

**WASHINGTON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

June 14, 2006

TO THE CITIZENS OF
WASHINGTON COUNTY, OKLAHOMA

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

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

The Office of the State Auditor and Inspector is committed to 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,

JEFF A. McMAHAN
State Auditor and Inspector

WASHINGTON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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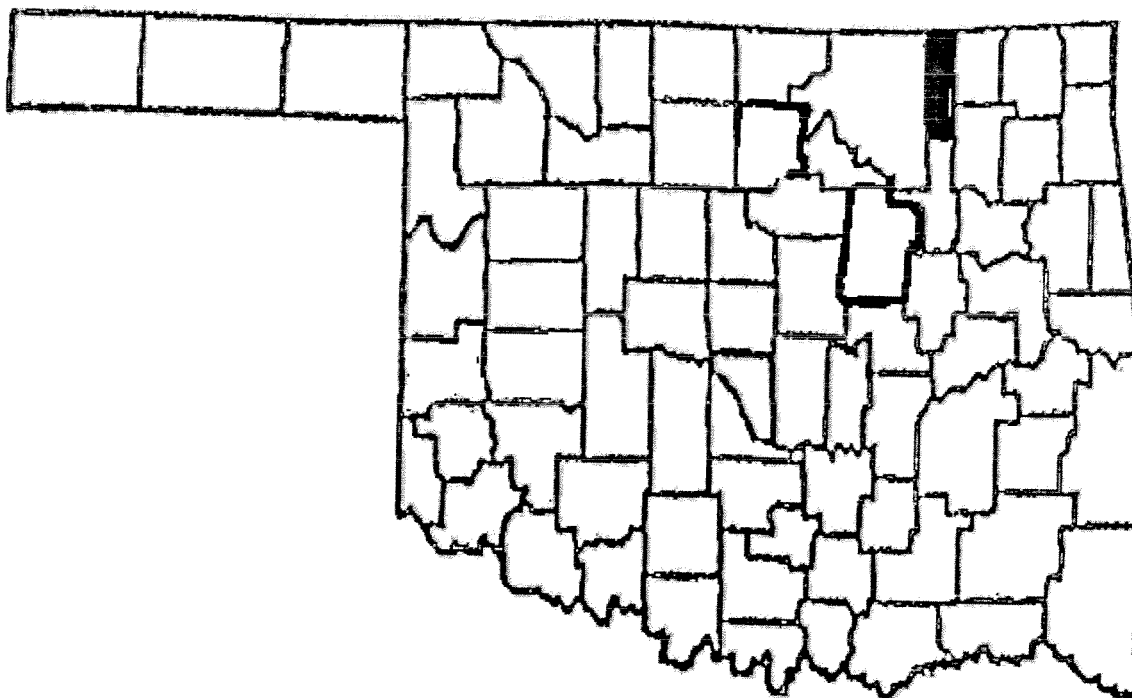
WASHINGTON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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REPORT TO THE CITIZENS
OF
WASHINGTON COUNTY, OKLAHOMA



Washington County was created at statehood and was named for President George Washington. Bartlesville, the county seat, was the site of the first commercial oil well in Oklahoma. The town of Dewey was the first in Oklahoma to have electric lights, water works, and a telephone line.

County Seat – Bartlesville

Area – 416.9 Square Miles

County Population – 48,996
(2000 est.)

Farms – 768

Land in Farms – 237,661 Acres

Source: Oklahoma Almanac – 2003-2004

See independent auditor's report.

**WASHINGTON COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

COUNTY ASSESSOR
Todd Mathes
(R) Bartlesville

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
Marjorie Parrish
(R) Bartlesville

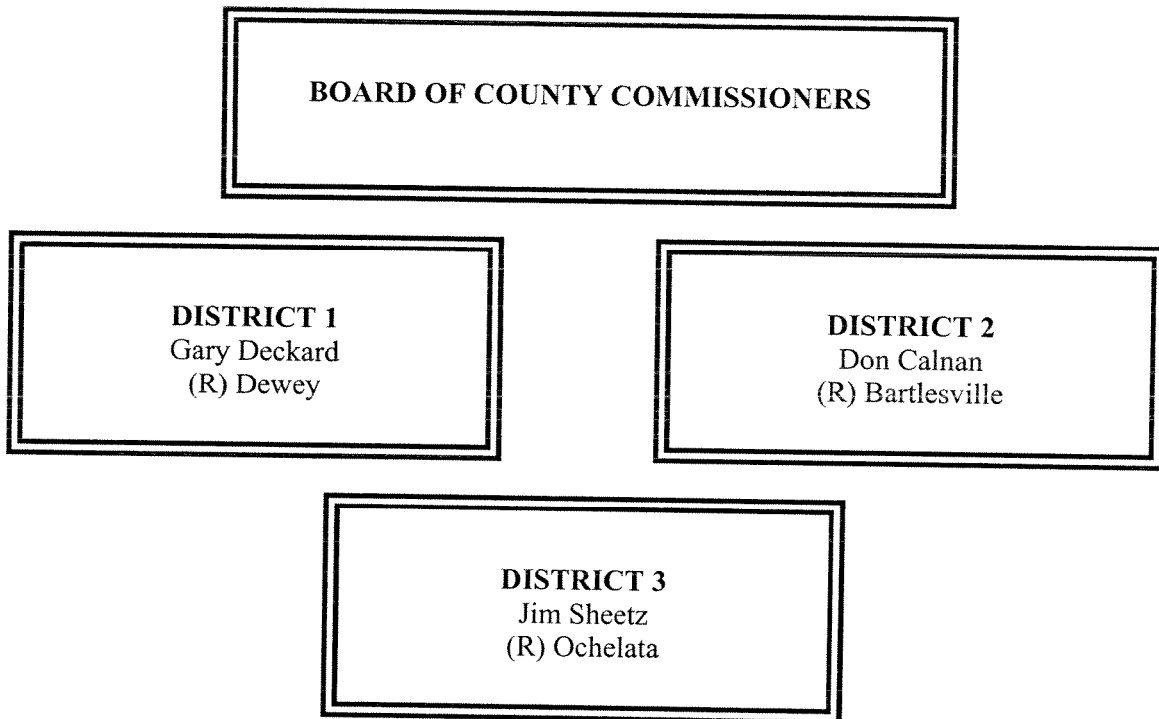
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**WASHINGTON COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**



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.

**WASHINGTON COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

COUNTY SHERIFF
Patrick Ballard
(R) Bartlesville

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
Stan Stevens
(R) Bartlesville

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.

**WASHINGTON COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

COURT CLERK
Rosalie Cowan
(R) Bartlesville

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
Frederick S. Esser
(R) Bartlesville

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

**WASHINGTON COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

ELECTION BOARD SECRETARY

Brad Johnson
(R) Bartlesville

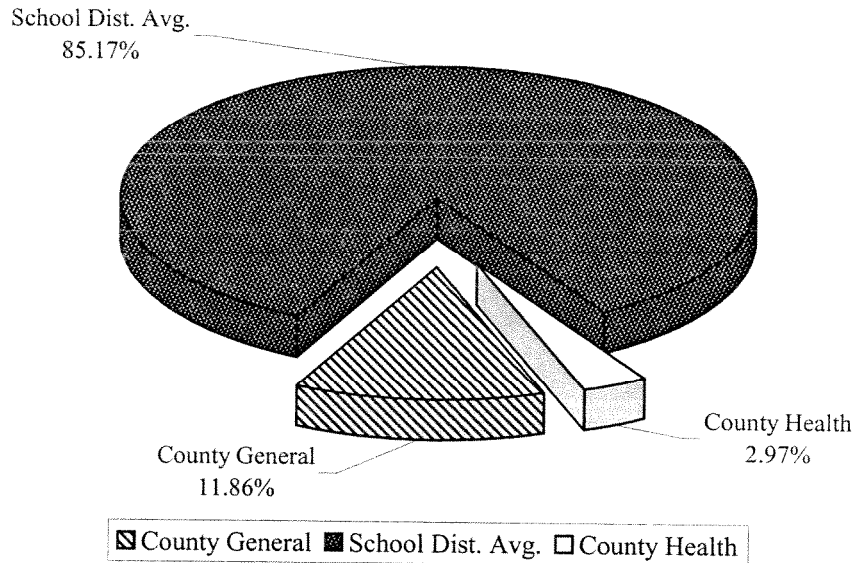
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

See independent auditor's report.

**WASHINGTON COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skq.	Career Tech	Common	Total
Co. General	10.00								
County Health	2.50								
		Bartlesville	I-30	35.00	5.00	18.59	15.00	4.00	77.59
		Dewey	I-7	35.00	5.00	13.33	15.00	4.00	72.33
		Copan	I-48	35.00	5.00	5.88	15.00	4.00	64.88
		Caney Valley	I-18	35.00	5.00	11.56	15.00	4.00	70.56
		Nowata	J-3	35.00	5.00	15.99	15.00	4.00	74.99
		Collinsville	J-6	35.00	5.00	16.23	15.00	4.00	75.23
		Skiatook	J-7	35.00	5.00	20.59	15.00	4.00	79.59
		Avant	J-35	35.00	5.00		15.00	4.00	59.00

See independent auditor's report.

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

Total net assessed value as of January 1, 2003		<u>\$ 224,037,902</u>
Debt limit - 5% of total assessed value		11,201,895
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 11,201,895</u>

See independent auditor's report.

**WASHINGTON COUNTY, OKLAHOMA
 RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
 VALUE AND NET BONDED DEBT PER CAPITA
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004
 (UNAUDITED)**

	2004
Estimated population	48,996
Net assessed value as of January 1, 2003	\$ 224,037,902
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**WASHINGTON COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(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>
1/1/2003	\$33,905,766	\$23,363,602	\$180,161,316	\$13,392,782	\$224,037,902	\$1,866,982,516

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
WASHINGTON COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Washington County, Oklahoma, as of and for the year ended June 30, 2004, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Washington 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.

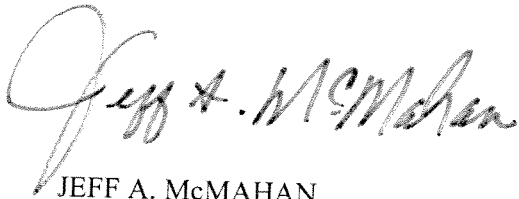
As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between 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 Washington County as of June 30, 2004, 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 Washington County, for the year ended June 30, 2004, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2005, on our consideration of Washington County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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



JEFF A. McMAHAN
State Auditor and Inspector

October 3, 2005

Basic Financial Statement

**WASHINGTON COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
Combining Information:				
General Fund	\$ 1,399,364	\$ 5,687,075	\$ 5,465,741	\$ 1,620,698
Highway Cash	633,467	2,128,595	2,120,487	641,575
County Health	456,306	579,674	488,039	547,941
Sheriff Service Fee	233,343	265,475	163,053	335,765
Sheriff Lake Fee	9,170	5,992	3,101	12,061
Mortgage Certification Fee	17,450	16,138	15,764	17,824
Clerk Lien Fee	11,930	11,902	2,404	21,428
Resale Property	18,199	131,987	74,272	75,914
CSSP	3,615		3,467	148
Assessor's Visual Inspection	8,679	2,383	997	10,065
DARE	14,019	1,327	2,194	13,152
Board of Prisoners	114,044	8,440	36,213	86,271
Equipment Grant	4,609	10,556	25,013	(9,848)
Forestry Grant	1,799	27,251	2,411	26,639
Court Clerk Revolving	1,345			1,345
STOP Grant	5,989	1,870	2,248	5,611
COPS in School	19,328	62,352	58,471	23,209
Preservation Fees	25,680	67,105	61,062	31,723
CDBG	3,075	141,270	144,345	
Emergency 911	33,123	5,746	21,872	16,997
Sheriff Commissary	16,581	63,000	63,385	16,196
Emergency Operation Service	104,851	46,577	126,683	24,745
Use Tax		64,866	45,366	19,500
Homeland Security Grant		9,367	21,574	(12,207)
Insurance Reimbursement	6,616		6,616	
HMEP	819		441	378
Free Fair	13,355	12,332	13,383	12,304
Juvenile Detention	3,078	4,472	4,962	2,588
Reward Fund	944			944
Elder Watch	168			168
Truth in Sentencing	1,625	1,725	2,325	1,025
Trash Cop	150			150
COPS Grant	110			110
Combined Total--All County Funds	\$ 3,162,831	\$ 9,357,477	\$ 8,975,889	\$ 3,544,419

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

WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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 Washington 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:

General Fund – revenues are from ad valorem taxes, sales tax, officers' fees, interest earnings and miscellaneous collections of the County. Disbursements are for the general operations of the County.

Highway Cash – revenues are from state imposed fuel taxes and disbursements are for the maintenance and construction of county roads and bridges.

County Health – revenues are from ad valorem taxes, miscellaneous fees charged by the health department and state and federal funds. Disbursements are for the operation of the county health department.

Sheriff Service Fee – revenues are from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

Sheriff Lake Fee – revenues are from the Corps of Engineers. Disbursements are for the expense of patrolling Corps lands.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Mortgage Certification Fee – revenues are from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer’s office.

Clerk Lien Fee – revenues are from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk’s office.

Resale Property – revenues are from interest and penalties on ad valorem taxes paid late. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

CSSP – revenues are from the State Department of Corrections to reimburse the County for the expense of administering the Community Service Sentencing Program.

Assessor’s Visual Inspection – revenues are from fees charged to all entities receiving ad valorem taxes. Disbursements are for the re-valuation of all county property for ad valorem purposes.

DARE – revenues are from a federal grant and donations for drug education. Disbursements are for payroll of drug officers who go into schools and teach Drug Abuse Resistance Education.

Board of Prisoners – revenues are from fees charged for boarding prisoners of non-county entities in the County jail. Disbursements are for feeding and housing inmates of the County jail.

Equipment Grant – revenues are from a Department of Justice grant. Disbursements are for the purchase of Sheriff’s equipment. The County uses a “letter of intent” to disburse funds which have not yet been received (per 68 O.S. § 3003.C.) This has resulted in a temporary negative cash balance.

Forestry Grant – revenues are from a state grant. Disbursements are for the fire fighting services.

Court Clerk Revolving – revenues are from fees charged by the Court Clerk. Disbursements are for any legal expense of the Court Clerk’s office.

STOP Grant – revenues are from a Department of Justice grant. Disbursements are for violence prevention by the Sheriff’s office.

COPS in School – revenues are from a federal grant. Disbursements are for more police presence in area schools.

Preservation Fees – revenues are from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

CDBG – revenues are from a federal grant. Disbursements are for economic development.

Emergency 911 – revenues are from a tariff charged to telephone customers. Disbursements are to offset the expense of the 911 emergency service.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Sheriff Commissary – revenues are from profits on commissary sales in the county jail. Disbursements are for jail improvements.

Emergency Operation Service – accounts for the collection and disbursement of monies used for any civil defense expenses.

Use Tax – revenues are from sales tax charged to out-of-county vendors on in-county sales. Disbursements are for any legal expense of the County.

Homeland Security Grant – revenues are from grant funds disbursed by the emergency management services. The County uses a “letter of intent” to disburse funds which have not yet been received (per 68 O.S. § 3003.C.) This has resulted in a temporary negative cash balance.

Insurance Reimbursement – revenues are from an insurance claim. Disbursements are for the repair of the damaged property.

HMEP – revenues are from an environmental protection grant. Disbursements are for the controlling of hazardous materials.

Free Fair – revenues are from the rental of fairground properties. Disbursements are for the expense of the County free fair.

Juvenile Detention – revenues are from state reimbursements. Disbursements are for providing temporary detention services for juveniles.

Reward Fund – revenues are from a state grant and monies collected from fines. Disbursements are to prevent the dumping of trash throughout the County.

Elder Watch – balance of federal grant received to prevent crimes against the elderly.

Truth in Sentencing – revenues are from state funds to reimburse the County for expenses incurred in community sentencing services.

Trash Cop – revenues are from a state grant. Disbursements are to enforce litter laws.

COPS Grant – balance of a federal grant received for the payroll of Sheriff’s officers.

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.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

C. Basis of Accounting

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

D. Budget

Under current Oklahoma Statutes, 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).

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

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

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

G. Compensated Absences

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

Sick leave benefits are accrued at the rate of 10 hours per month and employees may accumulate up to 30 days. 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, 2003, was approximately \$224,037,902.

The County levied 10 mills (the legal maximum) for general fund operations and 2.5 mills for the county health department. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

Current year tax collections for the year ended June 30, 2004, were approximately 98 percent of the tax levy.

3. Fuel Tax

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

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.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 \$25,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

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.

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

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2004, 2003, and 2002 were \$327,051, \$314,518, and \$309,719, 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 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

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

On November 7, 2000, the citizens of Washington County approved a one-half (1/2) of one percent sales tax to be collected for the period beginning December 1, 2002, until repealed by the voters. The one-half of one percent sales tax is or may be used to construct and maintain County roads, to equip and maintain the County jail, and to equip and maintain the County buildings.

OTHER SUPPLEMENTARY INFORMATION

WASHINGTON 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, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 1,399,364	\$ 1,399,364	\$ 1,399,364	\$ -
Less: Prior Year Outstanding Warrants	(295,205)	(295,205)	(295,205)	
Less: Prior Year Encumbrances	(204,849)	(204,849)	(178,976)	25,873
Beginning Cash Balances, Budgetary Basis	<u>899,310</u>	<u>899,310</u>	<u>925,183</u>	<u>25,873</u>
Receipts:				
Ad Valorem Taxes	2,128,360	2,128,360	2,207,685	79,325
Sales Tax	2,088,738	2,185,557	2,508,913	323,356
Charges for Services	286,439	286,439	292,922	6,483
Intergovernmental Revenues	377,414	377,414	421,469	44,055
Miscellaneous Revenues	86,557	86,557	256,086	169,529
Total Receipts, Budgetary Basis	<u>4,967,508</u>	<u>5,064,327</u>	<u>5,687,075</u>	<u>622,748</u>
Expenditures:				
District Attorney	26,000	27,262	22,755	4,507
Capital Outlay	2,000	738	738	
Total District Attorney	<u>28,000</u>	<u>28,000</u>	<u>23,493</u>	<u>4,507</u>
County Sheriff	533,475	537,771	534,408	3,363
Capital Outlay	25,000	20,704	20,704	
Total County Sheriff	<u>558,475</u>	<u>558,475</u>	<u>555,112</u>	<u>3,363</u>
County Treasurer	230,601	230,601	230,105	496
Capital Outlay	1	1		
Total County Treasurer	<u>230,602</u>	<u>230,602</u>	<u>230,105</u>	<u>497</u>
County Commissioners	152,235	157,333	154,540	2,793
Capital Outlay	2,620	2,620	2,610	10
Total County Commissioners	<u>154,855</u>	<u>159,953</u>	<u>157,150</u>	<u>2,803</u>
OSU Extension	92,564	86,463	86,354	109
Capital Outlay		6,101	6,101	
Total OSU Extension	<u>92,564</u>	<u>92,564</u>	<u>92,455</u>	<u>109</u>
County Clerk	326,180	326,180	318,407	7,773
Capital Outlay	2,000	2,000	1,930	70
Total County Clerk	<u>328,180</u>	<u>328,180</u>	<u>320,337</u>	<u>7,843</u>

continued on next page

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

**WASHINGTON 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, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Court Clerk	316,300	322,695	297,717	24,978
Capital Outlay	1,000	1,000		1,000
Total Court Clerk	<u>317,300</u>	<u>323,695</u>	<u>297,717</u>	<u>25,978</u>
County Assessor	182,245	182,092	180,622	1,470
Capital Outlay	1	1		1
Total County Assessor	<u>182,246</u>	<u>182,093</u>	<u>180,622</u>	<u>1,471</u>
Revaluation of Real Property	229,304	218,975	180,654	38,321
Capital Outlay	3,000	13,329	12,208	1,121
Total Revaluation of Real Property	<u>232,304</u>	<u>232,304</u>	<u>192,862</u>	<u>39,442</u>
Emergency Operating	84,676	57,718	57,606	112
Capital Outlay	1,000	956	956	
Total Emergency Operating	<u>85,676</u>	<u>58,674</u>	<u>58,562</u>	<u>112</u>
Volunteer Firefighters	7,700	7,500	7,028	472
Capital Outlay	1,000	1,200	1,099	101
Total Volunteer Firefighters	<u>8,700</u>	<u>8,700</u>	<u>8,127</u>	<u>573</u>
General Government	328,392	328,644	299,186	29,458
Capital Outlay	2,381	46,105	43,247	2,858
Total General Government	<u>330,773</u>	<u>374,749</u>	<u>342,433</u>	<u>32,316</u>
Excise-Equalization Board	4,200	4,200	3,233	967
Total Excise-Equalization Board	<u>4,200</u>	<u>4,200</u>	<u>3,233</u>	<u>967</u>
County Election Board	114,312	111,768	111,213	555
Capital Outlay	1,000	3,825	3,825	
Total County Election Board	<u>115,312</u>	<u>115,593</u>	<u>115,038</u>	<u>555</u>
Free Fair	105,978	107,706	107,600	106
Capital Outlay	5,000	6,096	6,096	
Total Free Fair	<u>110,978</u>	<u>113,802</u>	<u>113,696</u>	<u>106</u>
Emergency 911	42,495	28,508	27,546	962
Capital Outlay	3,700	3,700		3,700
Total Emergency 911	<u>46,195</u>	<u>32,208</u>	<u>27,546</u>	<u>4,662</u>

continued on next page

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

**WASHINGTON 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, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Information Technology	190,417	184,739	181,306	3,433
Capital Outlay	6,000	13,095	12,897	198
Total Information Technology	<u>196,417</u>	<u>197,834</u>	<u>194,203</u>	<u>3,631</u>
Charity	500	500		
Total Charity	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Insurance - Benefits	284,527	282,977	221,760	61,217
Total Insurance - Benefits	<u>284,527</u>	<u>282,977</u>	<u>221,760</u>	<u>61,217</u>
County Audit Budget	22,404	22,404	22,404	
Total County Audit Budget	<u>22,404</u>	<u>22,404</u>	<u>22,404</u>	<u>-</u>
Sales Tax - Jail	712,167	739,667	738,488	1,179
Capital Outlay	30,000	7,000	6,498	502
Total Sales Tax - Jail	<u>742,167</u>	<u>746,667</u>	<u>744,986</u>	<u>1,681</u>
Sales Tax - District 1 & 2	846,467	782,331	716,687	65,644
Capital Outlay	100,000	168,000	132,828	35,172
Total Sales Tax - District 1 & 2	<u>946,467</u>	<u>950,331</u>	<u>849,515</u>	<u>100,816</u>
Sales Tax - Move Renovation	200,420	200,420	200,419	1
Capital Outlay	1	1		
Total Sales Tax - Move Renovation	<u>200,421</u>	<u>200,421</u>	<u>200,419</u>	<u>2</u>
Sales Tax - District 3 & General	579,555	638,711	457,223	181,488
Capital Outlay	65,000	77,000	75,981	1,019
Total Sales Tax - District 3 & General	<u>644,555</u>	<u>715,711</u>	<u>533,204</u>	<u>182,507</u>
Provision for Interest on Warrants	3,000	3,000	1,239	1,761
Total Expenditures, Budgetary Basis	<u>5,866,818</u>	<u>5,963,637</u>	<u>5,486,218</u>	<u>477,419</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	1,126,040	<u>\$ 1,126,040</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			301,037	
Add: Current Year Outstanding Warrants			193,621	
Ending Cash Balance			<u>\$ 1,620,698</u>	

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

**WASHINGTON 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, 2004**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 456,306	\$ 456,306	\$ 456,306	\$ -
Less: Prior Year Outstanding Warrants	(6,678)	(6,678)	(6,678)	
Less: Prior Year Encumbrances	(60,728)	(60,728)	(59,008)	1,720
Beginning Cash Balances, Budgetary Basis	<u>388,900</u>	<u>388,900</u>	<u>390,620</u>	<u>1,720</u>
Receipts:				
Ad Valorem Taxes	533,289	533,289	546,719	13,430
Charges		25,631	27,753	2,122
Miscellaneous Revenues			5,202	5,202
Total Receipts, Budgetary Basis	<u>533,289</u>	<u>558,920</u>	<u>579,674</u>	<u>20,754</u>
Expenditures:				
Health and Welfare	912,189	937,820	475,394	462,426
Capital Outlay	10,000	10,000	9,300	700
Total Expenditures, Budgetary Basis	<u>922,189</u>	<u>947,820</u>	<u>484,694</u>	<u>463,126</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	485,600	<u>\$ 485,600</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			12,602	
Add: Current Year Outstanding Warrants			49,739	
Ending Cash Balance			<u>\$ 547,941</u>	

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

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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.

See independent auditor's report.

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
WASHINGTON COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Washington County, Oklahoma, as of and for the year ended June 30, 2004, which comprises Washington County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 3, 2005. 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. 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

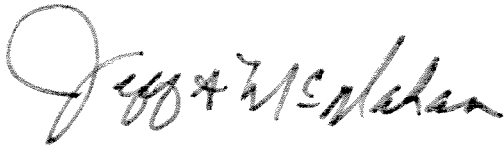
In planning and performing our audit, we considered Washington County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Washington County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying schedule of findings and responses as item 98-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial 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, we consider the reportable condition described above to be a material weakness.

Compliance and Other Matters

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

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, appearing to read "Jeff A. McMAHAN". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

October 3, 2005

WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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 98-1 - Segregation of Duties (Repeat Finding)

Criteria: Demonstration of accountability and stewardship are goals used in evaluating management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

Condition: Based on inquiries of County personnel, it was noted that the duties of receiving, receipting, recording, and depositing collections were not adequately segregated. Payroll preparation, review and distribution are not adequately segregated.

Effect: These conditions 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 the concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Under these conditions, 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: Management is aware of this condition. Management has knowledge of office operations and performs regular reviews of these operations.