

COUNTY AUDIT

# DELAWARE COUNTY

For the fiscal year ended June 30, 2007



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**DELAWARE COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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# Oklahoma State Auditor & Inspector

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

July 25, 2011

TO THE CITIZENS OF  
DELAWARE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Delaware County, Oklahoma for the fiscal year ended June 30, 2007. 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 blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

**DELAWARE COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**DELAWARE COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

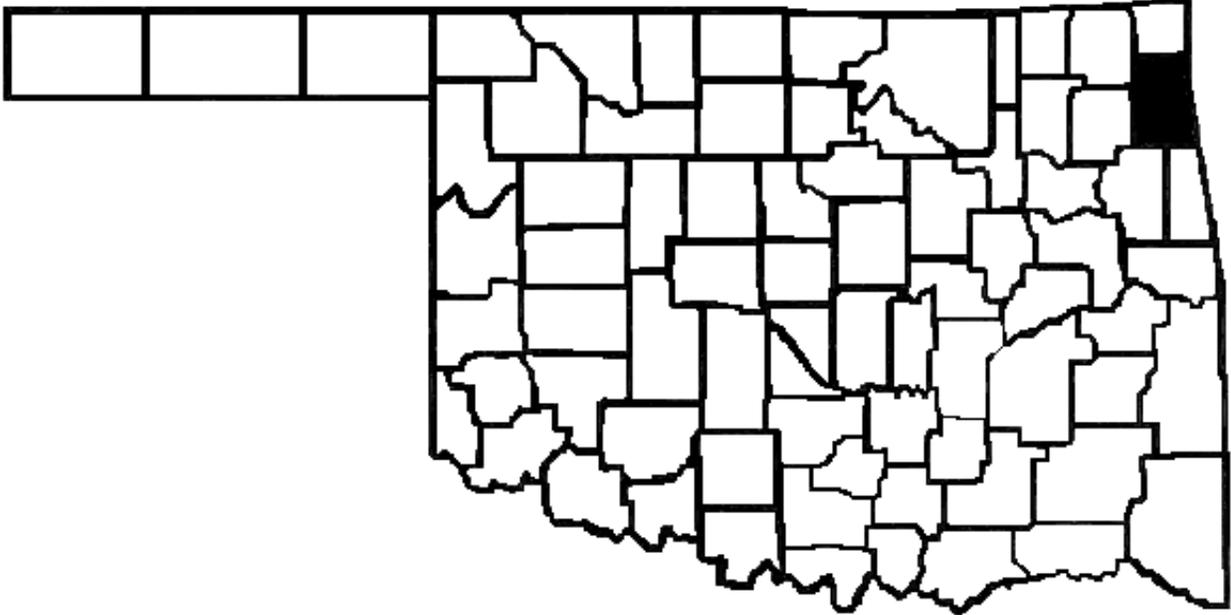
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**REPORT TO THE CITIZENS  
OF  
DELAWARE COUNTY, OKLAHOMA**

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Located on the Oklahoma-Arkansas border, Delaware County takes pride in its lakes and recreation areas. Grove, situated on the northern edge of the Old Cherokee Nation, is a resort center for the eastern shore of Grand Lake, which covers 46,500 acres, and includes 1,300 miles of shoreline.

Jay, the county seat of Delaware County, was named for Jay Washburn, the grandson of an early day missionary. The principal industry is the raising and processing of chickens. Green beans and soybeans are raised throughout the area, as well as cattle.

Annual events of interest include the Pelican Festival held in Grove every autumn and the Huckleberry Festival held in Jay every July.

For more information, call the county clerk's office at 918-253-4520

County Seat – Jay

Area – 792.33 Square Miles

County Population – 39,146  
(2005 est.)

Farms – 1,393

Land in Farms – 282,106 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

**DELAWARE COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**COUNTY ASSESSOR**  
Leon Hurt

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**  
Carol Fortner

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.

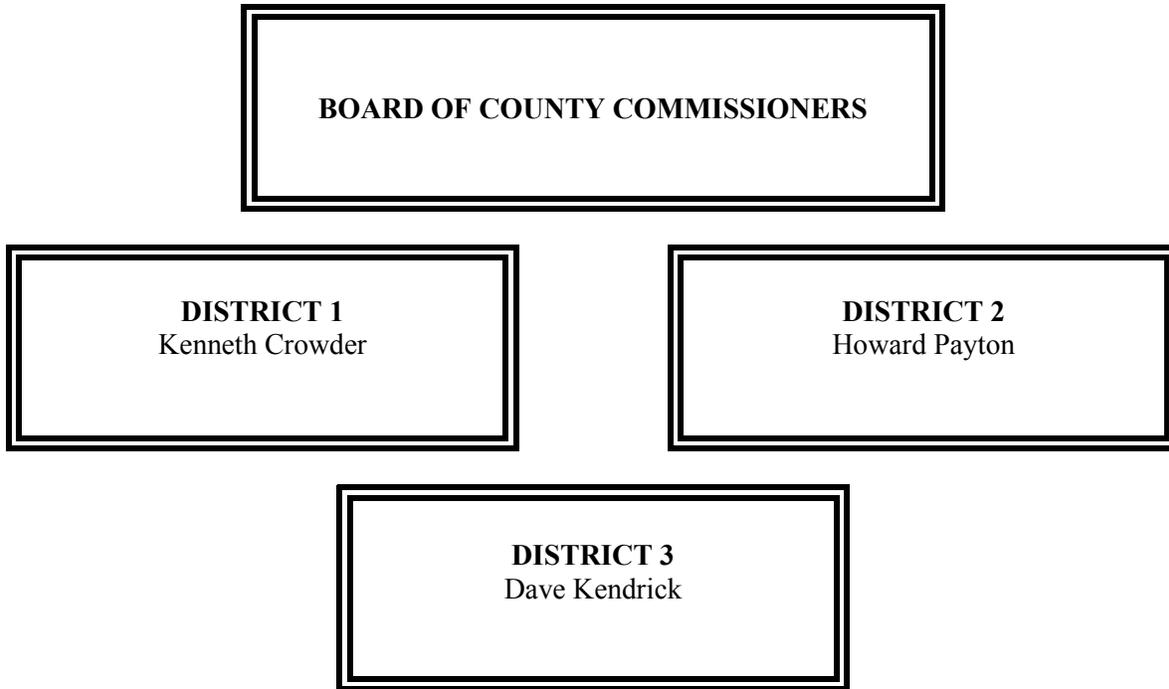
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. 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.

**DELAWARE COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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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.

**DELAWARE COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**COUNTY SHERIFF**  
Jay Blackfox

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**  
Mary Jane Law

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.

See independent auditor's report.

**DELAWARE COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**COURT CLERK**  
Caroline Weaver

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.

**DISTRICT ATTORNEY**  
Eddie Wyant

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.

**DELAWARE COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**ELECTION BOARD SECRETARY**  
Dixie E. Smith

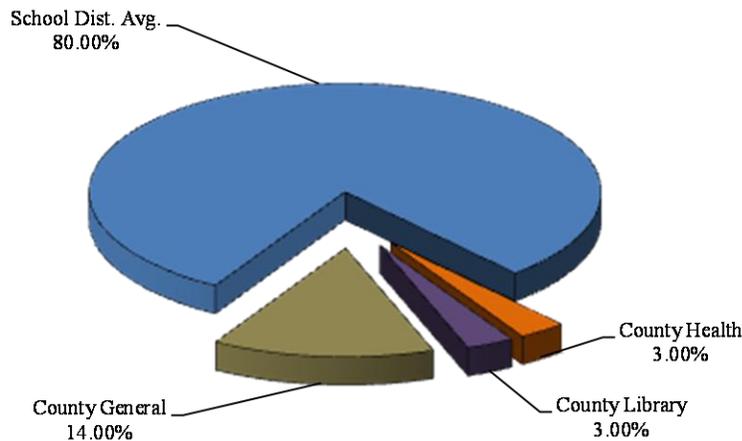
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

**DELAWARE COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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



County-Wide Millages		School District Millages										
				Career								
				Gen.	Bldg.	Skg.	Tech	EMS	Audit	Common	Total	
County General	10.45											
County Health	2.09	Jay	I-1	36.61	5.23	15.42	11.45			4.18	72.89	
County Library	2.09	Grove	I-2	36.40	5.20	6.04	11.45	2.60	0.10	4.18	65.97	
		Kansas	I-3	37.06	5.29	21.10	11.45			4.18	79.08	
		Colcord	I-4	37.74	5.39	14.50	11.45			4.18	73.26	
		Oaks Mission	I-5	37.05	5.29		11.45			4.18	57.97	
		Cleora	D-6	36.77	5.26		11.45	3.00		4.18	60.66	
		Leach	D-14	37.77	5.40		11.45			4.18	58.80	
		Kenwood	D-30	37.19	5.31		11.45			4.18	58.13	
		Moseley	D-34	36.77	5.25		11.45			4.18	57.65	
		Skelly	J-01	35.00	5.00					4.18	44.18	
		Ketchum	J-06	36.74	5.25	4.21				4.18	50.38	
		Turkey Ford	J-10	36.27	5.18	5.33				4.18	50.96	
		Spavinaw	J-21	38.00	5.43					4.18	47.61	
		Afton	J-26	35.95	5.14	2.37	11.45			4.18	59.09	

See independent auditor's report.

**DELAWARE COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

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Total net assessed value as of January 1, 2006		<u>\$ 248,170,346</u>
Debt limit - 5% of total assessed value		12,408,517
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 12,408,517</u>

See independent auditor's report.

**DELAWARE COUNTY, OKLAHOMA  
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED  
VALUE AND NET BONDED DEBT PER CAPITA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

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	2007
Estimated population	39,146
Net assessed value as of January 1, 2006	\$ 248,170,346
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.

**DELAWARE COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

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Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2006	\$19,539,874	\$13,336,680	\$224,324,475	\$9,030,683	\$248,170,346	\$2,158,003,009

See independent auditor's report.

**FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521.3495 • Fax: 405-521.3426

## Independent Auditor's Report

TO THE OFFICERS OF  
DELAWARE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Delaware County, Oklahoma, as of and for the year ended June 30, 2007, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Delaware County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Delaware County as of June 30, 2007, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Delaware County, for the year ended June 30, 2007, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2011, on our consideration of Delaware 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

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

June 15, 2011

## **Basic Financial Statement**

**DELAWARE COUNTY, OKLAHOMA  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
(WITH COMBINING INFORMATION)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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	Beginning Cash Balances July 1, 2006	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2007
Combining Information:				
County General Fund	\$ 693,065	\$ 3,772,896	\$ 3,653,706	\$ 812,255
T-Highway	708,884	3,149,168	2,775,883	1,082,169
Trash Cop Fine	7,904	1,060	1,550	7,414
County Health	719,962	518,751	559,242	679,471
Sheriff Courthouse Security		7,227		7,227
Sheriff Stop Grant	5,943	22,355	26,017	2,281
Sheriff Service Fee	136,698	457,055	423,031	170,722
Resale Property	241,423	209,849	157,095	294,177
County Clerk Investments		5	5	
Sheriff Jail Fund	3,401	1,644	4,964	81
County Clerk Lien Fee	38,818	22,704	39,195	22,327
1/2 Cent Courthouse Sales Tax	510,756	283,578	261,640	532,694
Mortgage Tax Certification Fee	38,307	16,677	15,186	39,798
1/2 Cent Solid Waste	694,230	2,100,564	1,895,425	899,369
Sheriff Service Fee Environmental Officer Account	4,621	1,060		5,681
County Assessor Revolving	38,769	6,168	10,335	34,602
Sheriff DOC	16,551	68,366	76,820	8,097
County Clerk Records Preservation	40,302	71,258	74,772	36,788
Fire Districts	1,360,014	1,313,497	980,342	1,693,169
County Use Tax	70,100	134,576	54,811	149,865
Emergency Management Operations Plan Grant	1,060			1,060
Sheriff Special Forfeiture	2,282	19,338	18,159	3,461
Sheriff Grant Fund	85			85
Sheriff Training Fund	3,636		513	3,123
Community Center Cash	710	12,750	11,690	1,770
Emergency Management Performance Grant	160	6,875		7,035
County Commissioners Cash	64			64
Courthouse Donations	63,724		495	63,229
Flint Ridge 11819 Community Development Block Grant 05		250,623	250,000	623
<b>Combined Total--All County Funds</b>	<b>\$ 5,401,469</b>	<b>\$ 12,448,044</b>	<b>\$ 11,290,876</b>	<b>\$ 6,558,637</b>

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

**DELAWARE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**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 Delaware County, Oklahoma. The financial statement referred to includes only the primary government of Delaware County, Oklahoma, and does not include financial information for any of the primary government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

**B. Fund Accounting**

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the funds included as supplementary information within the financial statement:

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

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

Trash Cop Fine - revenues are from a percentage of the fees collected from the littering tickets and disbursements are for the operation of the trash cop program.

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

Sheriff Courthouse Security - accounts for the fees collected by the Court Clerk and distributed to the Sheriff. Disbursements are used for security of the courthouse (i.e. security officer salary and security cameras).

**DELAWARE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Sheriff Stop Grant - federal grant money used for payroll and benefits of Sheriff's officers.

Sheriff Service Fee - accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

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

County Clerk Investments - this account is for investments within the County Clerk's office.

Sheriff Jail Fund - revenues are from bondsman fees. Disbursements are for operation of the jail.

County Clerk Lien Fee - accounts for lien collections and disbursements as restricted by statute.

½ Cent Courthouse Sales Tax - revenues are from a county sales tax. Disbursements are for renovation of the courthouse.

Mortgage Tax Certification Fee - accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by statutes.

½ Cent Solid Waste - Revenues are from a county sale tax. Disbursements are for solid waste services for the County.

Sheriff Service Fee Environmental Officer Account - revenues are from a percentage of the fees collected from the littering tickets and disbursements are for payroll for the environmental officer.

County Assessor Revolving - accounts for the collection of fees for copies restricted by state statute.

Sheriff DOC - accounts for the monies received from the State of Oklahoma for the boarding and feeding of DOC prisoners and for service fees received for transportation of inmates and juveniles.

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

Fire Districts - revenues are from a county sales tax. Disbursements are for fire districts within the County.

**DELAWARE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

Emergency Management Operations Plan Grant - revenues are from grant funds received from the Federal Emergency Management Agency. Disbursements are for emergency management services.

Sheriff Special Forfeiture - revenues are from forfeited assets in drug related cases. Disbursements are for drug enforcement expenses.

Sheriff Grant Fund - revenues are from state and federal grants. Disbursements are for various crimes and domestic abuse prevention programs.

Sheriff Training Fund - revenues are from seized monies. Disbursements are for lodging and travel expenses incurred during officer training.

Community Center Cash - revenues are from donations from the City of Jay and Delaware County. Disbursements are for the general operations of the Jay Community Center.

Emergency Management Performance Grant - revenues are from a federal grant. Disbursements are for emergency management services.

County Commissioners Cash - balance of various donations and copy fund.

Courthouse Donations - revenues are from public donations. Disbursements are for improvements made to the courthouse.

Flint Ridge 11819 Community Development Block Grant 05 - revenues are from federal grants. Disbursements are for rural water improvements in the Flint Ridge Area.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including county libraries, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

**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

**DELAWARE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**D. Budget**

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

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).

**G. Compensated Absences**

Vacation benefits are earned by the employee during the year with no more than 5 days 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. Upon separation, an employee will be paid for the balance of the accrued annual leave up to the accumulation limit.

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

**DELAWARE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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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, 2006, was approximately \$248,170,346.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.45 (the legal maximum) mills for general fund operations, 2.09 mills for county health department, and 2.09 mills for county library. In addition, the County collects the ad valorem taxes assessed by 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.

Current year tax collections for the year ended June 30, 2007, were approximately 94.70 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.

**DELAWARE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**4. Risk Management**

The County is exposed to the various risks of loss shown in the following table:

<b>Types of Loss</b>	<b>Method of Management</b>	<b>Risk of Loss Retained</b>
General Liability <ul style="list-style-type: none"> <li>• Torts</li> <li>• Errors and Omissions</li> <li>• Law Enforcement Officers' Liability</li> <li>• Vehicle</li> </ul>	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"> <li>• Theft</li> <li>• Damage to Assets</li> <li>• Natural Disasters</li> </ul>		

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

**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, but have a one-time fee of 3% on all pieces of machinery 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

**DELAWARE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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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 7.5% and 12.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 12.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2007, 2006, and 2005, were \$435,001, \$421,317, and \$356,042, respectively, equal to the required contributions for each year.

2.5% Step-Up. Members have the option to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service.

**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.

**DELAWARE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**9. Sales Tax**

The voters of Delaware County voted a permanent ½ cent sales tax, which became effective April 1, 1988. The purpose of the sales tax is to provide revenue to be used only for the acquisition, establishment, and operation of Solid Waste Services for the people of Delaware County.

On May 8, 2001, the voters of Delaware County approved, in addition to all other city, county, and state excise taxes, a 4/10 of one percent (.4%) sales tax to become effective July 1, 2001. The .4% sales tax is for the purpose of constructing or improving fire stations, purchase of equipment, training, education, general maintenance and operation of 19 fire departments in Delaware County, Oklahoma. The sales tax may be terminated at any time after five years from its implementation by a simple majority vote of the voters of Delaware County.

On June 1, 2001, voters enacted a sales tax of 1/10 of one percent (.1%) to continue until May 31, 2006, with all of the income from said sales tax to be allocated for the exclusive purpose of funding the maintenance, operation, and continued improvement of the courthouse and county offices. The sales tax of 1/10 of one-cent shall be voted on every five years to determine if it shall be continued for another five years.

**OTHER SUPPLEMENTARY INFORMATION**

**DELAWARE 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, 2007**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 693,065	\$ 693,065	\$ 693,065	\$ -
Less: Prior Year Outstanding Warrants	(154,376)	(154,376)	(154,376)	
Less: Prior Year Encumbrances	(4,178)	(4,178)	(4,036)	142
Plus: Estopped Warrants			8	8
Beginning Cash Balances, Budgetary Basis	<u>534,511</u>	<u>534,511</u>	<u>534,661</u>	<u>150</u>
Receipts:				
Ad Valorem Taxes	2,452,461	2,458,432	2,552,875	94,443
Charges for Services	293,058	293,058	322,528	29,470
Intergovernmental Revenues	588,360	588,360	613,962	25,602
Miscellaneous Revenues	151,699	151,699	283,531	131,832
Total Receipts, Budgetary Basis	<u>3,485,578</u>	<u>3,491,549</u>	<u>3,772,896</u>	<u>281,347</u>
Expenditures:				
District Attorney	<u>4,000</u>	<u>4,000</u>	<u>3,846</u>	<u>154</u>
County Sheriff	<u>847,700</u>	<u>847,909</u>	<u>845,392</u>	<u>2,517</u>
County Treasurer	<u>207,594</u>	<u>207,803</u>	<u>207,715</u>	<u>88</u>
County Commissioners	<u>177,881</u>	<u>178,090</u>	<u>173,084</u>	<u>5,006</u>
OSU Extension	<u>52,371</u>	<u>52,371</u>	<u>51,188</u>	<u>1,183</u>
County Clerk	<u>257,672</u>	<u>257,881</u>	<u>257,176</u>	<u>705</u>
Court Clerk	<u>142,887</u>	<u>143,096</u>	<u>141,593</u>	<u>1,503</u>
County Assessor	<u>150,686</u>	<u>150,895</u>	<u>147,026</u>	<u>3,869</u>
Revaluation of Real Property	<u>448,914</u>	<u>448,914</u>	<u>399,466</u>	<u>49,448</u>
General Government	<u>1,360,493</u>	<u>1,359,239</u>	<u>1,160,370</u>	<u>198,869</u>
Excise-Equalization Board	<u>5,600</u>	<u>5,600</u>	<u>4,947</u>	<u>653</u>

continued on next page

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

**DELAWARE 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, 2007**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Election Board	106,242	112,213	108,222	3,991
Welfare Agencies	2,400	2,400	-	2 400
Charity	1,000	1,000	800	200
Civil Defense	214,000	214,000	200,603	13 397
County Audit Budget	27,649	27,649	-	27 649
Free Fair	11,500	11,500	11,311	189
Provision for Interest on Warrants	1,500	1,500	-	1,500
Total Expenditures, Budgetary Basis	<u>4,020,089</u>	<u>4,026,060</u>	<u>3,712,739</u>	<u>313,321</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	594,818	<u>\$ 594,818</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			20,536	
Add: Current Year Outstanding Warrants			196,901	
Ending Cash Balance			<u>\$ 812,255</u>	

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

**DELAWARE 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, 2007**

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 719,962	\$ 719,962	\$ 719,962	\$ -
Less: Prior Year Outstanding Warrants	(36,722)	(36,722)	(36,722)	
Less: Prior Year Encumbrances	(2,714)	(2,714)	(1,882)	832
Beginning Cash Balances, Budgetary Basis	<u>680,526</u>	<u>680,526</u>	<u>681,358</u>	<u>832</u>
Receipts:				
Ad Valorem Taxes	471,524	471,524	510,575	39,051
Charges for services		8,149	8,149	
Intergovernmental Revenue			27	27
Total Receipts, Budgetary Basis	<u>471,524</u>	<u>479,673</u>	<u>518,751</u>	<u>39,078</u>
Expenditures:				
Health and Welfare	609,599	817,748	688,354	129,394
Capital Outlay	542,451	342,451	9,865	332,586
Total Expenditures, Budgetary Basis	<u>1,152,050</u>	<u>1,160,199</u>	<u>698,219</u>	<u>461,980</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	501,890	<u>\$ 501,890</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			80	
Add: Current Year Outstanding Warrants			177,501	
Ending Cash Balance			<u>\$ 679,471</u>	

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

**DELAWARE COUNTY, OKLAHOMA  
NOTE TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**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.

**DELAWARE COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through State Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	Contract # 12002-CDBG 05	\$ 25,000
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Contract # 12001-CDBG 05	25,000
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Contract # 11819-CDBG 05	250,000
Total U.S. Department of Housing and Urban Development			<u>300,000</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through the Office of District Attorneys Council:			
Violence Against Women Formula Grants	16.588		12,255
Violence Against Women Formula Grants	16.588		10,100
Total U.S. Department of Justice			<u>22,355</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Oklahoma Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA- 1678	276,162
Total U.S. Department of Homeland Security			<u>276,162</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 598,517</u>

The accompanying note is an integral part of this schedule.  
See independent auditor's report.

**DELAWARE COUNTY, OKLAHOMA  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Basis of Presentation

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

See independent auditor's report.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
DELAWARE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Delaware County, Oklahoma, as of and for the year ended June 30, 2007, which comprises Delaware County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 15, 2011. 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. 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 Delaware County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2007-1, 2007-5, 2007-6, and 2007-11 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2007-11 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delaware County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2007-2 and 2007-4.

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

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

This report is intended solely for the information and use of the management of Delaware 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. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

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

June 15, 2011



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521-3495 • Fax: 405-521-3426

## **Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133**

TO THE OFFICERS OF  
DELAWARE COUNTY, OKLAHOMA

### Compliance

We have audited the compliance of Delaware County, Oklahoma, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Delaware County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Delaware County's management. Our responsibility is to express an opinion on Delaware County's compliance based on our audit.

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

In our opinion, Delaware County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2007-13 and 2007-14.

### Internal Control Over Compliance

The management of Delaware County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Delaware County's internal

control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Delaware County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

This report is intended solely for the information and use of the management of Delaware County, federal awarding agencies, and pass-through entities 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. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

June 15, 2011

**DELAWARE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**SECTION 1—Summary of Auditor’s Results**

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ..... Yes

Noncompliance material to financial statements noted?..... No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ..... None reported

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

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

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

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

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

**DELAWARE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**SECTION 2—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Finding 2007-1 – Bank Accounts not on General Ledger**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, all banks identified with the County's tax identification number should be included on the general ledger.

Criteria: Title 19 O.S. § 642 states in part:

The county treasurer shall keep a cash book, in which he shall enter an account of all money by him received...

Condition: There were six bank accounts in the County's name and tax identification number that were not being accounted for on the Treasurer's general ledger. The accounts noted are as follows:

1. Delaware County Free Fair Board
2. Johnson Cemetery Fund Acct #XXXX965
3. Johnson Cemetery Fund Acct #XXXXX804
4. Rural Water District Acct #XXXXX901
5. Rural Water District Acct #XXXXX0001
6. Delaware County Community Partners Acct

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

Recommendation: OSAI recommends that bank accounts in the County's name, identified with the County's tax identification number be included on the general ledger. Should accounts not be the County's fund, then the County's tax identification needs to be removed from the account.

Views of responsible officials and planned corrective actions:

**Mary Jane Law, County Treasurer –**

Bank accounts not on the General Ledger are accounts which are not in any way connected to the County. I have found these entities used the County's ID number to open said accounts. I have brought this to the County Commissioners' attention as well as the banks.

**Finding 2007-2 – Investment Resolution**

Criteria: Title 62 O.S. § 348.1 states in part:

Except as otherwise provided for by law, a county treasurer, when authorized by the board of county commissioners by a written investment policy, ordinance or resolution or

**DELAWARE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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the treasurer of any city or town, when authorized by the appropriate governing body by a written investment policy, ordinance or resolution, shall invest monies in the custody of the treasurer...

Condition: A written investment policy was not approved by the Board of County Commissioners.

Effect: The County Commissioners may be unaware of the types of investments in which the County funds are invested.

Recommendation: OSAI recommends the County Treasurer prepare and submit to the Board of County Commissioners for approval a written investment resolution.

Views of responsible officials and planned corrective actions:

**Mary Jane Law, County Treasurer –**

Investment Resolution was not available and we do believe it was done, but at this time unable to present the original document. In the future, plan to double check that this is done and available.

**Finding 2007-4 – OPERS**

Criteria: Title 74 O.S. § 925 states:

All employees of participating employers who are eligible or may hereafter become eligible to be members of the system as provided by this act shall, as a condition of continuing employment or as a condition of obtaining employment with a participating employer, become members of the system.

Title 74 O.S. § 902(14) states in part:

"Employee" means any officer or employee of a participating employer, whose employment is not seasonal or temporary and whose employment requires at least one thousand (1,000) hours of work per year and whose salary or wage is equal to the hourly rate of the monthly minimum wage for state employees...

Condition: OSAI noted two part-time employees in the Sheriff's Office who worked more than 1,000 hours in a one-year period based on the employee's anniversary date, but did not receive eligible benefits.

Effect: All eligible employees may not have been participating in the pension plan. This could result in a possible liability to the County.

Recommendation: OSAI recommends the County contact OPERS regarding the status of benefits to which these employees were eligible.

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Views of responsible officials and planned corrective actions:

**Carol Fortner, County Clerk –**

In response to the guideline for any employee working 1,000 hours or more being enrolled in OPERS, our Insurance Coordinator is checking all part time employees' time sheets to determine if any of them meet this eligibility. Anyone found meeting this requirement will immediately be enrolled. This process will be done each year to determine if there are any new employees that need to be enrolled.

**Sheriff Jay Blackfox –**

The Office Manager has contacted the County Clerk's office and we are currently working with the Payroll Coordinator to get this matter resolved for the employees in question. Office Manager is now tracking all PT employees on a monthly basis to ensure this problem does not happen in the future, and if any of these employees do incur more than the 1000 hours, this info will be submitted to the Payroll Coordinator for action to be taken.

**Finding 2007-5 – Timesheets**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, employees' timesheets should be signed by both the employee and the supervisor.

Condition: A timesheet examined from the District #3 did not have a supervisor approval for the months of September 2006 and January through April 2007.

Effect: This condition could result in misappropriation of county funds.

Recommendation: OSAI recommends all employees and supervisors sign timesheets to provide proper accounting of funds disbursed for payroll claims.

Views of responsible officials and planned corrective actions:

**Carol Fortner, County Clerk –**

To ensure all time sheets are signed by the Department Head, our Payroll Coordinator is reviewing past years time sheets to insure all required signatures are in place. Our time sheets will be reviewed each month as they are completed before they are filed.

**Finding 2007-6 – Negative Sick Leave**

Criteria: According to the Delaware County Employee Handbook all full-time Delaware County employees shall be entitled to sick leave with pay that is accrued on a monthly basis. Sick leave shall accumulate at a rate of 10 hours for each full calendar month of service to the County. Sick leave may be accrued up to a maximum of 130 days.

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Condition: During our test work, we noted one employee employed at the District #3 had been allowed to carry negative sick leave balances in the months of August 2006 through November 2006 after which it appears the employee's negative leave balance was waived.

Effect: Employees with negative leave balances have received leave payments in advance of accrual. This is in conflict with the County's Policy for leave.

Recommendation: OSAI recommends District #3 follow the County Personnel Policy for leave and ensure employees are not receiving benefits until accrued.

Views of responsible officials and planned corrective actions: Management did not respond.

**Finding 2007-11 – Segregation of Duties – Payroll**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Condition: A lack of segregation of duties exists in the County Clerk's office because one deputy collects payroll verification forms from the departments, enters payroll information including new hires into the system, reconciles the warrant registers to the verification forms, and prints and distributes payroll warrants.

Effect: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Views of responsible officials and planned corrective actions:

**Carol Fortner, County Clerk –**

In regard to our Payroll check handling procedures, we are establishing the following process:

Our Payroll Coordinator will process and create the payroll checks. She will then deliver them to the Treasurer's Office for their processing and signature. The checks will then be returned to a designated

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Second Deputy. The Second Deputy will then sort by departments, oversee the required signatures on our Warrant Register, and release the checks to the appropriate Department Head.

**SECTION 3—Findings related to the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.**

**Finding 2007-13 - Procurement, Suspension, and Debarment**

**FEDERAL AGENCY:** U.S. Department of Housing and Urban Development

**CFDA NO:** 14.228

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

**CONTROL CATEGORY:** Procurement, Suspension, and Debarment

**QUESTIONED COSTS:** N/A

Criteria: The OMB Circular A-133 Compliance Supplement for March 2008 states:

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

According to the 2007 CDBG Contractors Implementation Manual:

Grant recipients are required to confirm construction contractor eligibility to avoid any chance of problems. To check on any construction contractor's eligibility, contact Oklahoma Department of Commerce by phone, or if you have access to the Internet, contact <http://epls.arnet.gov> to review current debarment list.

Condition: Neither the County or Grand Gateway Economic Development Authority checked the *Excluded Parties List System* to see if any of the contractors used for a federally funded project were suspended or debarred.

Effect: The County is not in compliance with grant requirements and could be contracting with a company that has been suspended or debarred.

Recommendation: OSAI recommends the County check the *Excluded Parties List System* before contracting with a company for a federally funded project.

Views of responsible officials and planned corrective actions: Management did not respond.

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**Finding 2007-14 – Reporting**

**FEDERAL AGENCY:** U.S. Department of Housing and Urban Development

**CFDA NO:** 14.228

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

**CONTROL CATEGORY:** Reporting

**QUESTIONED COSTS:** N/A

Criteria: According to Contract #12001 CDBF 05 with the Oklahoma Department of Commerce, for the contract period 10-13-05 through 10-13-07, closeout documents are to be submitted no later than sixty (60) days after the final date of the period funded.

Condition: Close out documents were submitted to the Oklahoma Department of Commerce on October 3, 2008. Documents were due 60 days after the close out date of September 25, 2006.

Effect: Close out documents were not submitted to the Oklahoma Department of Commerce in accordance with the contract requirements.

Recommendation: OSAI recommends the County submit close out documents 60 days after the close out date to be in compliance with the contract with the Oklahoma Department of Commerce.

Views of responsible officials and planned corrective actions: Management did not respond.

**SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards* or OMB A-133. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2007-7 – Sheriff's Inmate Trust Account Receipts and Reconciliations**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, receipts should be pre-numbered, issued in sequential order and deposited daily. Voided receipts should be retained and all deposits should be posted to the accounting records. Also, reconciliations should be performed on the inmate trust account and should be reviewed and approved by someone other than the preparer.

Condition: An examination of the inmate trust account revealed the following exceptions:

- One receipt book was used for Inmate Trust Receipts, Commissary Receipts, and Cash Bond Receipts.
- Deposits were not made daily.
- Receipts were missing.

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- Receipts were not being posted to the accounting records.
- Reconciliations were not reviewed and approved by someone other than the preparer.

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

Recommendation: OSAI recommends that different receipt books be used for each type of receipt. Deposits should be made daily and receipts should be retained. Also, receipts should be posted to the accounting records. Reconciliations should be reviewed and approved by someone other than the preparer.

Views of responsible officials and planned corrective actions:

**Sheriff Jay Blackfox –**

1. Different receipt books are now being used for different accounts, example: commissary, cash bonds, etc. (Voided receipts are maintained in receipt book)
2. Daily deposits if funds come in.
3. Receipts are being stored in the administration building where accessible and to ensure not being misplaced.
4. All receipts are being tracked on a daily deposit ledger by month in sequential order and matched to depository ledger deposits.
5. Reconciliations (deposits) are prepared by the Receiving Clerk, being reviewed by the Office Manager and deposits are then delivered by the Office Manager to appropriate agency.

**Finding 2007-8 – Inmate Trust Disbursements**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, vouchers should have disbursement authorizations and be issued in sequential order and voided vouchers should be retained.

Condition: An examination of the inmate trust account disbursements revealed the following exceptions:

- Of the nine inmate trust disbursements reviewed, none were supported by a signed disbursement authorization form.
- Checks were not issued in sequential order.
- Voided checks were not retained.

Effect: These conditions could result in misappropriation of funds.

Recommendation: OSAI recommends disbursement authorizations be used for all disbursements. Vouchers should be issued in sequential order and voided vouchers should be retained.

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Views of responsible officials and planned corrective actions:

**Sheriff Jay Blackfox –**

All disbursements are issued in sequential order, signed by receiving party (disbursements are issued only at written request of property release by inmate, court minutes or order from judge, etc.) Voided checks are retained in sequential order as voided along with all checks.

**Finding 2007-9 – Annual Report, Commissary Contract and Commissary Fund**

Criteria: Title 19 O.S. § 180.43.D states:

Each county sheriff may operate, or contract the operation of, a commissary for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year. The State Auditor and Inspector shall conduct an audit of the report in the same manner as other public records of the county. Nothing in this subsection shall circumvent the provisions of Section 73 of Title 7 of the Oklahoma Statutes.

Condition: The County Sheriff has not set up a commissary account, did not have a current contract on file with the commissary vendor, and has not filed an annual report of the commissary with the Board of County Commissioners.

Effect: This could result in misappropriation of funds.

Recommendation: OSAI recommends the County Sheriff set up a commissary account to deposit funds received pursuant to the commissary operations and to update the commissary contract. OSAI further recommends that an annual report of commissary operations be submitted to the BOCC no later than January 15th of each year.

Views of responsible officials and planned corrective actions:

**Sheriff Jay Blackfox –**

1. Contract updated with third party in response to this audit.
2. Currently Sheriff now has set up Commissary Account and has an in house commissary.
3. Annual reports are being filed with the County Commissioners' office by deadline, January 15<sup>th</sup>. Official is aware of corrective action taken.

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**Finding 2007-10 – Segregation of Duties**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Condition: Official depository accounts are not reported on the basic financial statement; however, a lack of segregation of duties exists with respect to the official depository account in the following offices:

A lack of segregation of duties exists in the County Assessor's office because three deputies can open the mail, receipt money, balance the cash drawer with the daily receipts, prepare the deposit, and take the deposit to the Treasurer's Office.

A lack of segregation of duties exists in the County Sheriff's office because one employee opens the mail, writes the receipts, balances the cash drawer to daily receipts, prepares the depository ticket, takes deposits to the Treasurer's office, posts receipts, and reconciles the official depository account with the Treasurer. This same employee prepares, signs, posts, and distributes vouchers.

Effect: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Views of responsible officials and planned corrective actions:

**Leon Hurt, County Assessor –**

This is to clarify and further affirm the assignment of duties concerning the Official Depository account in the Delaware County Assessor's Office. One Deputy has the responsibility of opening the mail and receipting all monies received. One Deputy has the responsibility of depositing all receipted money daily.



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