

**DELAWARE
COUNTY**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2006**



**COUNTY
AUDIT**



Oklahoma State Auditor
& Inspector

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

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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November 18, 2008

TO THE CITIZENS OF
DELAWARE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Delaware 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 blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

A handwritten signature in blue ink that reads "Michelle R. Day".

MICHELLE R. DAY, ESQ.
DEPUTY STATE AUDITOR & INSPECTOR

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

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

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



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 in Delaware County include the Pelican Festival held in Grove every autumn, and the Huckleberry Festival located in Jay during July.

County Seat – Jay

Square Milte – 792.33 Square Miles

County Population – 39,088
(2004 est.)

Farms – 1,393

Land in Farms – 282,106 Acres

Source: Oklahoma Almanac – 2005-2006

See independent auditor's report.

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

COUNTY ASSESSOR

Sharon Lane

(to 9-1-2005)

Leon Hurt

(as of 9-1-2005)

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

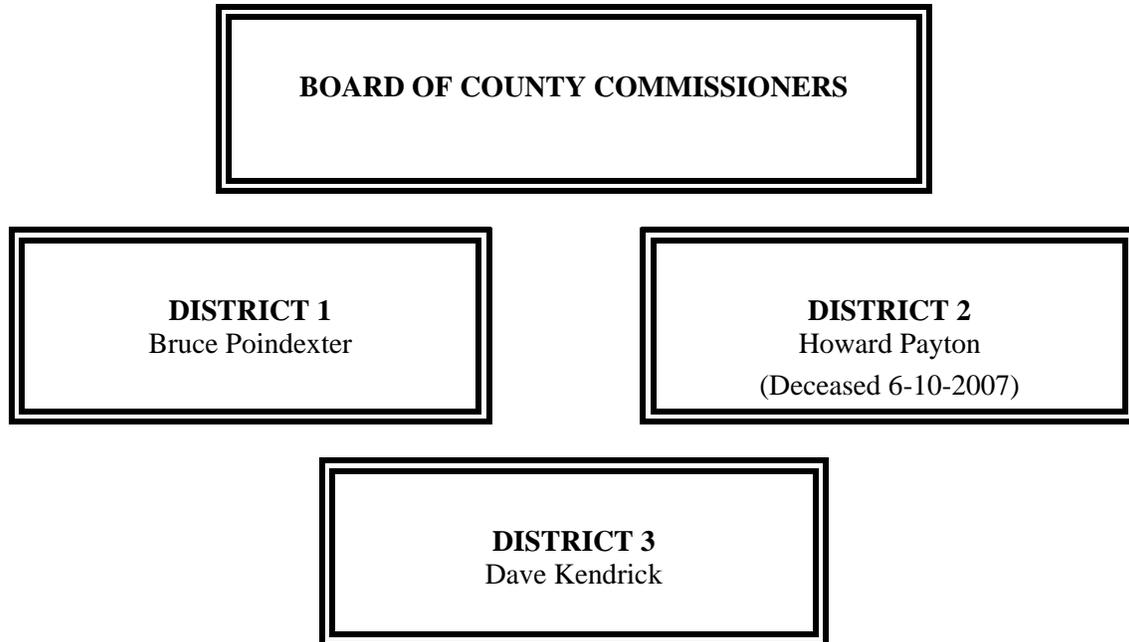
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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, 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.

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

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. 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.

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

COURT CLERK
Caroline M. 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. 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
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, 2006**

ELECTION BOARD SECRETARY
Dixie Smith

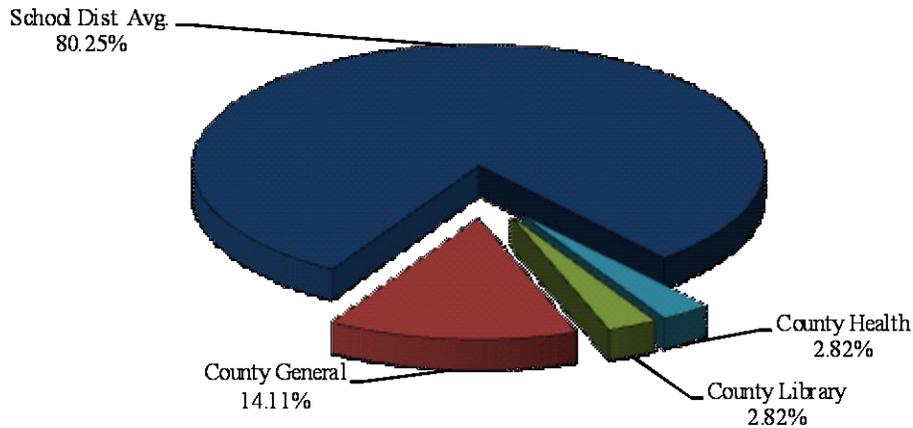
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within 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, 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							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.45	Jay	I-1	36.61	5.23	1.56	11.45	4.18	59.03
County Health	2.09	Grove	I-2	36.40	5.20	6.60	11.45	4.18	63.83
County Library	2.09	Kansas	I-3	37.06	5.29	23.54	11.45	4.18	81.52
<u>Other</u>		Colcord	I-4	37.74	5.39	15.94	11.45	4.18	74.70
		Oaks Mission	I-5	37.05	5.29		11.45	4.18	57.97
Grove EMS	2.30	Cleora	D-6	36.77	5.26		11.45	4.18	57.66
Grove Audit	0.10	Leach	D-14	37.77	5.40		11.45	4.18	58.80
Cleora EMS	3.00	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	4.61		4.18	50.78
		Turkeyford	J-10	36.27	5.18	6.56		4.18	52.19
		Spavinaw	J-21	38.00	5.43			4.18	47.61
		Afton	J-26	35.95	5.14	6.09	11.45	4.18	62.81

See independent auditor's report.

**DELAWARE 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>\$ 234,654,496</u>
Debt limit - 5% of total assessed value		11,732,725
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 11,732,725</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, 2006
 (UNAUDITED)**

	2006
Estimated population	39,088
Net assessed value as of January 1, 2005	\$ 234,654,496
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, 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	\$18,886,621	\$13,097,376	\$211,777,544	\$9,107,045	\$234,654,496	\$2,040,473,878

See independent auditor's report.

FINANCIAL SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

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, 2006, 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. 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 Delaware County as of June 30, 2006, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Delaware 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 August 27, 2008, 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. 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.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR



MICHELLE R. DAY, ESQ.
DEPUTY STATE AUDITOR & INSPECTOR

August 27, 2008

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, 2006**

	Beginning Cash Balances <u>July 1, 2005</u>	Receipts Apportioned	Disbursements	Ending Cash Balances <u>June 30, 2006</u>
Combining Information:				
General Fund	\$ 609,475	\$ 3,582,099	\$ 3,498,509	\$ 693,065
Highway Cash	782,715	3,509,645	3,583,476	708,884
Trash Cop Fine	2,583	5,321		7,904
County Health	617,337	506,193	403,568	719,962
Sheriff NEO Electric Grant	5,120		5,120	
Sheriff Stop Grant	3,116	35,755	32,928	5,943
Sheriff Service Fee	56,477	420,120	339,899	136,698
Resale Property	284,621	240,018	283,216	241,423
Sheriff Jail Fund	53	8,386	5,038	3,401
County Clerk Lien Fee	27,228	20,532	8,942	38,818
1/2 Cent Courthouse Sales Tax	495,905	285,263	270,412	510,756
Treasurer's Mortgage Cert. Fee	38,304	16,440	16,437	38,307
1/2 Cent Solid Waste Sales Tax	550,898	1,928,342	1,785,010	694,230
SSFEOA	300	4,321		4,621
Assessor's Revolving	39,660	4,422	5,313	38,769
Sheriff DOC	17,394	82,680	83,523	16,551
County Clerk Records Preservation	59,726	79,406	98,830	40,302
Fire Districts	1,364,378	1,147,520	1,151,884	1,360,014
Use Tax	116,213	103,339	149,452	70,100
Emergency Management EOP Grant	10,065		9,005	1,060
Emergency Management EMPG	360		200	160
Sheriff Forfeiture	182	2,556	456	2,282
Community Center Cash	1,984	12,500	13,774	710
County Commissioners	64			64
Courthouse Donations	63,724			63,724
Sheriff Grant Fund	85			85
Sheriff Training Fund		4,881	1,245	3,636
Combined Total--All County Funds	<u>\$ 5,147,967</u>	<u>\$ 11,999,739</u>	<u>\$ 11,746,237</u>	<u>\$ 5,401,469</u>

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, 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 Delaware County, Oklahoma. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

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

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

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

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

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

Sheriff NEO Electric Grant – money received from the rural electric district used to pay for reserve officers' expenses.

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

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

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

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

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

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

1/2 Cent Courthouse Sales Tax – revenues are from a county sales tax. Disbursements are for renovation of the courthouse.

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

1/2 Cent Solid Waste Sales Tax – revenues are from a county sales tax. Disbursements are for solid waste services for the County.

SSFEOA – (Sheriff Service Fee Environmental Officer Award) – revenues are from a percentage of the fees collected from the littering tickets and disbursements are for payroll for the environmental officer.

Assessor's Revolving – revenues are from any and all fees collected by the County Assessor. Disbursements are to maintain electronic databases and geographic information systems in the Assessor's office.

Sheriff DOC – revenues are from fees charged for the boarding and feeding of non-county entities in the county jail. Disbursements are for feeding and housing inmates in the county jail.

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 – accounts for collections of a percentage of sales tax revenue to be used for the various fire districts within the County.

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

Emergency Management EOP Grant – revenues are from grant funds received from the Federal Emergency Management Agency. Disbursements are for emergency management services.

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

Emergency Management EMPG – revenues are from a federal grant. Disbursements are for emergency management services.

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

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

County Commissioners – balance of various donations and copy funds.

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

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

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

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

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

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
- 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 with no more than 5 days accumulation. 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.

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

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 \$234,654,496.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.45 mills for general fund operations, 2.09 mills for county health department, and 2.09 mills for multi county library. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2006, were approximately 94.68 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, 2006**

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 carries commercial insurance.	None

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 and employees' insurance. 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.

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

5. Long-term Obligations

Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all pieces of machinery subsequently acquired.

6. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 6.5% and 11.5% 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 \$422,920, \$390,196, and \$341,531, 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.

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

8. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

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

9. Sales Tax

The voters of 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 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.

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 5 years from its implementation, by a simple majority vote of the voters of Delaware County.

10. Restatement Prior Year Ending Balance

Due to the reclassification of funds for fiscal year ending June 30, 2005, the ending balance as reported is different than the June 30, 2006 beginning balance. The difference is due to one fund reported as county that should have been trust and agency, resulting in a reduction of \$57,273. Five other funds were reported as trust and agency that should have been county funds, resulting in an increase of \$21,269. Additionally three ending balances as of June 30, 2005, were reported incorrectly also resulting in a reduction of \$18,719.

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

Prior Year Ending as Reported	\$ 5,202,690
Funds moved to trust and agency	(57,273)
Funds moved to county funds	21,269
Funds misstated	<u>(18,719)</u>
Prior Year Ending Balance as Restated	<u>\$ 5,147,967</u>

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, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 609,475	\$ 609,475	\$ 609,475	\$ -
Less: Prior Year Outstanding Warrants	(168,991)	(168,991)	(168,991)	
Less: Prior Year Outstanding Encumbrances	(21,963)	(21,963)	(21,879)	84
Plus: Estopped Warrants			32	32
Beginning Cash Balances, Budgetary Basis	<u>418,521</u>	<u>418,521</u>	<u>418,637</u>	<u>116</u>
Receipts:				
Ad Valorem Taxes	2,229,218	2,231,499	2,424,218	192,719
Charges for Services	341,248	341,248	436,163	94,915
Intergovernmental Revenues	614,973	614,973	553,164	(61,809)
Miscellaneous Revenues	84,283	84,283	168,554	84,271
Total Receipts, Budgetary Basis	<u>3,269,722</u>	<u>3,272,003</u>	<u>3,582,099</u>	<u>310,096</u>
Expenditures:				
District Attorney	4,000	4,000	3,584	416
Total District Attorney	<u>4,000</u>	<u>4,000</u>	<u>3,584</u>	<u>416</u>
County Sheriff	796,200	815,262	809,636	5,626
Capital Outlay	20,000	1,266	1,266	
Total County Sheriff	<u>816,200</u>	<u>816,528</u>	<u>810,902</u>	<u>5,626</u>
County Treasurer	178,990	178,990	178,505	485
Capital Outlay	2,500	2,500	1,779	721
Total County Treasurer	<u>181,490</u>	<u>181,490</u>	<u>180,284</u>	<u>1,206</u>
County Commissioners	174,250	174,281	170,954	3,327
Capital Outlay	500	500		500
Total County Commissioners	<u>174,750</u>	<u>174,781</u>	<u>170,954</u>	<u>3,827</u>
OSU Extension	48,274	46,595	46,537	58
Capital Outlay	2,075	3,755	3,755	
Total OSU Extension	<u>50,349</u>	<u>50,350</u>	<u>50,292</u>	<u>58</u>
County Clerk	248,443	248,443	248,374	69
Capital Outlay	2,500	2,500	2,490	10
Total County Clerk	<u>250,943</u>	<u>250,943</u>	<u>250,864</u>	<u>79</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.

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, 2006

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Court Clerk	138,658	138,658	136,976	1,682
Total Court Clerk	138,658	138,658	136,976	1,682
County Assessor	120,959	120,959	118,637	2,322
Capital Outlay	2,000	2,000	1,945	55
Total County Assessor	122,959	122,959	120,582	2,377
Revaluation of Real Property	442,497	442,497	363,780	78,717
Capital Outlay	6,000	6,000	20	5,980
Total Revaluation of Real Property	448,497	448,497	363,800	84,697
General Government	1,108,514	1,115,018	1,047,495	67,523
Capital Outlay	60,000	45,265		45,265
Total General Government	1,168,514	1,160,283	1,047,495	112,788
Excise-Equalization Board	4,000	4,500	3,822	678
Capital Outlay	500			
Total Excise-Equalization Board	4,500	4,500	3,822	678
County Election Board	100,172	102,927	100,822	2,105
Capital Outlay	4,000	3,600	3,581	19
Total County Election Board	104,172	106,527	104,403	2,124
Free Fair	11,500	11,500	11,376	124
Total Free Fair	11,500	11,500	11,376	124
Charity	1,000	2,000	1,200	800
Total Charity	1,000	2,000	1,200	800
Civil Defense	163,647	173,444	171,438	2,006
Capital Outlay	15,000	12,000	9,262	2,738
Total Civil Defense	178,647	185,444	180,700	4,744
County Audit Budget Account	30,564	30,564	28,788	1,776
Total County Audit Budget Account	30,564	30,564	28,788	1,776

continued on next page

The accompanying notes to the other supplementary information are 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, 2006**

continued from previous page

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Provision for Interest on Warrants	1,500	1,500	203	1,297
Total Expenditures, Budgetary Basis	<u>3,688,243</u>	<u>3,690,524</u>	<u>3,466,225</u>	<u>224,299</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	534,511	<u>\$ 534,511</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			4,178	
Add: Current Year Outstanding Warrants			<u>154,376</u>	
Ending Cash Balance			<u>\$ 693,065</u>	

The accompanying notes to the other supplementary information are 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, 2006**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 617,337	\$ 617,337	\$ 617,337	\$ -
Less: Prior Year Outstanding Warrants	(41,640)	(41,640)	(41,640)	
Less: Prior Year Encumbrances	(2,736)	(2,736)	(2,599)	137
Beginning Cash Balances, Budgetary Basis	<u>572,961</u>	<u>572,961</u>	<u>573,098</u>	<u>137</u>
Receipts:				
Ad Valorem Taxes	445,844	445,844	484,844	39,000
Miscellaneous	5,211	26,089	21,349	(4,740)
Total Receipts, Budgetary Basis	<u>451,055</u>	<u>471,933</u>	<u>506,193</u>	<u>34,260</u>
Expenditures:				
Health and Welfare	526,097	546,975	382,179	164,796
Capital Outlay	497,919	497,919	16,586	481,333
Total Expenditures, Budgetary Basis	<u>1,024,016</u>	<u>1,044,894</u>	<u>398,765</u>	<u>646,129</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	680,526	<u>\$ 680,526</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Outstanding Warrants			2,714	
Add: Current Year Encumbrances			<u>36,722</u>	
Ending Cash Balance			<u>\$ 719,962</u>	

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

**DELAWARE 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.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

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, 2006, 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 August 27, 2008. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Delaware 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 Delaware 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 1998-1, 2006-6, 2006-10, 2006-15, and 2006-23.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 1998-1 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 responses as items 2006-4, 2006-12, 2006-21, and 2006-24.

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

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



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR



MICHELLE R. DAY, ESQ.
DEPUTY STATE AUDITOR & INSPECTOR

August 27, 2008

**DELAWARE 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

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

Condition: Based on inquiries of County personnel and test work performed, it was noted that the duties of receiving, receipting, recording, and depositing collections were not adequately segregated.

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

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

Views of responsible officials and planned corrective actions: It is the desire of Delaware County to perform all duties as prescribed by the State Auditor & Inspector. However, due to a lack of funds, it is not possible to totally segregate all the duties required. We are cognizant of the problem and will manage it to the best of our ability.

Finding 2006-4 – Collection Classification

Criteria: Title 68 O.S. § 3002, requires that financial statements be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct.

Condition: Prior year Ad Valorem is classified as Charges for Services on the fiscal year 2006 financial statements.

Effect: By not classifying collections accurately on the County's financial statements, it appears the County is not providing a true fiscal accounting of all sources of revenue to the excise board.

Recommendation: OSAI recommends all receipted and disbursed amounts be classified correctly on the County's financial statements.

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

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

Finding 2006-6 – Tax Roll Corrections

Criteria: Statutory control requirements have been established for county government for the accurate completion of tax roll corrections and procedures for the issuance of certificates of error. Title 68 O.S. §2871 states:

"A. After delivery of the tax rolls to the county treasurer of any county, no correction or alteration as to any item contained therein as of such date of delivery shall ever be made, except by the county treasurer and on authority of a proper certificate authorized by law or pursuant to order or decree of court in determination of a tax protest or other proper case.

B. A board of tax roll corrections is hereby created and...hereby authorized to hear and determine allegations of error, mistake or difference as to any item or items so contained in the tax rolls....

C. If, upon such hearing, it appears that:...

...17. Any personal property assessment and personal tax charge has been entered upon the assessment and tax rolls except upon proper return of assessment by the taxpayer or increase thereof with due notice, or as a delinquent assessment made by the county assessor or deputies in detail either on view or reliable information; then, in the event any of the grounds stated in this subsection are present, it shall be the duty of the board of tax roll corrections to make and the secretary to enter its findings of fact and to correct such error, if such exists, by issuing its order, in words and figures, to accomplish such:

- a. if such error increases the amount of tax charged, the county clerk shall issue a certificate of error to the county assessor ordering the assessor to certify such correction or increase to the county treasurer for entry on the tax rolls, and
- b. if such error does not increase the amount of tax charged, the county clerk shall issue a certificate of error to the county treasurer if the tax be not paid, stating the amount or other effect of such order, and it shall be the duty of such county treasurer to make and enter such correction upon the tax rolls and, if there be a decrease to the amount of tax charged, to enter a credit, in lieu of cash, for the amount of decrease of tax shown in such certificate...."

Condition: During our testing of tax roll corrections, we noted the secretary of the Board of Tax Roll Corrections has not correctly or completely filled out any of the twelve (12) certificates of erroneous assessments tested, which were approved by the Board of Tax Roll Corrections.

Effect: This condition results in unauthorized corrections to the tax rolls and could result in improprieties in the administering of tax assessments and charges.

Recommendation: OSAI recommends the secretary of the Board of Tax Roll Corrections properly and adequately complete the certificates of erroneous assessments.

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

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

Finding 2006-10 – Reconciliations

Criteria: Accountability and stewardship are goals in evaluating management's accounting for funds. To help ensure a proper accounting of funds, a reconciliation should be performed monthly between the Treasurer's payment register and the County Clerk's warrant register.

Condition: Based on test work procedures performed, it appears that reconciliations are not being performed and maintained between the Treasurer's payment register and the County Clerk's warrant register.

Effect: By failing to reconcile accounts in a timely manner the risk of misstatement or misappropriation increases. As a result, misstatements or misappropriation of funds would not be detected on a timely basis.

Recommendation: OSAI recommends management take steps to ensure reconciliations are performed on a monthly basis and that the reconciliation be approved and reviewed by someone other than the preparer.

Views of responsible officials and planned corrective actions:

Carol Fortner, Delaware County Clerk –

The Delaware County Clerk was notified at the audit conducted at the end of 2006 to make monthly reconciliations with the Treasurer. This office has conducted monthly reconciliations since that time. We didn't know to make monthly reconciliations during 2005-2006.

Finding 2006-12 – Documentation of Best/Lowest Bid

Criteria: Title 19 O.S. §1505.B.4 requires the Board of County Commissioners keep a written record of their meetings as required by law, and any time the lowest bid is not considered to be the lowest and best bid, the reason for such conclusion shall be recorded.

Condition: Based on test work, we noted the following bidding and purchasing procedure exception:

Bid No. 05/05-3, bid for breathing apparatus for the Grove Fire Department, was awarded to Casco Industries for the sum of \$56,235. Nafeco submitted a lower bid of \$55,425; no explanation was entered in the minutes of the BOCC as to the reason the lower bid was not accepted.

Effect: Possible bidding improprieties and misappropriation of county funds.

Recommendation: OSAI recommends management adhere to bidding procedures outlined by 19 O.S. §1505.B.4 and an explanation for not accepting the lowest bid be included in the BOCC minutes.

Views of responsible officials and planned corrective actions:

Carol Fortner, Delaware County Clerk –

The Delaware County Purchasing agent asked for a letter explaining the reason for not accepting the

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

lowest bid. The letter was never given to our office. We were told to record reasons in BOCC minutes for not accepting lowest bid since that time and we have been complying.

Finding 2006-15 – Receipting and Depositing of Monies

Criteria: Statutory control requirements have been established for county government for the receipting and depositing of monies. Title 19 O.S. § 682 prescribes that, “It shall be the duty of each and every county officer, county board, county commission and all members and employees of either thereof, to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, funds, rentals, penalties, costs, proceeds of sale of property, fees, fines, forfeitures and public charges of every kind received or collected by virtue or under color of office...” Additionally, accountability and stewardship are goals in evaluating management’s accounting for funds. To help ensure a proper accounting of funds, all monies received should be receipted and the receipt should denote type of payment received (cash, check, etc.), receipts should be issued in sequential order, and retained and defaced if voided.

Condition: Based on test work performed, it appears that the County Sheriff is not making daily deposits of all monies received, all money received is not being receipted in, receipts do not always denote the type of payment received and are not issued in sequential order, multiple receipt books are being used, and voided or skipped receipts are not always retained and defaced. Additionally, receipts issued for January and April 2006 cash bonds could not be located.

Effect: This could result in misappropriation of assets.

Recommendation: OSAI recommends receipts be written for all monies received, receipts denote the type of payment received and be issued in sequential order, only one receipt book be used at a time, duplicate receipts be retained, voided or skipped receipts be retained and defaced, and all monies receipted be deposited daily as mandated by state statute.

Views of responsible officials and planned corrective actions:

Jay Blackfox, Delaware County Sheriff –

We are making daily deposits of all monies. All monies are being receipted in proper books, in sequential order. Voided receipts are being retained and defaced. Cash Bond receipts are being stored for future audits.

Finding 2006-21 – Leases

Criteria: Under the authority of 19 O.S. § 1501 the statutes prescribe that, “The county purchasing agent shall make lease or lease-purchase agreements for road machinery and equipment if the county has adequate funds appropriated during any fiscal year ... The term of any lease or lease-purchase agreement authorized pursuant to this paragraph may be for any period up to one (1) year, provided the term shall not extend beyond the end of any fiscal year, with an option to renew such agreement....”

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Condition: The Board of County Commissioners did not approve the lease renewals for 15 of the 32 lease purchases for fiscal year 2006.

Effect: The County is encumbering funds beyond the fiscal year limitations allowed by state statutes.

Recommendation: OSAI recommends all lease and lease-purchases agreements be approved annually by the Board of County Commissioners.

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

Finding 2006-23 – Consumable Inventories

Criteria: Accountability and stewardship are goals in evaluating management's accounting of funds. To help ensure a proper accounting of inventory items, consumable inventory items should be maintained accurately, updated timely, and transfer documents and weekly summaries should be maintained and turned into the County Clerk's office.

Condition: During test work of inventory, we noted the following:

- 1) Districts 1 and 3 are not maintaining adequate consumable inventory records;
- 2) Districts 1 and 3 are not maintaining fuel balances or reconciling fuel balances; and
- 3) District 3 is not properly preparing transfer documents and weekly summary reports.

Effect: Without proper documentation of inventory records, the County runs the risk of misstatements and an increased risk of improprieties.

Recommendation: OSAI recommends that all county offices maintain an accurate consumable inventory listing updated and filed with the County Clerk's office through the weekly summary forms.

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

Finding 2006-24 – Conflict of Interest & Violation of Contract

Criteria: Accountability and stewardship are goals in evaluating management's accounting for funds. According to the Contract between the Secretary and Delaware County Directly Observed Therapy (DOT), "Contractor's Relation to the County Health Department: The Contractor is in all respects an independent contractor and is neither an agent nor an employee of the County Health Department."

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According to the Contract between the Secretary and Delaware County for Directly Observed Therapy (DOT), "DEFINITION OF TERMS: Contractor: An individual performing the duties and carrying out the required terms and conditions in this Contract. The individual is acting as an independent contractor and not as an employee of COUNTY and therefore not entitled to any benefits accrued by County or OSDH employees."

Condition: During the course of our test work, we found the Secretary to the County Commissioners entered into a contract on June 15, 2005, with the Delaware County Health Department for the purpose of providing Directly Observed Therapy (DOT) and related services to tuberculosis (TB) patients. These services include the following:

1. Delivering of prescribed medication to patient
2. Checking to ensure that the patient is preparing the correct number of pills to be taken
3. Observing patient swallow correct number of pills
4. Observing/monitoring patient for possible signs of non-adherence (i.e. not swallowing medication, failure to meet, or negative behavior/attitude)
5. Reporting patient problems to County Health Department TB Nurse as soon as noted
6. Charting that medications have been taken and any other pertinent finding to complete adequate documentation for the service/observation that has taken place
7. Monitoring patient(s) for complaints of any adverse effects of medication
8. Mailing patient sputum samples as requested by OSDH
9. Keeping patient information confidential
10. Comply with the OSDH Directly Observed Therapy Manual
11. Other pre-approved related duties

On May 1, 2006, the Delaware County Commissioners appointed the Secretary to serve on the Delaware County Health Board.

After a review of the documentation as outlined in the contract, we found the following discrepancies:

1. For the month of November 2005, two invoices were submitted and paid for the same patient. These invoices totaled 39 visits to the same patient for one month and corresponding mileage totally 2,252 miles.
2. Three invoices (Items #7b, #9b, and #12b) were submitted without supporting documentation. Item #12b units of services provided do not match. Per the invoice 24 units were administered and only 22 were billed.
3. Three invoices (Items #3, #6c, and #6d) were approved and signed by TB nurse before end of billing period.
4. Six invoices (Items #7c, #9c, #11, #12a, #12b, and #14) were not signed or approved by the TB nurse.
5. One invoice (Item #12a and #12b) was paid 6/26/06 and charges were billed through 6/30/06.

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Effect: This appears to be a conflict of interest between the Secretary, who is also a member of the Delaware County Health Board accepting a contract as an outside independent contractor. It appears the Secretary is in violation of the contract.

Recommendation: OSAI recommends the County seek advice from the legal counsel concerning the possible conflict of interest, violation of contract, and overpayment of services.

Views of responsible officials and planned corrective actions:

Ken Crowder, Commissioner, Delaware County District 1 –

The Secretary has resigned her positions on the Delaware County Health Board. I personally believe that she was unaware that any conflict of interest existed.

The allegations of contract violations and overpayment of services is presently being investigated by the Delaware County District Attorney. The Board of County Commissioners will fully abide by the findings and advice of our District Attorney.

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. 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 2006-16 – Inmate Trust Disbursements

Criteria: Accountability and stewardship are goals in evaluating management’s accounting for funds. To help ensure a proper accounting of funds, all inmate trust disbursements should be authorized by two signatures and be accompanied by an inmate signed disbursement authorization form when refunding inmate money.

Condition: Of the ten inmate trust disbursements reviewed, none were supported by an inmate signed disbursement authorization form.

Effect: This condition could result in undetected errors and misappropriation of the inmate trust account.

Recommendation: OSAI recommends the Sheriff obtain inmate signed disbursement forms when refunding inmate money from the Inmate Trust Account.

Views of responsible officials and planned corrective actions:

Jay Blackfox, Delaware County Sheriff –

All inmate disbursement forms are being signed and retained when monies are refunded.

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Finding 2006-17 – Inmate Trust Account

Criteria: Accountability and stewardship are goals in evaluating management's accounting for funds. To help ensure proper accounting of funds, documentation supporting the explanation of missing checks should be adequately maintained.

Condition: During our test work of inmate disbursements, we randomly selected 10 disbursements by check number. However, we could not locate check #1811. Upon further investigation, we noted that the check register had a gap in the sequence of checks and a total of 46 checks were unaccounted for. We spoke with the County Sheriff's bookkeeper, and she informed us that check #1778 through #1827 were not present when the checks came from the printer. However, there was no documentation noting this error, or that the printer had been notified of this error, or that the bank had been notified of the missing check numbers.

Effect: Without an accounting of checks, the Sheriff's office increases the risk of misappropriation of funds entrusted to the County.

Recommendation: OSAI recommends management take steps to ensure that all checks ordered are present upon receipt and if checks are missing that the bank and the printer be notified immediately and documentation as to such be maintained.

Views of responsible officials and planned corrective actions:

Jay Blackfox, Delaware County Sheriff –

Check register had gap in sequence of checks. 46 checks unaccounted for. We are ensuring that all checks ordered are accounted for and if not we will refuse all and return and reorder.

Finding 2006-18 – Reconciliations

Criteria: Accountability and stewardship are goals in evaluating management's accounting for funds. To help ensure proper accounting of funds, all county officers should reconcile their official depository accounts to the County Treasurer on a monthly basis.

Condition: Based on test work performed, it appears the County Sheriff is not reconciling the office's official depository accounts to the County Treasurer.

Effect: By not performing reconciliations, the Sheriff increases the possibility of errors going undetected and the misappropriation of funds.

Recommendation: OSAI recommends that all officers reconcile their official depository accounts to the County Treasurer on a monthly basis and that reconciliations be reviewed and approved by someone other than the preparer.

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Views of responsible officials and planned corrective actions:

Jay Blackfox, Delaware County Sheriff –

As of this time, we are reconciling depository accounts on a monthly basis and disbursing funds with review and approval by department head. Also, having it put on agenda and filed in county clerk's office.

Finding 2006-20 – Inmate Trust Reconciliation

Criteria: Accountability and stewardship are goals in evaluating management's accounting for funds. To help ensure a proper accounting of funds, all reconciliation should be reviewed and approved by someone other than the preparer.

Condition: Based on test work procedures performed, it appears that reconciliations performed on the Inmate Trust Account are not being reviewed or approved by someone other than the preparer.

Effect: Without adequate management oversight, the risk of errors going undetected and funds being misappropriated increases.

Recommendation: OSAI recommends management take steps to ensure that all bank reconciliations are approved and reviewed by someone other than the preparer.

Views of responsible officials and planned corrective actions:

Jay Blackfox, Delaware County Sheriff –

All bank reconciliations are now being reviewed and approved by department head.



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