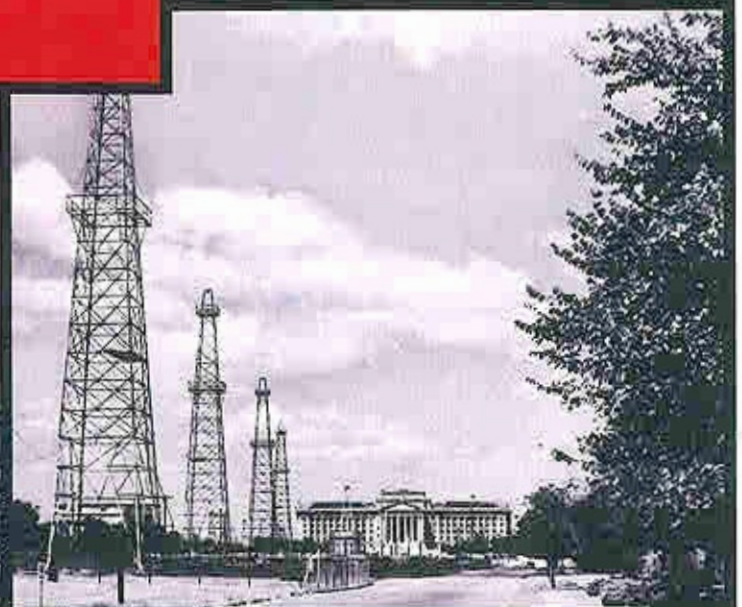


County Audit

Washington County, Oklahoma

For The Fiscal Year Ended
June 30, 2006



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, 2006**

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 \$92.36. 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, 2006. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in 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, 2006

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

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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, 2006**

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

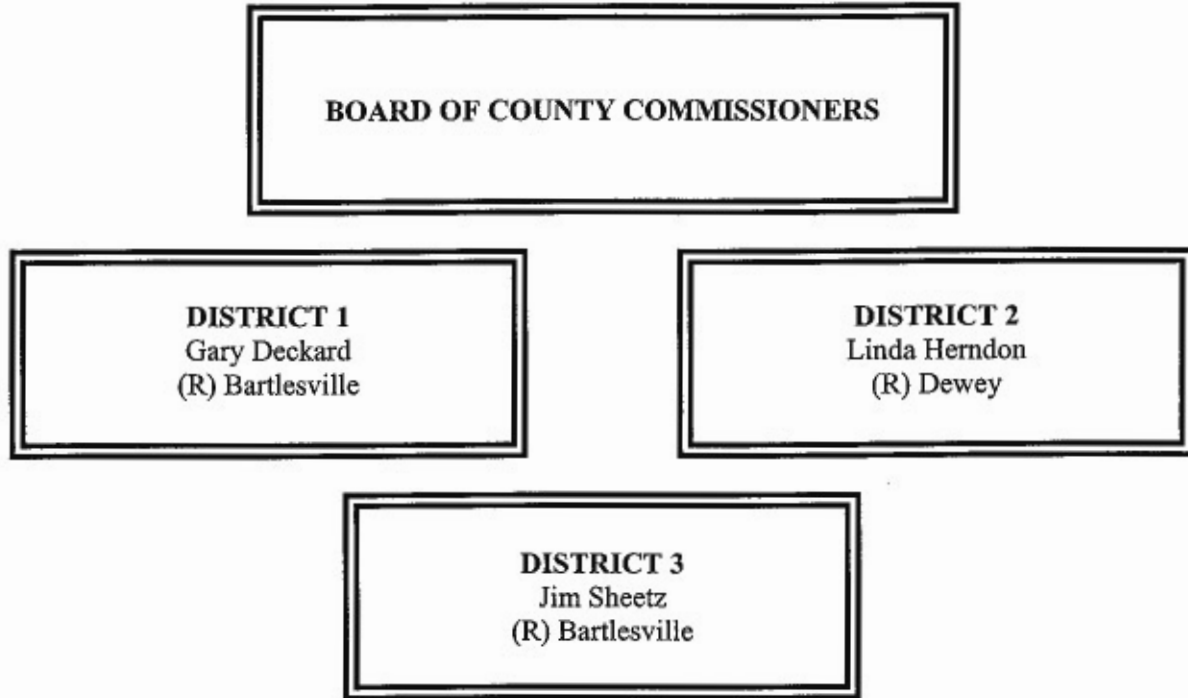
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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, 2006**



The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

See independent auditor's report.

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

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, 2006**

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, 2006**

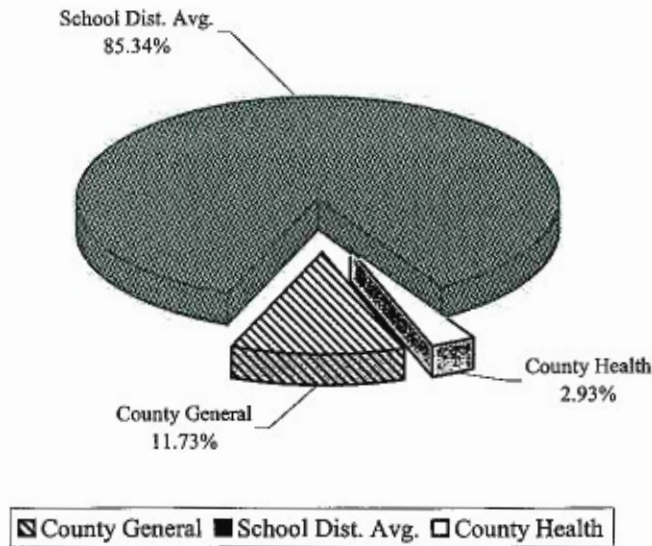
<p>ELECTION BOARD SECRETARY Brad Johnson (R) Bartlesville</p>
--

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, 2006**

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



County-Wide Millages		School District Millages							
Co. General	10.00	Bartlesville	I-1	Gen.	Bldg.	Skp.	Career Tech	Common	Total
County Health	2.50	Dewey	I-5	35.00	5.00	17.81	15.00	4.00	76.81
		Copan	I-9	35.00	5.00	9.69	15.00	4.00	68.69
		Caney Valley	I-35	35.00	5.00	5.72	15.00	4.00	64.72
		Nowata	I-48	35.00	5.00	15.71	15.00	4.00	74.71
		Collinsville	I-54	35.00	5.00	18.85	15.00	4.00	77.85
		Skiatook	J-1	35.00	5.00	22.54	15.00	4.00	81.54
		Avant	J-2	35.00	5.00	2.34	15.00	4.00	61.34

See independent auditor's report.

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

Total net assessed value as of January 1, 2005		<u>\$ 244,964,617</u>
Debt limit - 5% of total assessed value		12,248,231
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	-
Legal debt margin		<u>\$ 12,248,231</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, 2006
 (UNAUDITED)**

	2006
Estimated population	49,027
Net assessed value as of January 1, 2005	\$ 244,964,617
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, 2006
(UNAUDITED)**

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2005	\$36,511,152	\$25,335,096	\$196,296,395	\$13,178,026	\$244,964,617	\$2,041,371,809

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, 2006, 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.

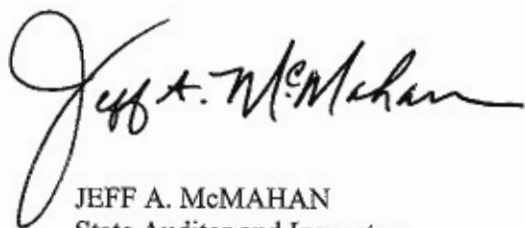
In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Washington County as of June 30, 2006, 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, 2006, 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, 2006**

	Beginning Cash Balances July 1, 2005	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2006
Combining Information:				
County General Fund	\$ 1,401,211	\$ 6,553,317	\$ 6,211,334	\$ 1,743,194
T-Highway	559,379	2,272,885	2,177,238	655,026
EOC HMEP	4,313	2,400	3,468	3,245
Reward Fund	944			944
Sheriff Service Fees	352,186	258,671	218,286	392,571
Sherriff Lake Fees	7,594	1,232	4,875	3,951
Treasurer Mortgage Certification Fee	16,290	15,760	14,485	17,565
County Clerk Lien Fees	29,682	22,085	16,217	35,550
Elderly Watch	168			168
Washington County Health Department Old	498			498
Washington County Health Department	659,362	666,652	579,597	746,417
Resale Account	148,133	160,330	144,068	164,395
Trash Cop	150			150
Safe Room Grants	8,100	22,809	30,906	3
Cops Grant	110			110
Insurance Reimbursement	(293)			(293)
Assessor Visual Inspection	11,795	5,487	2,159	15,123
DARE Program	10,954	3,255	1,257	12,952
Emergency 911	14,123	5,636	6,801	12,958
Board of Prisoners	87,884	31,090	73,599	45,375
Sheriff Tax Warrants	2,777			2,777
Sheriff Commissary	14,146	106,000	80,794	39,352
Equipment Grants	(607)	8,270	5,246	2,417
Forestry Grant	96,155	13,023	97,228	11,950
STOP Grant	5,611			5,611
Emergency Operations Services	22,563	73,857	49,187	47,233
State Grant	533		120	413
Cops in Schools	5,996		5,361	635
County Clerk Preservation	34,818	67,820	47,508	55,130
County Use Tax	7,916		1,334	6,582
Community Service Sentencing Program	148			148
Combined Total--All County Funds	\$ 3,502,639	\$ 10,290,579	\$ 9,771,068	\$ 4,022,150

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, 2006**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of 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, 2006**

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, 2006**

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.

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

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.

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.

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

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, 2006**

- 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, 2005, was approximately \$244,964,617.

The County levied 10.00 mills (the legal maximum) for general fund operations and 2.5 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.

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

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

Current year tax collections for the year ended June 30, 2006, were approximately 97.62 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 		
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, 2006**

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,

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

establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 6.5% and 11.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 11.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2006, 2005, and 2004 were \$380,137, \$314,228, and \$327,051, 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.

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, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 1,401,211	\$ 1,401,211	\$ 1,401,211	\$ -
Less: Prior Year Outstanding Warrants	(170,093)	(170,093)	(170,093)	
Less: Prior Year Encumbrances	(176,003)	(176,003)	(157,147)	18,856
Beginning Cash Balances, Budgetary Basis	<u>1,055,115</u>	<u>1,055,115</u>	<u>1,073,971</u>	<u>18,856</u>
Receipts:				
Ad Valorem Taxes	2,327,164	2,327,164	2,450,395	123,231
Charges for Services	216,486	216,486	284,287	67,801
Sales Tax	2,385,808	2,639,220	3,017,812	378,592
Intergovernmental Revenues	396,134	396,134	515,747	119,613
Miscellaneous Revenues	88,085	88,085	285,076	196,991
Total Receipts, Budgetary Basis	<u>5,413,677</u>	<u>5,667,089</u>	<u>6,553,317</u>	<u>886,228</u>
Expenditures:				
District Attorney	27,462	27,178	20,188	6,990
Capital Outlay	538	822	822	
Total District Attorney	<u>28,000</u>	<u>28,000</u>	<u>21,010</u>	<u>6,990</u>
County Sheriff	561,774	589,774	588,994	780
Capital Outlay	32,000	4,000		4,000
Total County Sheriff	<u>593,774</u>	<u>593,774</u>	<u>588,994</u>	<u>4,780</u>
County Treasurer	204,601	204,601	204,457	144
Capital Outlay	1	1		1
Total County Treasurer	<u>204,602</u>	<u>204,602</u>	<u>204,457</u>	<u>145</u>
County Commissioners	134,057	134,148	133,790	358
Capital Outlay	2,620	3,645	3,527	118
Total County Commissioners	<u>136,677</u>	<u>137,793</u>	<u>137,317</u>	<u>476</u>
OSU Extension	97,563	96,264	94,240	2,024
Capital Outlay	1	1,301	1,210	91
Total OSU Extension	<u>97,564</u>	<u>97,565</u>	<u>95,450</u>	<u>2,115</u>
County Clerk	340,596	342,007	340,621	1,386
Capital Outlay	1	1		1
Total County Clerk	<u>340,597</u>	<u>342,008</u>	<u>340,621</u>	<u>1,387</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, 2006

	Original Budget	Final Budget	Actual	Variance
Court Clerk	337,065	337,065	332,897	4,168
Capital Outlay	1	1		1
Total Court Clerk	<u>337,066</u>	<u>337,066</u>	<u>332,897</u>	<u>4,169</u>
County Assessor	173,374	173,439	173,265	174
Capital Outlay	1	1		1
Total County Assessor	<u>173,375</u>	<u>173,440</u>	<u>173,265</u>	<u>175</u>
Revaluation of Real Property	262,157	262,249	261,725	524
Capital Outlay	10,700	10,700	10,020	680
Total Revaluation of Real Property	<u>272,857</u>	<u>272,949</u>	<u>271,745</u>	<u>1,204</u>
Volunteer Fire Fighters	8,001	9,001	8,947	54
Capital Outlay	1,000			
Total Volunteer Fire Fighters	<u>9,001</u>	<u>9,001</u>	<u>8,947</u>	<u>54</u>
General Government	306,164	309,239	290,427	18,812
Capital Outlay	20,249	17,637	17,628	9
Total General Government	<u>326,413</u>	<u>326,876</u>	<u>308,055</u>	<u>18,821</u>
Excise-Equalization Board	3,300	3,300	2,895	405
Total Excise-Equalization Board	<u>3,300</u>	<u>3,300</u>	<u>2,895</u>	<u>405</u>
County Election Board	129,958	131,761	127,739	4,022
Capital Outlay	500	700	622	78
Total County Election Board	<u>130,458</u>	<u>132,461</u>	<u>128,361</u>	<u>4,100</u>
County Audit Budget	53,266	55,601	40,101	15,500
Total County Audit Budget	<u>53,266</u>	<u>55,601</u>	<u>40,101</u>	<u>15,500</u>
Free Fair	119,010	121,939	121,918	21
Capital Outlay	5,000	2,136	2,136	
Total Free Fair	<u>124,010</u>	<u>124,075</u>	<u>124,054</u>	<u>21</u>
Emergency 911	45,356	47,756	45,081	2,675
Capital Outlay	3,500	2,000	292	1,708
Total Emergency 911	<u>48,856</u>	<u>49,756</u>	<u>45,373</u>	<u>4,383</u>
Information Technology	217,508	221,008	220,470	538
Capital Outlay	6,000	7,500	7,446	54
Total Information Technology	<u>223,508</u>	<u>228,508</u>	<u>227,916</u>	<u>592</u>
Charity	500	500	250	250
Total Charity	<u>500</u>	<u>500</u>	<u>250</u>	<u>250</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, 2006

	Original Budget	Final Budget	Actual	Variance
Insurance	200,347	189,148	139,224	49,924
Total Insurance	<u>200,347</u>	<u>189,148</u>	<u>139,224</u>	<u>49,924</u>
Sales Tax District 1	616,044	728,704	727,583	1,121
Capital Outlay	100,000	16,734	16,734	
Total Sales Tax District 1	<u>716,044</u>	<u>745,438</u>	<u>744,317</u>	<u>1,121</u>
Sales Tax District 2	500,000	478,738	407,847	70,891
Capital Outlay	75,461	94,461	87,550	6,911
Total Sales Tax District 2	<u>575,461</u>	<u>573,199</u>	<u>495,397</u>	<u>77,802</u>
Sales Tax District 3	500,000	598,453	532,444	66,009
Capital Outlay	96,074	116,074	101,454	14,620
Total Sales Tax District 3	<u>596,074</u>	<u>714,527</u>	<u>633,898</u>	<u>80,629</u>
Sales Tax- Move Renovation	200,420	200,420	200,419	1
Capital Outlay	1	1		1
Total Sales Tax- Move Renovation	<u>200,421</u>	<u>200,421</u>	<u>200,419</u>	<u>2</u>
Sales Tax General	166,468	171,999	162,780	9,219
Capital Outlay	35,000	30,000	26,568	3,432
Total Sales Tax General	<u>201,468</u>	<u>201,999</u>	<u>189,348</u>	<u>12,651</u>
Sales Tax Jail	754,703	877,592	876,785	807
Capital Outlay	25,297	4,251	4,251	
Total Sales Tax Jail	<u>780,000</u>	<u>881,843</u>	<u>881,036</u>	<u>807</u>
Emergency Operating	95,152	95,203	95,176	27
Capital Outlay	1	3,151	3,024	127
Total Emergency Operating	<u>95,153</u>	<u>98,354</u>	<u>98,200</u>	<u>154</u>
Provision for Interest on Warrants	-	-	-	-
Total Expenditures, Budgetary Basis	<u>6,468,792</u>	<u>6,722,204</u>	<u>6,433,547</u>	<u>288,657</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	1,193,741	<u>\$ 1,193,741</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			392,655	
Add: Current Year Outstanding Warrants			156,798	
Ending Cash Balance			<u>\$ 1,743,194</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, 2006**

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 659,362	\$ 659,362	\$ 659,362	\$ -
Less: Prior Year Outstanding Warrants	(10,341)	(10,341)	(10,341)	
Less: Prior Year Encumbrances	(18,816)	(18,816)	(17,010)	1,806
Beginning Cash Balances, Budgetary Basis	<u>630,205</u>	<u>630,205</u>	<u>632,011</u>	<u>1,806</u>
Receipts:				
Ad Valorem Taxes	581,791	581,791	611,089	29,298
Charges for Services	2,980	65,784	55,563	(10,221)
Total Receipts, Budgetary Basis	<u>584,771</u>	<u>647,575</u>	<u>666,652</u>	<u>19,077</u>
Expenditures:				
Health and Welfare	1,204,976	1,267,780	600,319	667,461
Capital Outlay	10,000	10,000	427	9,574
Total Expenditures, Budgetary Basis	<u>1,214,976</u>	<u>1,277,780</u>	<u>600,746</u>	<u>677,034</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	697,917	<u>\$ 697,917</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			47,783	
Add: Current Year Outstanding Warrants			717	
Ending Cash Balance			<u>\$ 746,417</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, 2006**

Budgetary Schedules

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

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



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, 2006, 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.

A handwritten signature in black ink, appearing to read "Jeff A. McMahon". The signature is fluid and cursive, with a long horizontal stroke at the end.

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, 2006**

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 (Repeat Finding)

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, 2006**

Finding 2005-2 – Timesheets and Leave Balances (Repeat Finding)

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 (Repeat Finding)

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. One fund carried a negative balance throughout 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 corrective actions: We have taken steps to assure this does not happen again.