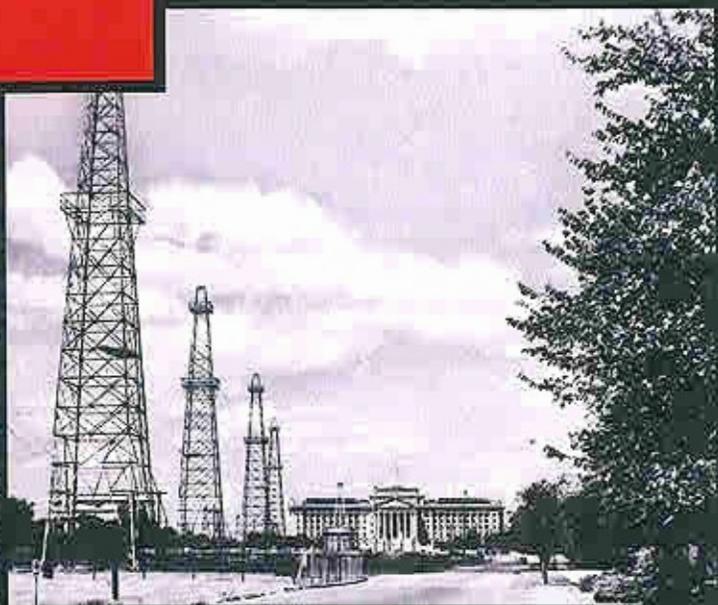


County Audit

Washington County, Oklahoma

For The Fiscal Year Ended
June 30, 2005



Office of the Oklahoma State Auditor and Inspector
Jeff A. McMahan, CFE

**WASHINGTON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

This publication is printed and issued by the State Auditor and Inspector as authorized by 19 O.S. § 171. Pursuant to 74 O.S. § 3105.B, thirty-five (35) copies have been prepared and distributed at a cost of \$92.75. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

October 4, 2007

TO THE CITIZENS OF
WASHINGTON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Washington County, Oklahoma, for the fiscal year ended June 30, 2005. 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 cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

**WASHINGTON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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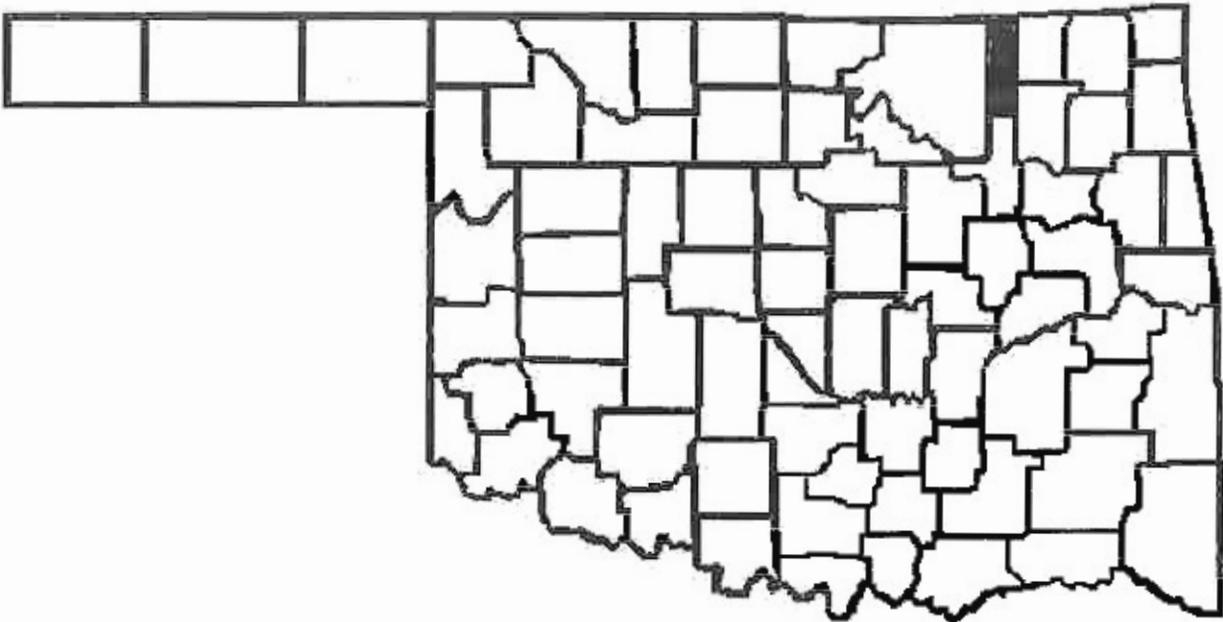
**WASHINGTON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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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 – 424.15 Square Miles

County Population – 49,027
(2004 est.)

Farms – 847

Land in Farms – 222,882 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

**WASHINGTON COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

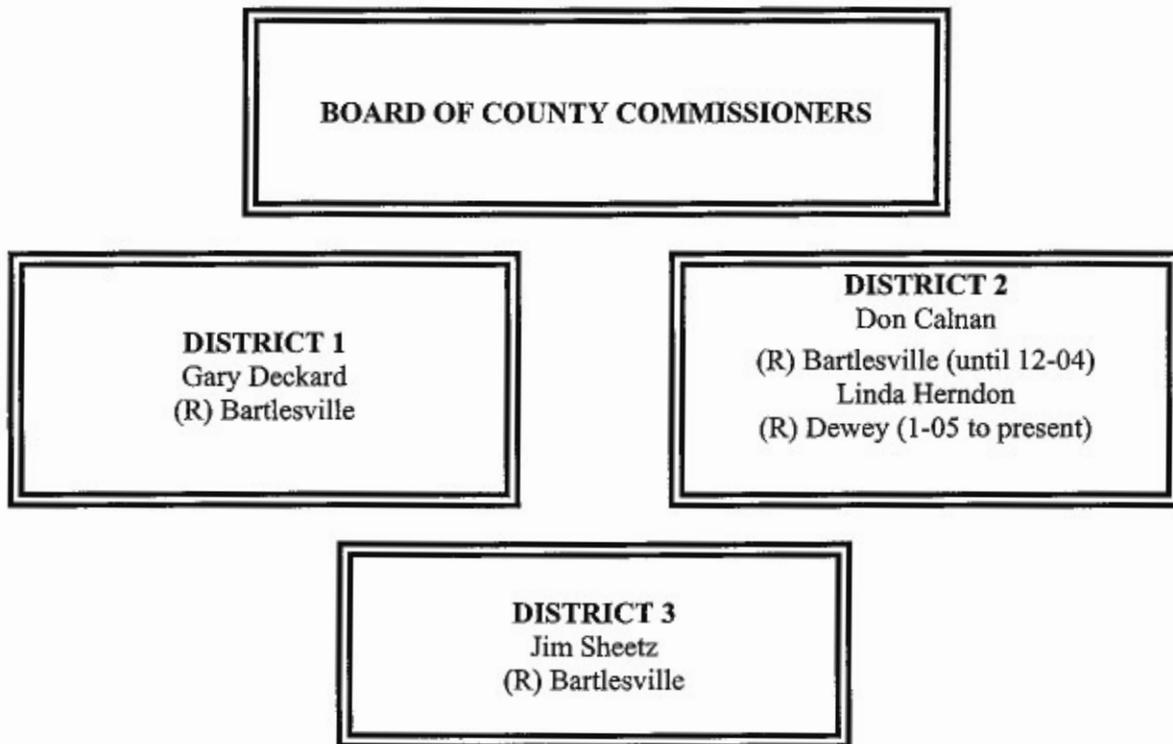
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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, 2005**



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, 2005**

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, 2005**

COURT CLERK
Martha Mersch
(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, 2005**

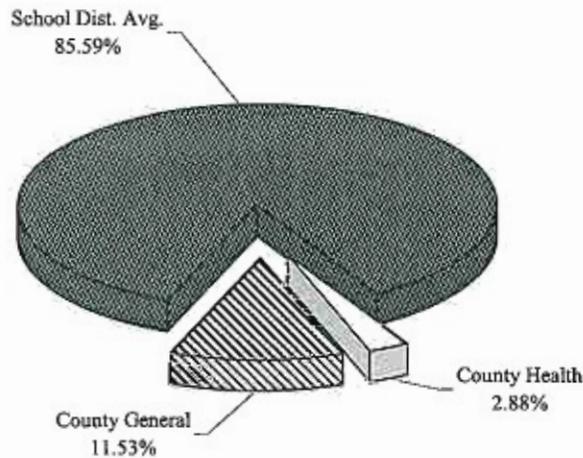
<p>ELECTION BOARD SECRETARY Brad Johnson (R) Bartlesville</p>
--

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.

**WASHINGTON COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

County-Wide Millages		School District Millages							
Co. General	10.00			Gen.	Bldg.	Skg.	Career Tech	Common	Total
County Health	2.50	Bartlesville	1-1	35.00	5.00	19.24	15.00	4.00	78.24
		Dewey	1-5	35.00	5.00	17.62	15.00	4.00	76.62
		Copan	1-9	35.00	5.00	11.08	15.00	4.00	70.08
		Caney Valley	1-35	35.00	5.00	11.61	15.00	4.00	70.61
		Nowata	1-48	35.00	5.00	22.10	15.00	4.00	81.10
		Collinsville	1-54	35.00	5.00	17.83	15.00	4.00	76.83
		Skiatook	J-1	35.00	5.00	19.47	15.00	4.00	78.47
		Avant	J-2	35.00	5.00	2.62	15.00	4.00	61.62

See independent auditor's report.

**WASHINGTON COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)**

Total net assessed value as of January 1, 2004		<u>\$ 230,769,945</u>
Debt limit - 5% of total assessed value		11,538,497
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 11,538,497</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, 2005
 (UNAUDITED)**

	2005
Estimated population	49,027
Net assessed value as of January 1, 2004	\$ 230,769,945
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, 2005
(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>
1/1/2004	\$33,010,429	\$23,063,239	\$187,877,517	\$13,181,240	\$230,769,945	\$1,973,082,875

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, 2005, 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.

Except as discussed in the fifth paragraph below, 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.

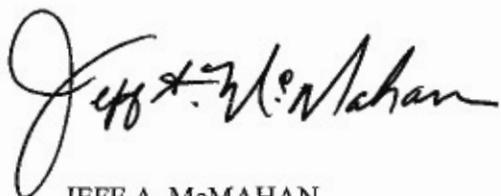
In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Washington County as of June 30, 2005, or changes in its financial position for the year then ended.

We were unable to obtain sufficient audit evidence to corroborate management's assertion about pending litigation.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding pending litigation, 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, 2005, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2007, 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

June 18, 2007

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, 2005**

	Beginning Cash Balances July 1, 2004	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2005
Combining Information:				
County General Fund	\$ 1,620,698	\$ 6,233,851	\$ 6,453,338	\$ 1,401,211
T-Highway	641,575	2,176,711	2,258,907	559,379
EOC HMEP	2,911	2,666	1,264	4,313
Reward Fund	944			944
Sheriff Service Fees	335,765	232,722	216,301	352,186
Sherriff Lake Fees	12,061		4,467	7,594
Treasurer Mortgage Certification Fee	17,823	14,610	16,143	16,290
County Clerk Lien Fees	21,428	14,359	6,105	29,682
Elderly Watch	168			168
Washington County Health Department Old	498			498
Washington County Health Department	547,941	629,234	517,813	659,362
Resale Account	75,914	173,948	101,729	148,133
Trash Cop	150			150
Safe Room Grants		37,492	29,392	8,100
Cops Grant	110			110
Insurance Reimbursement	(293)			(293)
Assessor Visual Inspection	10,065	1,730		11,795
DARE Program	13,152	1,173	3,371	10,954
Emergency 911	16,997	5,591	8,465	14,123
Board of Prisoners	86,271	27,876	26,263	87,884
Sheriff Tax Warrants	2,777			2,777
Sheriff Commissary	16,196	96,020	98,070	14,146
Equipment Grants	(9,848)	14,107	4,866	(607)
Forestry Grant	26,639	93,596	24,080	96,155
STOP Grant	5,611			5,611
Emergency Operations Services	24,745	22,821	25,003	22,563
State Grant	378	155		533
Homeland Security	(12,207)	25,669	13,462	
Multi-Hazard		15,000	15,000	
Cops in Schools	23,209	15,582	32,795	5,996
Sheriff Homeland		6,946	6,946	
CDBG		5,401	5,401	
County Clerk Preservation	31,723	59,720	56,625	34,818
County Use Tax	19,500		11,584	7,916
Community Service Sentencing Program	148			148
Combined Total—All County Funds	\$ 3,533,049	\$ 9,906,980	\$ 9,937,390	\$ 3,502,639

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, 2005**

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:

County 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.

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

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

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

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

Sheriff Lake Fees—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, 2005**

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

County Clerk Lien Fees—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.

Elderly Watch—balance of federal grant received to prevent crimes against the elderly.

Washington County Health Department Old - an old fee account that is no longer being used by the health department.

Washington County Health Department—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.

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

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

Safe Room Grants—revenues are from federal grants for tornado shelters. Disbursements are to individuals who have complied with grant requirements for the construction of a tornado shelter.

Cops Grant—balance of a federal grant received for the payroll of Sheriff's officers.

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

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

DARE Program—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.

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

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.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Sheriff Tax Warrants—revenues are from various government entities for the service of tax warrants. Disbursements are for the lawful operation of the Sheriff's Office.

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

Equipment Grants—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 appropriate money and encumber funds.

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

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

Emergency Operations Services—accounts for the collection and disbursement of monies used for any civil defense expenses.

State Grant—revenues are from the State of Oklahoma. Disbursements were for REAP projects.

Homeland Security—revenues are from grant funds disbursed by the emergency management services. The County uses a "letter of intent" to appropriate money and encumber funds.

Multi-Hazard—emergency grant for preparedness of multi-hazardous chemicals.

Cops in Schools—revenues are from a federal grant. Disbursements are for more police presence in area schools.

Sheriff Homeland—revenues are from the United States Justice Department for preparedness of homeland security. Disbursements are for the preparation of a security plan for the Sheriff's Office.

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

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

County 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.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Community Service Sentencing Program—remaining balance of state funds for the community service sentencing program. This program is now administered by the court.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including county health departments, 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 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).

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

F. Investments

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

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

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

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may not be accumulated. Employees with 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, 2004, was approximately \$230,769,945.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

The County levied 10.00 mills (the legal maximum) for general fund operations and 2.50 mills for county health department. 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, 2005, were approximately 97.57 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	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant <ul style="list-style-type: none">• Theft• Damage to Assets• Natural Disasters		

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Types of Loss	Method of Management	Risk of Loss Retained
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 \$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

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 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, 2005, 2004, and 2003 were \$314,228, \$327,051, and \$314,518, 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

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.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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.

10. Restatement Prior Year Ending Balance

Due to the reclassification of funds for fiscal year ending June 30, 2004, the ending balance as reported is different than the June 30, 2005, beginning balance. The difference is due to four funds reported as county that should have been trust and agency, resulting in a reduction of \$17,268. Three funds were reported as trust and agency that should have been county funds, resulting in an increase of \$5,893.

Prior Year Ending as Reported	\$ 3,544,419
Funds Moved to Trust and Agency	(17,263)
Funds Moved to County Funds	5,893
Prior Year Ending Balance as Restated	<u>\$ 3,533,049</u>

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, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 1,620,698	\$ 1,620,698	\$ 1,620,698	\$ -
Less: Prior Year Outstanding Warrants	(193,621)	(193,621)	(193,621)	
Less: Prior Year Encumbrances	(301,037)	(301,037)	(250,315)	50,722
Beginning Cash Balances, Budgetary Basis	<u>1,126,040</u>	<u>1,126,040</u>	<u>1,176,762</u>	<u>50,722</u>
Receipts:				
Ad Valorem Taxes	2,192,315	2,192,315	2,214,196	21,881
Charges for Services	254,629	254,629	240,541	(14,088)
Sales Tax	2,199,247	2,718,748	3,138,583	419,835
Intergovernmental Revenues	352,176	352,176	447,867	95,691
Miscellaneous Revenues	85,537	85,537	192,664	107,127
Total Receipts, Budgetary Basis	<u>5,083,904</u>	<u>5,603,405</u>	<u>6,233,851</u>	<u>630,446</u>
Expenditures:				
District Attorney	27,219	27,957	19,452	8,505
Capital Outlay	738			
Total District Attorney	<u>27,957</u>	<u>27,957</u>	<u>19,452</u>	<u>8,505</u>
County Sheriff	575,115	586,947	574,982	11,965
Capital Outlay	25,000	23,568	23,568	
Total County Sheriff	<u>600,115</u>	<u>610,515</u>	<u>598,550</u>	<u>11,965</u>
County Treasurer	220,601	220,601	216,670	3,931
Capital Outlay	1	1		1
Total County Treasurer	<u>220,602</u>	<u>220,602</u>	<u>216,670</u>	<u>3,932</u>
County Commissioners	150,942	151,711	151,148	563
Capital Outlay	2,611	2,611	2,605	6
Total County Commissioners	<u>153,553</u>	<u>154,322</u>	<u>153,753</u>	<u>569</u>
OSU Extension	92,563	89,291	86,498	2,793
Capital Outlay	1	3,273	3,272	1
Total OSU Extension	<u>92,564</u>	<u>92,564</u>	<u>89,770</u>	<u>2,794</u>
County Clerk	337,289	332,544	332,494	50
Capital Outlay	1,930	6,675	6,421	254
Total County Clerk	<u>339,219</u>	<u>339,219</u>	<u>338,915</u>	<u>304</u>
Emergency Operating	88,716	81,499	81,539	(40)
Capital Outlay	956	8,173	7,995	178
Total Emergency Operating	<u>89,672</u>	<u>89,672</u>	<u>89,534</u>	<u>138</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, 2005**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Court Clerk	319,093	319,093	319,054	39
Capital Outlay	1	1		1
Total Court Clerk	<u>319,094</u>	<u>319,094</u>	<u>319,054</u>	<u>40</u>
County Assessor	144,313	144,313	134,918	9,395
Capital Outlay	1	1		1
Total County Assessor	<u>144,314</u>	<u>144,314</u>	<u>134,918</u>	<u>9,396</u>
Revaluation of Real Property	260,269	261,039	259,144	1,895
Capital Outlay	12,208	11,438	11,429	9
Total Revaluation of Real Property	<u>272,477</u>	<u>272,477</u>	<u>270,573</u>	<u>1,904</u>
Volunteer Fire Fighters	7,127	7,302	7,301	1
Capital Outlay	1,000	825	825	
Total Volunteer Fire Fighters	<u>8,127</u>	<u>8,127</u>	<u>8,126</u>	<u>1</u>
General Government	313,093	330,560	317,476	13,084
Capital Outlay	20,249	20,249	6,291	13,958
Total General Government	<u>333,342</u>	<u>350,809</u>	<u>323,767</u>	<u>27,042</u>
Excise-Equalization Board	3,800	3,800	3,020	780
Total Excise-Equalization Board	<u>3,800</u>	<u>3,800</u>	<u>3,020</u>	<u>780</u>
County Election Board	118,906	119,405	119,395	10
Total County Election Board	<u>118,906</u>	<u>119,405</u>	<u>119,395</u>	<u>10</u>
County Audit Budget	25,509	27,542	3,772	23,770
Total County Audit Budget	<u>25,509</u>	<u>27,542</u>	<u>3,772</u>	<u>23,770</u>
Free Fair	109,839	113,218	112,856	362
Capital Outlay	6,096	2,717	2,717	
Total Free Fair	<u>115,935</u>	<u>115,935</u>	<u>115,573</u>	<u>362</u>
Emergency 911	51,658	51,198	48,688	2,510
Capital Outlay	1	461	457	4
Total Emergency 911	<u>51,659</u>	<u>51,659</u>	<u>49,145</u>	<u>2,514</u>
Information Technology	193,654	194,467	193,198	1,269
Capital Outlay	6,000	5,187	5,181	6
Total Information Technology	<u>199,654</u>	<u>199,654</u>	<u>198,379</u>	<u>1,275</u>
Charity	500	500		500
Total Charity	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>

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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, 2005**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Insurance	245,573	225,573	188,671	36,902
Total Insurance	245,573	225,573	188,671	36,902
Sales Tax District 1	448,239	708,188	557,998	150,190
Capital Outlay	109,078	21,400	11,400	10,000
Total Sales Tax District 1	557,317	729,588	569,398	160,190
Sales Tax District 2	407,406	444,958	436,701	8,257
Capital Outlay	86,094	66,094	65,553	541
Total Sales Tax District 2	493,500	511,052	502,254	8,798
Sales Tax District 3	576,488	833,923	798,286	35,637
Capital Outlay	80,929	122,504	122,497	7
Total Sales Tax District 3	657,417	956,427	920,783	35,644
Sales Tax- Move Renovation	200,420	200,420	200,419	1
Capital Outlay	1	1	1	1
Total Sales Tax- Move Renovation	200,421	200,421	200,419	2
Sales Tax General	149,367	149,367	148,103	1,264
Capital Outlay	35,028	35,028	35,028	35,028
Total Sales Tax General	184,395	184,395	148,103	36,292
Sales Tax Jail	724,322	771,635	771,316	319
Capital Outlay	30,000	2,187	2,187	-
Total Sales Tax Jail	754,322	773,822	773,503	319
Provision for Interest on Warrants	-	-	-	-
Total Expenditures, Budgetary Basis	6,209,944	6,729,445	6,355,497	373,948
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	1,055,116	\$ 1,055,116
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			176,003	
Add: Current Year Outstanding Warrants			170,092	
Ending Cash Balance			<u>\$ 1,401,211</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, 2005**

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 547,941	\$ 547,941	\$ 547,941	\$ -
Less: Prior Year Outstanding Warrants	(49,739)	(49,739)	(49,739)	
Less: Prior Year Encumbrances	(12,602)	(12,602)	(11,608)	994
Beginning Cash Balances, Budgetary Basis	<u>485,600</u>	<u>485,600</u>	<u>486,594</u>	<u>994</u>
Receipts:				
Ad Valorem Taxes	484,400	548,079	553,341	5,262
Charges for Services		5,897	75,893	69,996
Total Receipts, Budgetary Basis	<u>484,400</u>	<u>553,976</u>	<u>629,234</u>	<u>75,258</u>
Expenditures:				
Health and Welfare	960,000	1,029,576	483,650	545,926
Capital Outlay	10,000	10,000	1,973	8,027
Total Expenditures, Budgetary Basis	<u>970,000</u>	<u>1,039,576</u>	<u>485,623</u>	<u>553,953</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	630,205	<u>\$ 630,205</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			18,816	
Add: Current Year Outstanding Warrants			10,341	
Ending Cash Balance			<u>\$ 659,362</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, 2005**

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, 2005, 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 June 18, 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. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. Except for a scope limitation on the gathering of corroborating evidence relating to management's assertion about pending litigation, 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

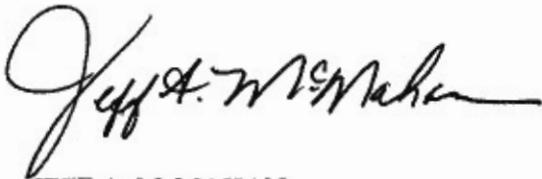
In planning and performing our audit, we considered Washington County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted 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 Washington 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 98-1, 2005-2 and 2005-3.

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 items 98-1 and 2005-3 to be material weaknesses.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2005-1.

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



JEFF A. McMAHAN
State Auditor and Inspector

June 18, 2007

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 1998-1 - 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.

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 desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of office operations and periodic review of 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 2005-1 – Purchasing

Criteria: Title 19 O.S. §1505.C.2 states in relevant part; "After selection of a vendor....2. The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order." In addition, in accordance with 62 O.S. § 310.8, the purchasing officer, having authority to purchase or contract against all budget appropriation accounts as authorized by law shall submit all purchase orders and contracts prior to the time the commitment is made to the officer charged with keeping the appropriation and expenditure records.

Condition: In performing our testwork on expenditures, we noted six purchase orders were not timely encumbered.

Effect: The County is not in compliance with state statutes.

Recommendation: We recommend management take steps to ensure that funds are encumbered prior to the purchase being made in accordance with 19 O.S. §1505.C.2 and 62 O.S. § 310.8.

Views of responsible officials and planned corrective actions: We will diligently strive to encumber funds prior to the purchase being made and will make sure all county employees are aware of the statutory requirement.

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Finding 2005-2 – Timesheets and Leave Balances

Criteria: Effective accounting procedures include the preparation of timesheets, review for accuracy, and filed with the payroll department prior to payroll checks being issued. Payroll claims should be reviewed and signed by each officer to verify that payroll is accurate. The Fair Labor Standards Act requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid, as well as, other leave earned and taken during the pay period.

Condition: While performing tests of payroll we noted the following:

1. The Court Clerk's office timesheets were not signed by both the employee and the supervisor and/or elected official.
2. The Free Fair department is not maintaining any timesheets or leave records.
3. The Sheriff's office leave records are not being approved by a supervisor and/or elected official.

Effect: These conditions could result in officials paying employees for hours not worked which could result in misappropriation of assets.

Recommendation: We recommend each county office maintain records of time worked, overtime worked, compensatory time accrued, other personal leave accrued, and the leave taken during the pay period. Additionally, the official or designee, who has personal knowledge of the employees work, should approve the time records for each employee.

View of responsible officials and planned corrective actions: We will review our personnel policies and implement the recommendations of the State Auditor.

Finding 2005-3–Negative General Ledger Balances

Criteria: Safeguarding controls are an aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as verifying that there is sufficient cash on hand prior to registering warrants are deficiencies in internal control.

Condition: There were instances throughout the fiscal year where the general ledger had negative balances, indicating warrants were issued and paid without cash being available in the respective funds. Two funds had a negative balance at the end of the fiscal year.

Effect: Negative balances on the County's financial statements.

Recommendation: We strongly recommend the County Treasurer verify cash is available in the fund prior to the registration of any warrants. If money is not available, the County Treasurer must either refuse to register the warrant or issue non-payable warrants.

Views of responsible officials and planned correctives: We have taken steps to assure this does not happen again.