 4,826 | 1,495 | 424 | 5,897 |
| Johnston County Courthouse Building | 97 | | 97 | |
| Sheriff Drug Fund | 8,982 | | 4,495 | 4,487 |
| Waste Grant | 4,405 | | | 4,405 |
| Fair Barn Grant | 296 | | 296 | |
| Fair Barn Grant 2001 | 11,268 | 15,295 | 25,841 | 722 |
| COPS Grant | 170 | | 170 | |
| CIP | 150 | | 131 | 19 |
| Reward Fund | 500 | | | 500 |
| County Clerk Preservation | 30,676 | 15,080 | 4,970 | 40,786 |
| CDBG 10504 Community Revitalization | 10,017 | | 10,017 | |
| Fair Barn 10769 CDBG | | 60,625 | 60,625 | |
| Emergency 911 | 77,822 | 61,225 | 70,533 | 68,514 |
| Hospital One-Cent Sales Tax | 29,094 | 384,727 | 381,870 | 31,951 |
| District Attorney Council Grant | 14 | | | 14 |
| Jail One-Cent Sales Tax | 56,461 | 128,795 | 134,423 | 50,833 |
| Jail Bond Construction Account | 94 | | 93 | 1 |
| Hazard Mitigation Grant | 3,000 | | 3,000 | |

continued on next page

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

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

continued from previous page

| | Beginning Cash Balances July 1, 2005 | Receipts Apportioned | Disbursements | Ending Cash Balances June 30, 2006 |
|--|--|-------------------------|---------------------|--|
| Combining Information: | | | | |
| Sinking Fund | 375,058 | 235,101 | 251,725 | 358,434 |
| SODA Special Project | 2,500 | 21,989 | 21,326 | 3,163 |
| Sheriff BOJ Fund | 5,075 | 5,641 | 6,565 | 4,151 |
| Free Fair Cash Voucher Fund | | 12,600 | | 12,600 |
| Combined Total—All County Funds | \$ 2,601,826 | \$ 4,610,261 | \$ 4,436,363 | \$ 2,775,724 |

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, 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 Johnston County, Oklahoma. 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 - accounts for state, local and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

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

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

Sheriff Cash Fund - accounts for the collection and disbursement of sheriff process service fees 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.

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

Treasurer's Mortgage Certificate 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.

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

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.

Johnston County Courthouse Building – accounts for monies used for maintenance of the Johnston County Courthouse.

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.

Fair Barn Grant – accounts for state grant monies used for improvements to the Fair Barn.

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

COPS Grant – accounts for grant monies received from the U.S. Department of Justice Community Oriented Policing Services program and used for deputies' salaries in the Sheriff's office.

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 Registrar of Deeds as restricted by statute for preservation of records.

CDBG 10504 Community Revitalization – accounts for federal funds used for community handicap improvements, road improvements, and repairs to district barns.

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

Fair Barn 10769 CDBG – accounts for federal funds used for the construction of a community facility building.

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

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.

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

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.

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

Hazard Mitigation Grant – accounts for grant funds received from the Federal Emergency Management Agency. Disbursements are made to individuals for safe room projects.

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.

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 disbursements are restricted by state statute.

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.

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

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

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, the general fund and the 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 by fund, office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

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

E. Cash

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

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). However, at June 30, 2006, \$30,742.73 of the County's deposits were uninsured and uncollateralized.

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

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

- 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 be accumulated up to 40 hours. Employees earn between 4 to 10 hours per month based upon years of service. Vacation leave is accrued monthly.

Sick leave benefits are accrued at the rate of 10 hours per month and employees may accumulate up to 360 hours. Sick leave is not paid upon termination.

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 \$48,152,557.

The County levied 10.00 mills (the legal maximum) for general fund operations, 2.50 mills for county health department, 3.00 mills for emergency medical service, 2.00 mills for multi-county library, and 4.78 mills for county sinking. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2006, were approximately 93.66 percent of the tax levy.

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

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.

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 Physical Plant <ul style="list-style-type: none">• Theft• Damage to Assets• Natural Disasters | 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. |
| Workers' Compensation <ul style="list-style-type: none">• Employees' Injuries | The County carries commercial insurance. | A judgment could be assessed for claims in excess of coverage. |
| Employee <ul style="list-style-type: none">• Medical• Disability• Dental• Life | The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.) | If claims exceed pool assets, the members would have surcharges assessed to pay the excess claims. |

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$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

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

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.

Commercial Insurance - The County obtains commercial insurance coverage to pay legitimate workers' compensation claims. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

OPEH&WP - The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

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. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all pieces of machinery subsequently acquired.

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

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:

| Purpose | Interest Rates | Original Amount |
|---|----------------|-----------------|
| Johnston County, Oklahoma County Jail Bond of 2001 | 3.899587% | \$1,650,000 |

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

During fiscal year 2006, payments included \$200,000 for principal, \$51,275 interest, and \$450 for fees.

Annual debt service requirements to maturity for general obligation bonds, including interest of \$150,713, are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|--------------------|------------------|--------------------|
| 2007 | \$ 200,000 | \$ 44,275 | \$ 244,275 |
| 2008 | 200,000 | 36,925 | 236,925 |
| 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 | <u>\$1,250,000</u> | <u>\$150,713</u> | <u>\$1,400,713</u> |

6. Pension Plan

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

Funding Policy. 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 \$127,854, \$98,628, and \$90,885, respectively, equal to the required contributions for each year.

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

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

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.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

9. Sales Tax

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

Lodging Tax

The voters of Johnston County passed a lodging tax of five (5) 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.

OTHER SUPPLEMENTARY INFORMATION

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, 2006

| | County Health Department Fund | | | |
|---|-------------------------------|-----------------|------------|-----------|
| | Original Budget | Final Budget | Actual | Variance |
| Beginning Cash Balances | \$ 145,573 | \$ 145,573 | \$ 145,572 | \$ (1) |
| Less: Prior Year Outstanding Warrants | (6,031) | (6,031) | (6,031) | |
| Less: Prior Year Encumbrances | (2,650) | (2,650) | (3,056) | (406) |
| Beginning Cash Balances, Budgetary Basis | 136,892 | 136,892 | 136,485 | (407) |
| Receipts: | | | | |
| Ad Valorem Taxes | 109,437 | 109,437 | 119,907 | 10,470 |
| Total Receipts, Budgetary Basis | 109,437 | 109,437 | 119,907 | 10,470 |
| Expenditures: | | | | |
| Health and Welfare | 185,000 | 185,000 | 173,645 | 11,355 |
| Capital Outlay | 61,329 | 61,329 | 40,776 | 20,553 |
| Total Expenditures, Budgetary Basis | 246,329 | 246,329 | 214,421 | 31,908 |
| Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis | \$ - | \$ - | 41,971 | \$ 41,971 |
| Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances | | | | |
| Add: Current Year Encumbrances | | | 39,405 | |
| Add: Current Year Outstanding Warrants | | | 1,103 | |
| Ending Cash Balance | | | \$ 82,479 | |

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

**JOHNSTON COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

| | |
|------------------------|--------------------------|
| Beginning Cash Balance | <u>\$ 375,058</u> |
| Receipts: | |
| Ad Valorem | 230,090 |
| Miscellaneous | <u>5,011</u> |
| Total Receipts | <u>235,101</u> |
| Disbursements: | |
| Interest and Fees | 51,725 |
| Principal Paid | <u>200,000</u> |
| Total Disbursements | <u>251,725</u> |
| Ending Cash Balance | <u><u>\$ 358,434</u></u> |

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

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

1. Budgetary Schedules

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis, for the General Fund has not been presented. Therefore, the legally adopted budget cannot be compared with actual data for the General Fund. The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis, for the County Health Department Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the 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.

2. Sinking Fund Schedule

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.

INTERNAL CONTROL AND COMPLIANCE SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
JOHNSTON COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Johnston County, Oklahoma, as of and for the year ended June 30, 2006, 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 March 7, 2007. 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. Further, the County has not presented budgetary comparison information for the general fund that should have been included as supplementary information. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Johnston County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Johnston County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings and responses as items 2006-1, 2006-2, 2006-3, 2006-4, 2006-5, 2006-6, and 2006-11.

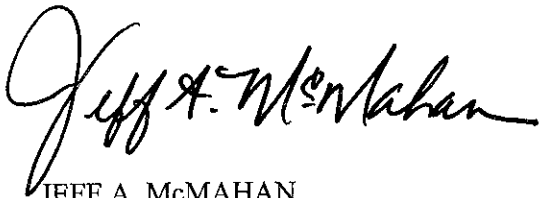
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2006-1 to be a material weakness.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2006-9 and 2006-14.

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

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., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in black ink, reading "Jeff A. McMahon". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

JEFF A. McMAHAN
State Auditor and Inspector

March 7, 2007

**JOHNSTON 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 (Repeat Finding)

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

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

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

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

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. Management does have knowledge of office operations and will perform a periodic review of these operations.

Finding 2006-2—Missing Sheriff Citations (Repeat Finding)

Criteria: Effective internal controls include traffic citations be issued in triplicate form and that a control log be kept of all traffic citation books issued to employees for the Sheriff's Office. Also, all records related to the Sheriff's Office issued citations should be accounted for by properly voiding citations, remitting active citations to the Court Clerk's Office, and maintaining all carbon copies of citations.

Condition: The audit copy of the Johnston County Sheriff's Office issued citations could not be located.

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

Recommendation: We recommend that the Johnston County Sheriff's Office submit one copy of traffic citations to the Court Clerk, assure that all carbon copies of the citations are maintained by the Sheriff's Office for audit purposes, and that citations be properly voided with the originals attached to the carbon copies left in the book.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. The Sheriff's Office will begin to maintain the audit copy of all citations.

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

Finding 2006-3—Inmate Trust Fund (Repeat Finding)

Criteria: Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Condition: Inmate Trust Fund records were not maintained to reconcile inmates' balances to the bank statements on a monthly basis.

Effect: This condition could result in errors and improprieties.

Recommendation: We recommend that the Sheriff maintain inmate balances in a manner to be reconciled to the bank statements each month.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. The Sheriff's Office will work to correct this matter.

Finding 2006-4—Inmate Property Missing

Criteria: Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to establish and maintain a safe environment for inmates' personal property are deficiencies in internal control.

Condition: On June 22, 2006, the Sheriff reimbursed an inmate \$150.00 from the Sheriff's Commissary Account for personal property that was missing.

Effect: This condition could result in misappropriation of assets.

Recommendation: We recommend that the Sheriff establish controls for the safeguarding of inmates' personal property.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings and are implementing procedures to maintain inmates' property in a safe manner.

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

Finding 2006-5—Sheriff Inmate Trust Account (Repeat Finding)

Criteria: Effective accounting procedures are necessary to ensure stewardship and accountability of public funds.

Condition: While performing cash compositions for the Sheriff's Inmate Trust Account, the following was noted:

1. Receipts were not issued for all monies received.
2. Receipts are not issued in sequential order.
3. Receipts are not voided properly with the original attached.
4. Sheriff does not make daily deposits.
5. Carbon copies of some receipts were removed from receipt book.

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

Recommendation: We recommend that duplicate, pre-numbered receipts be issued for all monies received in the Sheriff's Office. Receipts should be issued only once, in sequential order, and should indicate mode of payment received. Also, collections should be deposited daily.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings and are implementing procedures for the safeguarding and timely deposit of all Inmate Trust Fund collections.

Finding 2006-6—Sheriff's Official Depository (Repeat Finding)

Criteria: Effective accounting procedures are necessary to ensure stewardship and accountability of public funds.

Condition: While performing cash compositions for the Sheriff's Official Depository Account, the following was noted:

1. Receipts were not issued for all monies received.
2. Receipts are not issued in sequential order.
3. Receipts are not voided properly with the original attached.
4. Sheriff does not make daily deposits.
5. Not all receipts are being signed.
6. Carbon copies of some receipts were removed from receipt book.
7. Generic receipts are being used.

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

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

Recommendation: We recommend that duplicate, pre-numbered receipts reflecting "Johnston County Sheriff's Office" be issued for all monies received in the Sheriff's Office. Receipts should be issued only once, in sequential order, and should indicate mode of payment received. Also, collections should be deposited daily.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings and are implementing procedures for the safeguarding and timely deposit of all official depository collections.

Finding 2006-9—Pledged Securities

Criteria: Title 62 O.S. § 511 states, "Any custodian of public fund of any kind or character, required by law to secure proper collateral before depositing public funds in a bank or trust company, shall here after, in depositing public funds in a bank or trust company whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC), be required to secure proper collateral only for sums deposited in excess of the amount of deposit insured by such FDIC." Title 62 O.S. § 513 states, "...treasurers of counties...having custody, control, and management of any public or trust fund or funds charged with safe keeping and deposit of said fund...in an amount and to the extent that such deposit is fully insured by the Federal Savings and Loan Insurance Corporation or any other instrumentality of the United States Government. Title 62 O.S. § 121 states, "the county treasurers shall take from each such bank security in a sum equal to the largest approximate amount that may be deposited in each bank respectively at any one time.

Condition: The County's bank account balances were underpledged in the amount of \$30,742.73, as of June 30, 2006.

Effect: This could result in the loss of County funds.

Recommendation: We recommend the County Treasurer monitor county pledges routinely to ensure that deposits are adequately secured.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We have developed a spreadsheet to be updated on a daily basis in order to stay aware of this concern.

Finding 2006-11—Sheriff Official Depository

Criteria: Statutory control requirements have been established for county government for the depositing of funds. Title 19 O.S. § 682 states, "It shall be the duty of each and every county officer, county board, county commission and all members and employees of either thereof, to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, funds,

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

rentals, penalties, costs, proceeds of sale of property, fees, fines, forfeitures and public charges of every kind received or collected by virtue or under color of office..."

Condition: While performing cash compositions for the Sheriff's Official Depository Account, the following receipts could not be traced to a deposit:

| <u>Date</u> | <u>Receipt #</u> | <u>Amount</u> |
|-------------|------------------|---------------|
| 2/3/2006 | 243473 | \$15.00 |
| 2/3/2006 | 243483 | \$15.00 |
| 3/16/2006 | 243505 | \$15.00 |
| 3/23/2006 | 243448 | \$134.00 |
| 3/31/2006 | 243447 | \$603.00 |
| 4/9/2006 | 243474 | \$219.00 |
| 4/15/2006 | 243524 | \$37.50 |
| 4/22/2006 | 243532 | \$215.50 |
| 4/24/2006 | 5294 | \$287.50 |

Additionally, the following purchase orders were requisitioned by the Sheriff to refund cash bonds for receipts that could not be traced to a deposit:

| <u>Date</u> | <u>PO #</u> | <u>Amount</u> |
|-------------|-------------|---------------|
| 12/27/2004 | 1757 | \$80.00 |
| 5/5/2006 | 2962 | \$269.00 |
| 6/7/2006 | 3277 | \$256.40 |
| 6/7/2006 | 3275 | \$119.00 |
| 1/10/07 | 1773 | \$350.00 |

Receipts that could not be traced to a deposit totals \$2,615.90.

Effect: This condition could result in misappropriation of assets.

Recommendation: We recommend that all receipts collected under the color of office be deposited in the officer's official depository account daily.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings and are implementing procedures for the safeguarding and timely deposit of all official depository collections.

Finding 2006-14—Original and Net Appropriations Reflected on Budget Incorrect

Criteria: Title 68 O.S. § 3002.A states, "Notwithstanding the provisions of the School District Budget Act, each board of county commissioners and the board of education of each school district, shall, prior to October 1 of each year, make, in writing, a financial statement, showing the true fiscal condition of their

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

respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statement shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct. The statement of estimated needs shall be itemized so as to show, by classes; first, the several amounts necessary for the current expenses of the political subdivision and each officer and department thereof as submitted in compliance with the provisions of Section 3004 of this title; second, the amount required by law to be provided for sinking fund purposes; third, the probable income that will be received from all sources, including interest income and ad valorem taxes; and shall be detailed in form and amount so as to disclose the several items for which the excise board is authorized and required, by this article, to approve estimates and make appropriations.”

Condition: The net appropriations per the estimate of needs approved by the County Excise Board for the fiscal year ending June 30, 2007, do not agree by account to the original appropriations as reported on the estimate of needs fiscal year ending June 30, 2006.

Effect: This condition results in misstated financial reports.

Recommendation: We recommend the County review the estimate of needs prior to approval to ensure that all funds are accurately presented.

Views of responsible officials and planned corrective actions: We concur with the State Auditor’s findings, and in the future we will properly review the estimate of needs.

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

Finding 2006-7—Fixed Assets Inventory

Criteria: Statutory requirements have been established for inventory control in county government. Title 19 O.S. § 178.1 states, “The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and therefore maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter....”

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Condition: The County Assessor, the Election Board, and the Health Department, do not perform a biennial verification of the fixed assets inventory.

Effect: This condition could result in unrecorded transactions and misappropriation of assets.

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

Views of responsible officials and planned corrective actions: All Officers will work to compile a complete listing of County inventory. We will also try to conduct a physical inventory of all items once every two years.

Finding 2006-8—Depositing Unclaimed Property Without Court Order

Criteria: Statutory control requirements have been established for county government for the depositing of unclaimed property. Title 22 O.S. § 1325.A states, “Any sheriff’s office or campus police agency as authorized under Section 360.15 et seq. of Title 74 of the Oklahoma Statutes is authorized to dispose of by public sale, destruction, donation, or transfer for use to a governmental subdivision personal property which has come into its possession, or deposit in a special fund, as hereafter provided, all money or legal tender of the United States which has come into its possession, whether said property or money be stolen, embezzled, lost, abandoned or otherwise, the owner of said property or money being unknown or not having claimed the same, and which the sheriff or campus police agency has held as evidence for at least six (6) months, and such property or money, or any part thereof, being no longer needed to be held as evidence or otherwise used in connection with any litigation.

Also, Title 22 O.S. § 1325.F states in part, “A sheriff’s office having in its possession money or legal tender under the circumstances provided in subsection A of this section, prior to appropriating the same deposit into a special fund, shall file an application in the district court of its county requesting the court to enter an order authorizing it to so appropriate said money for deposit in said special fund.

Condition: The Johnston County Sheriff deposited into the Sheriff’s Unclaimed Property Fund monies left in the possession of the Sheriff’s Office without a court order.

Effect: This could result in misappropriation of assets.

Recommendation: We recommend the Sheriff obtain a court order before depositing monies left in the possession of the Sheriff’s Office for more than six months

Views of responsible officials and planned corrective actions: We read the laws regarding unclaimed property and felt that it was lawful to deposit the money in the manner it was deposited. We will consult with the District Attorney before taking action of this nature in the future.

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Finding 2006-10—Sheriff Issuing Vouchers That Are Not Properly Approved

Criteria: Statutory control requirements have been established for county government for the disbursement of monies from the county depository. Title 19 O.S. § 683 states, "All withdrawals of monies from the said depository shall be made on the voucher of the authority making such deposit, - which said vouchers shall show on their face the character of claim or charge liquidated or the fund or funds to which transferred in the county treasury, and shall, when redeemed, be delivered monthly to the county clerk and receipted for by him. It shall be the duty of the authority making any withdrawal to present the voucher therefore to the county treasurer for registration before delivery to the payee. Upon such presentation, the county treasurer shall register the said voucher in its proper numerical order, certify such registration by his official signature, and"

Condition: The Johnston County Sheriff issued a voucher to disburse bond monies to the City of Wapanucka without the required signatures and without registering the voucher. The County Treasurer returned this voucher to the bank for improper signature.

Effect: This condition could result in unrecorded transactions and misappropriation of assets.

Recommendation: We recommend the Sheriff's vouchers reflect the proper signatures and be registered by the County Treasurer prior to the vouchers being issued.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings and will make every effort to comply with state statutes and recommended procedures.

Finding 2006-12—Inmate Trust Fund Disbursements

Criteria: Statutory control requirements have been established for county government for disbursements from inmate trust funds. Title 19 O.S. § 531.A states in part, "...the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account"...The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Condition: The Sheriff's Office is issuing checks to Tiger Commissary from the Inmate Trust Account instead of transferring funds to a Sheriff's Commissary Cash Fund and using purchase orders to make purchases. In addition, the profits are being retained in the Inmate Trust Account.

Effect: This condition could result in unrecorded transactions.

Recommendation: We recommend funds for inmate purchases be transferred to the Sheriff's Commissary Cash Fund and that all disbursements be made on purchase orders approved by the Board of County Commissioners.

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Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings and will implement procedures to correct this problem.

Finding 2006-13—Fuel Log Not Maintained

Criteria: Statutory requirements have been established for inventory control of supplies and materials used in county government. 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: District 2 does not maintain fuel logs that can be reconciled to a physical measurement.

Effect: This condition could result in unrecorded transactions and misappropriation of assets.

Recommendation: We recommend that consumable records be maintained in accordance with requirements provided in state statutes.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings and are implementing procedures to correct this issue.