

COUNTY AUDIT

OSAGE 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

**OSAGE 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

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February 7, 2012

TO THE CITIZENS OF
OSAGE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Osage County, Oklahoma for the fiscal year ended June 30, 2007. A report of this type can be 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.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

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

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

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

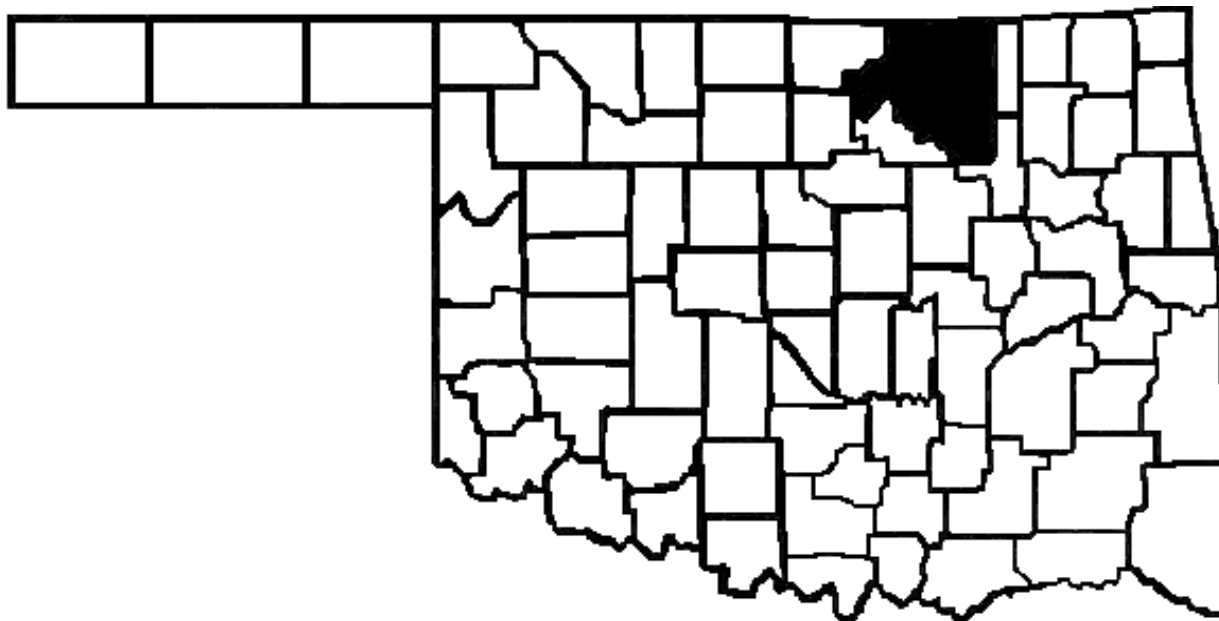
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**REPORT TO THE CITIZENS
OF
OSAGE COUNTY, OKLAHOMA**



In 1872, the United States government purchased land from the Cherokee Nation for the Osage Nation and it was then that the tribe moved to Indian Territory. At statehood in 1907, this Osage Reservation became Osage County, the largest county in Oklahoma. The name is a corruption by the French of the tribal name Wah-Sha-She. Pawhuska, the county seat, was named for Chief Pa-hue-Skah, which means “white hair.”

Oil and gas as well as horse and cattle ranching on the famous bluestem grass contribute to the economy of Osage County. Attractions to the county include Indian and western cultural activities, museums, recreational facilities, lakes, creeks, rivers, the Tall Grass Prairie Reserve north of Pawhuska, the Osage Tribal Museum and Headquarters in Pawhuska, and Osage Hills State Park.

For more information, call the county clerk’s office at (918) 287-3136.

County Seat – Pawhuska

Area – 2,303.80 Square Miles

County Population – 45,416
(2005 est.)

Farms – 1,420

Land in Farms – 1,186,354 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor’s report.

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

COUNTY ASSESSOR
Gail Hedgcoth

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
Denny Hutson

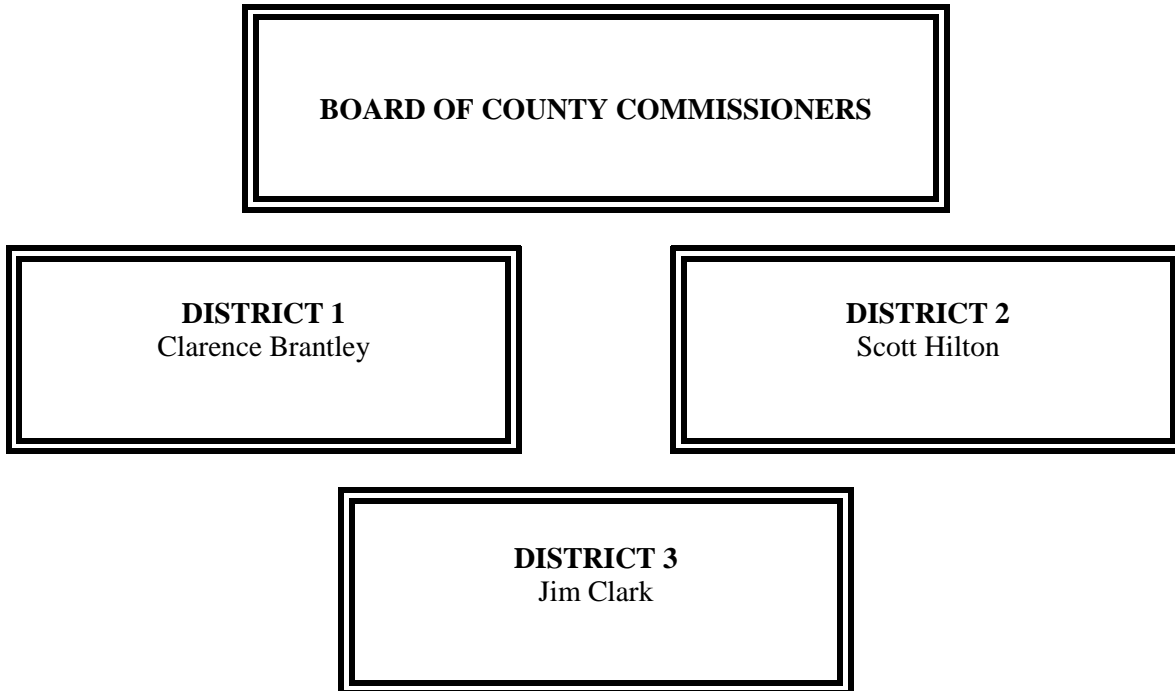
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

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



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.

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

COUNTY SHERIFF
Ty Koch

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
Joyce Hathcoat

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.

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

COURT CLERK
Angie Bruce

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
Larry Stuart

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.

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

<p>ELECTION BOARD SECRETARY Renee Weyl</p>

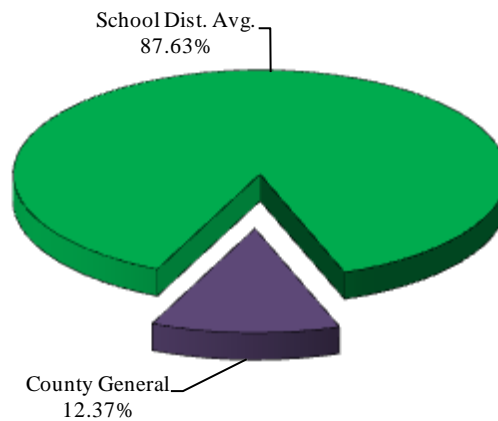
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

**OSAGE 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			
County General	10.00		Gen.	Bldg.	Skg.	Tech	Common	Total	
		Pawhuska	2	35.00	5.00	27.23		4.00	71.23
		Osage Hills	3	35.00	5.00	8.08	15.00	4.00	67.08
		Bowring	7	35.00	5.00	10.59		4.00	54.59
		Shidler	11	35.00	5.00	6.35		4.00	50.35
		Barnsdall	29	35.00	5.00	11.56	15.00	4.00	70.56
Tulsa	12.67	Wynona	30	35.00	5.00	14.68	15.00	4.00	73.68
Sand Springs	13.41	Avant	35	35.00	5.00	21.78	15.00	4.00	80.78
Anderson	13.41	Hominy	38	35.00	5.00	24.49	13.00	4.00	81.49
Dewey	14.88	Prue	50	35.00	5.00	10.23		4.00	54.23
Bartlesville	14.88	Anderson	52	35.00	5.00	9.82		4.00	53.82
		McCord	77	35.00	5.00	8.16	15.00	4.00	67.16
		Woodland	90	35.00	5.00	10.10	12.00	4.00	66.10
		Tulsa	J-1	35.00	5.00	21.73	13.00	4.00	78.73
		Sand Springs	J-2	35.00	5.00	32.25	13.00	4.00	89.25
		Skiatook	J-7	35.00	5.00	20.18	13.00	4.00	77.18
		Sperry	J-8	35.00	5.00	25.86	13.00	4.00	82.86
		Dewey	I2-7	35.00	5.00	17.83	15.00	4.00	76.83
		Cleveland	J-6	35.00	5.00	27.61	13.00	4.00	84.61
		Caney Valley	J-18	35.00	5.00	7.69	15.00	4.00	66.69
		Bartlesville	J-30	35.00	5.00	20.46	15.00	4.00	79.46
		Ponca City	J-71	35.00	5.00	21.56		4.00	65.56

See independent auditor's report.

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

Total net assessed value as of January 1, 2006		<u>\$ 204,882,393</u>
Debt limit - 5% of total assessed value		10,244,120
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 10,244,120</u>

See independent auditor's report.

**OSAGE 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)**

	2007
Estimated population	45,416
Net assessed value as of January 1, 2006	\$ 204,882,393
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.

**OSAGE COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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>
1/1/2006	\$31,894,533	\$30,814,779	\$152,546,782	\$10,373,701	\$204,882,393	\$1,707,353,275

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
OSAGE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Osage 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 Osage 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 Osage 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 Osage 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 February 6, 2012, on our consideration of Osage 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

February 6, 2012

Basic Financial Statement

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

	Beginning Cash Balances July 1, 2006	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2007
Combining Information:				
County General Fund	\$ 1,382,071	\$ 3,273,061	\$ 3,083,123	\$ 1,572,009
T-Highway	1,540,910	6,520,480	5,580,136	2,481,254
Resale Property	663,725	233,616	206,954	690,387
County Health for the Elderly	190	364,950		365,140
Special Insurance	48,696			48,696
Sheriff Equipment	832			832
Sheriff B-4	135,271	219,923	152,120	203,074
Records Mgmt. & Preservation Fund	184,654	55,850	18,900	221,604
Clerk's ML Fund	53,109	19,382	20,784	51,707
Treasurer's Mortgage Cert Fee	73,171	12,485	2,737	82,919
Special E-911 Fund	55,775	69,413	37,701	87,487
CDBG Water Grant		32,500	32,500	
Community Service	5,344			5,344
Capital Outlay and Equipment	1,037			1,037
Osage Co. Nutrition Program	1,966			1,966
County Assessor Cash Fund	19,955	15,437	10,200	25,192
Nutrition Program FY 04/05	3,358			3,358
Nutrition Program FY 05/06	82,445	651,163	660,144	73,464
Sheriff Cash/Jail Account	193,059	193,190	198,945	187,304
Osage Co. Trash Cop	240			240
Law Enforcement Block Grant	565			565
County Building Fund	1,013			1,013
County Sinking Fund	2,120	2	2,122	
Sales Tax (1%)	7,402,940	4,238,734	3,298,248	8,343,426
Use Tax	1,036,248	1,302,830	882,848	1,456,230
Emergency Mgmt EOP Grant	24			24
E-911 Wireless	11,856	79,174		91,030
LEPC	1,632			1,632
County Lodging Tax	5,607	71,338	16,887	60,058
Courthouse Security		6,200		6,200
Combined Total -- All County Funds	\$ 12,907,813	\$ 17,359,728	\$ 14,204,349	\$ 16,063,192

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

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

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

B. Fund Accounting

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

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

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

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

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

County Health for the Elderly - accounts for monies collected for performing health and related services for the elderly. Disbursements are for expenditures for performing these services.

Special Insurance - accounts for insurance reimbursements received for damages to county property. Disbursements were for repairs to county property.

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

Sheriff Equipment - accounts for donations received for the purpose of purchasing special equipment for the Sheriff's department.

Sheriff B-4 - accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

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

Clerk's ML Fund - revenues are from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk's office.

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

Special E-911 Fund - accounts for the collection of fees charged on telephone bills for the County's emergency 911 system. Disbursements are for expenditures related to providing these services.

CDBG Water Grant - accounts for grant funds received for community development of water district projects.

Community Service - revenues are from state funds for reimbursement of administrative expenses for people sentenced to community service.

Capital Outlay and Equipment - accounts for the collection and disbursement of funds collected to support capital improvements.

Osage County Nutrition Program - a Title 3 program which provides meals, both congregate and individual, to senior citizens who are 60 years old or older and who are unable to leave their residence without assistance.

County Assessor Cash Fund - revenues are from fees charged by the County Assessor (copies, etc.). Disbursements are for any legal expense of the Assessor's office.

Nutrition Program FY 04/05 - accounts for the collection and disbursement of federal and state funds received for the nutrition program during fiscal year 2004/2005.

Nutrition Program FY 05/06 - accounts for the collection and disbursement of federal and state grant funds received for the nutrition program during fiscal year 2005/2006.

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

Sheriff Cash/Jail Account - accounts for the collection and disbursement of money supplied to the Sheriff's office for the housing of prisoners for towns, tribes and other counties. This money can be used for any lawful sheriff expenditure.

Osage County Trash COP - accounts for monies collected from fines and apportionments used to prevent the dumping of trash throughout the County.

Law Enforcement Block Grant - accounts for the collection and disbursement of grant money supplied to the County by the Department of Justice for local law enforcement agencies.

County Building Fund - accounts for funds remaining from building projects.

County Sinking Fund – revenues are from any special ad valorem tax levies, interest, and flood control funds from the state. Disbursements are for the payment of principal and interest on any judgments against the County.

Sales Tax 1% - accounts for sales tax collections received for operating and maintaining the County jail.

Use Tax - accounts for receipts of Oklahoma Tax Commission collections of county use tax. Disbursements are made for the construction, purchase, and/or maintenance of county buildings.

Emergency Management EOP Grant - accounts for the receipt and disbursement of funds from federal and state sources for emergency management and other civil defense purposes.

E-911 Wireless – accounts for the collection of fees charged on cellular telephone bills for the County's wireless emergency 911 system. Disbursements are for expenditures related to providing these services.

LEPC – revenues are from a grant from the State to cover the cost of paperwork for hazardous materials that are moved within the County. Disbursements may be used for anything that pertains to LEPC (Local Emergency Planning Committee).

County Lodging Tax – revenues are from 5% tax collected by the Oklahoma Tax Commission from the hotels and motels in the County. Disbursements may only be used for things related to tourism.

Courthouse Security – revenues are from a portion of fines collected within the County. Disbursements may be used for anything that pertains to security at the Courthouse.

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

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including 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 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. Currently, Osage County does not have a county health department; therefore, a formal adopted budget for the county health department is not required.

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).

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

F. Investments

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

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

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

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may not be accumulated. Employees with service up to 5 years earn 10 days per year. Employees with service between 6 years and 20 years earn 15 days per year. Employees with service of 21 years or more earn 20 days per year. Vacation leave accrues annually at each employee's date of hire.

Sick leave benefits are accrued at the rate of 10 hours per month and employees may accumulate up to 1,040 hours. 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."

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

The assessed property value as of January 1, 2006, was approximately \$204,882,393.

The County levied 10.00 mills for general fund operations. 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, 2007, were approximately 93.64 percent of the tax levy.

3. Fuel Tax

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

4. Risk Management

ACCO-SIG – The County is exposed to the various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group (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.

OPEH&WP – The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

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

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 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 \$621,119.92, \$548,440.63, and \$479,251.89, 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

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

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.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

9. Sales Tax

On February 8, 1994, Osage County voters approved a 1% (one-cent) county-wide sales tax. The sales tax is to be used as follows:

- 1% Collection and enforcement of the sales tax.
- 99% For the payment of debt service incurred for the construction of new county jail facilities and for maintenance and operation of the new jail and increased personnel, equipment, and operation costs of the Osage County Sheriff's Office.

Annual collections are first applied to fully satisfy annual debt service payments and the remainder of annual collections to be applied towards the other specified purposes. The sales tax became effective July 1, 1994, and has a duration of 20 years.

10. Related Party Transactions

One member of the Board of County Commissioners currently leases a substantial amount of pasture land from one of the County's major suppliers of road material. These transactions have been reviewed and approved by the District Attorney.

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

The District Attorney has determined that no conflict of interest exists and that this relationship will have no effect on the County's financial statements for the year ended June 30, 2007.

This will no longer be a related party transaction in FY 2008. The owner of the company who supplied the road material has changed, so this will no longer be an issue.

OTHER SUPPLEMENTARY INFORMATION

OSAGE 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	\$ 1,382,071	\$ 1,382,071	\$ 1,382,071	\$ -
Less: Prior Year Outstanding Warrants	(181,781)	(181,781)	(181,781)	
Less: Prior Year Encumbrances	(59,035)	(59,035)	(57,329)	1,706
Beginning Cash Balances, Budgetary Basis	<u>1,141,255</u>	<u>1,141,255</u>	<u>1,142,961</u>	<u>1,706</u>
Receipts:				
Ad Valorem Taxes	1,862,567	1,862,567	2,002,701	140,134
Charges for Services	287,139	287,139	308,106	20,967
Intergovernmental Revenues	587,432	596,007	657,062	61,055
Miscellaneous Revenues	171,862	171,862	305,192	133,330
Total Receipts, Budgetary Basis	<u>2,909,000</u>	<u>2,917,575</u>	<u>3,273,061</u>	<u>355,486</u>
Expenditures:				
District Attorney	118,160	118,160	113,533	4,627
Total District Attorney	<u>118,160</u>	<u>118,160</u>	<u>113,533</u>	<u>4,627</u>
County Sheriff	62,362	62,362	62,362	
Total County Sheriff	<u>62,362</u>	<u>62,362</u>	<u>62,362</u>	<u>-</u>
County Treasurer	147,000	147,000	147,000	
Total County Treasurer	<u>147,000</u>	<u>147,000</u>	<u>147,000</u>	<u>-</u>
County Commissioners	165,488	165,488	165,488	
Total County Commissioners	<u>165,488</u>	<u>165,488</u>	<u>165,488</u>	<u>-</u>
OSU Extension	94,184	94,184	92,650	1,534
Capital Outlay	2,000	2,000	1,777	223
Total OSU Extension	<u>96,184</u>	<u>96,184</u>	<u>94,427</u>	<u>1,757</u>
County Clerk	233,950	233,950	224,473	9,477
Capital Outlay	2,000	2,000	376	1,624
Total County Clerk	<u>235,950</u>	<u>235,950</u>	<u>224,849</u>	<u>11,101</u>
Court Clerk	142,250	142,250	140,042	2,208
Total Court Clerk	<u>142,250</u>	<u>142,250</u>	<u>140,042</u>	<u>2,208</u>
County Assessor	344,435	344,495	335,299	9,196
Total County Assessor	<u>344,435</u>	<u>344,495</u>	<u>335,299</u>	<u>9,196</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.

OSAGE 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
Revaluation of Real Property	477,025	462,085	416,244	45,841
Capital Outlay		15,000		15,000
Total Revaluation of Real Property	477,025	477,085	416,244	60,841
School Treasurer	31,436	31,900	31,888	12
Total School Treasurer	31,436	31,900	31,888	12
General Government	680,556	680,782	225,603	455,179
Capital Outlay	238,336	238,239		238,239
Total General Government	918,892	919,021	225,603	693,418
Excise - Equalization Board	7,100	7,100	7,056	44
Total Excise - Equalization Board	7,100	7,100	7,056	44
County Election Board	102,219	104,674	98,940	5,734
Capital Outlay	900	6,900	4,227	2,673
Total County Election Board	103,119	111,574	103,167	8,407
Insurance	636,104	635,411	540,802	94,609
Total Insurance	636,104	635,411	540,802	94,609
County Purchasing Agent	22,800	22,800	16,940	5,860
Total County Purchasing Agent	22,800	22,800	16,940	5,860
Data Processing	35,000	35,000	13,467	21,533
Total Data Processing	35,000	35,000	13,467	21,533
Charity	7,441	7,441	3,424	4,017
Total Charity	7,441	7,441	3,424	4,017
Emergency Management	42,500	42,500	38,187	4,313
Total Emergency Management	42,500	42,500	38,187	4,313

continued on next page

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

**OSAGE 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
Planning and Zoning	138,300	138,300	100,868	37,432
Total Planning and Zoning	<u>138,300</u>	<u>138,300</u>	<u>100,868</u>	<u>37,432</u>
Fairgrounds	72,800	72,900	61,496	11,404
Capital Outlay	20,000	20,000		20,000
Total Fairgrounds	<u>92,800</u>	<u>92,900</u>	<u>61,496</u>	<u>31,404</u>
Civil Defense	13,000	13,000	11,784	1,216
Total Civil Defense	<u>13,000</u>	<u>13,000</u>	<u>11,784</u>	<u>1,216</u>
Safety and Hazard	34,500	34,500	31,858	2,642
Total Safety and Hazard	<u>34,500</u>	<u>34,500</u>	<u>31,858</u>	<u>2,642</u>
E-911	135,600	135,600	125,776	9,824
Total E-911	<u>135,600</u>	<u>135,600</u>	<u>125,776</u>	<u>9,824</u>
County Audit Budget Account	39,809	39,809	32,062	7,747
Total County Audit Budget Account	<u>39,809</u>	<u>39,809</u>	<u>32,062</u>	<u>7,747</u>
Provision for Interest on Warrants	3,000	3,000	-	3,000
Total Expenditures, Budgetary Basis	<u>4,050,255</u>	<u>4,058,830</u>	<u>3,043,622</u>	<u>1,015,209</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	1,372,400	<u>\$ 1,372,400</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			36,887	
Add: Current Year Outstanding Warrants			<u>162,722</u>	
Ending Cash Balance			<u>\$ 1,572,009</u>	

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

**OSAGE COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Beginning Cash Balance	<u>\$ 2,120</u>
Receipts:	
Miscellaneous	<u>2</u>
Total Receipts	<u>2</u>
Disbursements:	
Total Disbursements	<u>2,122</u>
Ending Cash Balance	<u><u>\$ -</u></u>

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

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

1. Budgetary Schedules

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund presents 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.

2. Sinking Fund Schedule

Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

**OSAGE 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.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through City of Tulsa:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	*	\$ 28,004
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	*	425,975
Nutrition Services Incentive Program	93.053	*	<u>67,667</u>
			521,646
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043		<u>27,911</u>
Total U.S. Department of Health and Human Services			<u>549,557</u>
U.S. DEPARTMENT OF JUSTICE			
Local Law Enforcement Block Grants Program	16.592		<u>8,168</u>
Total U.S. Department of Justice			<u>8,168</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through OK Department of Commerce:			
Community Development Block Grants/State's Program	14.228		<u>7,500</u>
Total U.S. Department of Housing and Urban Development			<u>7,500</u>
U.S. DEPARTMENT OF INTERIOR			
Payments in Lieu of Taxes	15.226		<u>96,828</u>
Total U.S. Department of Interior			<u>96,828</u>
U.S. DEPARTMENT OF DEFENSE			
Passed Through OK State Treasurer:			
Flood Control Projects	12.106		<u>8,306</u>
Total Department of Defense			<u>8,306</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through Department of Public Safety:			
State and Community Highway Safety	20.600		<u>758</u>
Total Department of Transportation			<u>758</u>

continued on next page

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

**OSAGE 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.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through OK Department of Civil Emergency Management:			
Public Assistance Grants	97.036		2,373
Emergency Planning Grant	97.042		8,804
Total U.S. Department of Homeland Security			<u>11,177</u>
Total Expenditures of Federal Awards			<u>\$ 682,294</u>

* indicates a cluster program

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

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

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Osage 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
OSAGE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Osage County, Oklahoma, as of and for the year ended June 30, 2007, which comprises Osage County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated February 6, 2012. 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 Osage 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, 2007-2, 2007-6, 2007-7, 2007-8, 2007-9, and 2007-10 as 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 2007-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Osage County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 2007-5.

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

Osage 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 Osage County's responses and, accordingly, we express no opinion on them.

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



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

February 6, 2012



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 on Internal Control Over Compliance in Accordance with OMB Circular A-133

TO THE OFFICERS OF
OSAGE COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Osage 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. Osage 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 Osage County's management. Our responsibility is to express an opinion on Osage 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 Osage 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 on Osage County's compliance with those requirements.

In our opinion, Osage 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.

Internal Control Over Compliance

The management of Osage County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Osage County's internal control over compliance with 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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management of Osage 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, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

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

February 6, 2012

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

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
- Reportable condition(s) identified that are not considered to be material weaknesses?..... Yes

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... No
- Reportable condition(s) 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?..... No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.044	Aging Cluster: Special Programs for the Aging—Title III, Part B- Grants for Supportive Services & Senior Centers
93.045	Special Programs for the Aging—Title III, Part C- Nutrition Services
93.053	Nutrition Services Incentive Program

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

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

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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—Segregation of Duties (Repeat Finding)

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

Condition: Based on inquiries of County personnel and testwork performed, it was noted that receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization within all County offices except the County Treasurer's office were not properly segregated to assure adequate internal control structure.

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

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 knowledge of office operations and a periodic review of operations.

Management Response: We concur with the State Auditor's findings. Management does have knowledge of office operations and will perform a periodic review of these operations.

Finding 2007-2—Time Records (Repeat Finding)

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. To help ensure a proper accounting of funds, timesheets and leave balances should be signed by the employee and supervisor/elected official and submitted to the County Clerk each pay period.

Condition: Based on test work performed, we noted the following exceptions:

1. Time records are not signed by a supervisor or department head for regular payroll at the Assessor's office.
2. Out of nine employees tested in the Sheriff's office, five were not signed by a supervisor/department head.
3. Time records are not signed by employee, supervisor or department head at the District 1 office.

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4. Time records are not signed by employee, supervisor or department head at the District 2 office.
5. Time records are not signed by employee, supervisor or department head at the District 3 office. Leave sheet was signed by employee.
6. Time records are not signed by a supervisor or department head at the District 3 fairground office.
7. Supervisor's time records from District 3 were signed by the supervisor, but not the elected official.

Effect: This condition could result in officials paying employees for hours not worked, which could result in misappropriation of assets.

Recommendation: OSAI recommends management take steps to ensure timesheets are signed by the employee and supervisor/elected official and submitted to the County Clerk for each pay period.

Management Response: We concur with the State Auditor's findings. Management will ensure that all time records are signed by the employee and supervisor or department head.

Finding 2007-5—Estimate of Needs (Repeat Finding)

Criteria: Title 68 O.S. § 3002.A states in part,

"... each board of county commissioners, shall, prior to October 1 of each year, make, in writing, a financial statement, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statement shall 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. The statement of estimated needs shall be itemized so as to show, by classes: first, the several amounts necessary for the current expenses of the political subdivision and each officer and department thereof as submitted in compliance with the provisions of Section 3004 of this title; second, the amount required by law to be provided for sinking fund purposes; third, the probable income that will be received from all sources, including interest income and ad valorem taxes; and shall be detailed in form and amount so as to disclose the several items for which the excise board is authorized and required, by this article, to approve estimates and make appropriations."

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Condition: During our testing of the FY 2007 County estimate of needs, we determined that three accounts, lodging tax, EMPG grant, and the E-911 wireless account had not been included. The accounts were included on the County Treasurer's general ledger; however, they were not included on the County's estimate of needs.

Effect: Inaccurate Estimate of Needs.

Recommendation: OSAI recommends management take steps to ensure that all accounts that are posted to the County Treasurer's general ledger be included in the County's estimate of needs.

Management Response: We concur with the State Auditor's findings. We will implement procedures to correct this issue.

Finding 2007-6—Encumbrance of Funds

Criteria: Statutory control requirements have been established for county government for purchasing procedures. Title 19 O.S. § 1505 states, "The following procedures shall be used by counties for the requisition, purchase, lease-purchase, rental, and receipt of supplies, materials, and equipment for the maintenance, operation, and capital expenditures of county government unless otherwise provided for by law...

- C. After selection of a vendor, the procedure for the purchase, lease-purchase, or rental of supplies, materials, and equipment used by a county shall be as follows:
 - 1. The county purchasing agent shall prepare a purchase order in quadruplicate and submit it with a copy of the requisition to the county clerk;
 - 2. The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order."

Condition: Four of 56 purchase orders tested had invoices dated prior to the date of the encumbrance. These purchase orders were noted for T-Highway #07-0113 and #07-0782, General #07-2610, and Sales Tax #07-2022 funds.

Effect: Unencumbered expenditures are being incurred by the County. The conditions could result in undetected errors or misappropriation of funds.

Recommendation: OSAI recommends management adhere to the internal controls established to assure the County's purchasing procedures conform to procedures established by state laws.

Management Response: We concur with the State Auditor's findings. We will implement procedures to correct this issue.

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Finding 2007-7—Payroll

Criteria: The overall goal of effective internal controls as related to governmental entities is to demonstrate accountability and stewardship in the accounting of funds and to ensure that salary and wages are paid out of the proper fund.

Condition: While testing payroll we noted the following exceptions:

1. In September 2006, the Sheriff's department paid salaries, for deputies working the biker rally, out of the maintenance and operations account (X138-04-100 07 2000) instead of the salaries account (X001-04-100 00 1100).
2. In June 2007, the Sheriff's department paid salaries out of the maintenance and operation account (X119-04-100-07-2000) instead of the salaries account.
3. In June 2007, the DA Drug Grant paid salaries out of the maintenance and operation account (X139-02-100-07-2000) instead of the salaries account.
4. In June 2007, the Resale Property account paid salaries out of the maintenance and operation account (X113-06-100-07-2000) instead of the salaries account.

Effect: Paying funds out of the wrong accounts could result in misappropriation of assets.

Recommendation: OSAI recommends all County officials pay salaries out of the proper accounts.

Management Response: We concur with the State Auditor's findings. We will implement procedures to correct this issue.

Finding 2007-8—Sick Leave Pay

Criteria: The employee Personnel Policy Handbook, Osage County, 2005, states on page 10, "When terminating employment with the County, an employee may not collect pay for accrued sick leave."

Condition: When testing payroll claims, it was noticed that several employees in the Sheriff's office were paid for sick leave not taken, on their final paycheck. That amount totaled \$866.60.

Effect: Employees have been overpaid for unallowed benefits.

Recommendation: OSAI recommends all County officials read and understand the County Personnel Policy Handbook and follow those policies.

Management Response: We concur with the State Auditor's findings. We will implement procedures to correct this issue.

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Finding 2007-9—Master Payroll File

Criteria: The overall goal of effective internal controls as related to governmental entities in evaluating management's accounting for funds is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds, terminated employees should be timely removed from the Master Payroll list.

Condition: During our testing of terminated employees for payroll for fiscal year 2007, it appears three of the terminated employees (one from the Assessor's office and two from the Sheriff's department) were still listed on the Master Payroll list.

Effect: These conditions could result in undetected errors and in some instances improprieties in payments to individuals no longer employed by the County.

Recommendation: OSAI recommends management take steps to ensure all employees are removed from the Master Payroll list in a timely manner after termination.

Management Response: We concur with the State Auditor's findings. We will implement procedures to correct this issue.

Finding 2007-10—Time Records—Used Leave

Criteria: The overall goal of effective internal controls as related to governmental entities is to demonstrate accountability and stewardship in the accounting of funds. Effective internal controls for salary and wages require proper documentation of hours worked, leave earned and used, and timesheet approval by a supervisor with knowledge of the employee's activities. Additionally, the Fair Labor Standards Act requires employers to keep accurate records of time worked, compensatory time earned, taken or paid.

Condition: While testing time sheets and leave records, we noted several time sheets contained amounts of time taken which did not adequately tie to the leave records in District 1, District 2, District 3, Fairgrounds (District 3), and Sheriff's Department.

Effect: Inadequate documentation of the employee's time could result in the overpayment of county funds for payroll or misappropriation of funds.

Recommendation: OSAI recommends all County officials have properly approved time records to support the monthly payroll. Each employee's time record should reflect the hours worked each day, the compensatory time earned, taken or paid, and be approved by the County officer or supervisor with knowledge of the hours the employee worked.

Management Response: We concur with the State Auditor's findings. We will implement procedures to correct this issue.

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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

No matters were reported.

SECTION 4—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 2007-12—Commissary Contract (Repeat Finding)

Criteria: The overall goal of effective internal controls is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds, all contracts should be approved by the Board of County Commissioners, contain all pertinent information, and be on file with the County.

Condition: It was noted that the commissary contract that the County Sheriff is operating under was not approved nor signed by the Board of County Commissioners. The current contract does not state the dates the contract is in effect, or the margin of profit the County is to receive on commissary sales.

Effect: This condition could result in loss of commissary sales revenue, misappropriation of funds, and obligate the County without the approval of the Board of County Commissioners.

Recommendation: OSAI recommends management take steps to ensure all contracts are reviewed and signed by the Board of County Commissioners upon approval. OSAI further recommends all approved contracts be on file with the Board of County Commissioners.

Management Response: We concur with the State Auditor’s findings. Future commissary contracts will be reviewed and approved by the Board of County Commissioners.

Finding 2007-3—OPERS Benefits (Repeat Finding)

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."

Also, 74 O.S. § 902(14) states, "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

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(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: From test work performed on employees who worked for Osage County in FYE 2007, we noted one part-time employee for District 1 who worked more than 1,000 hours but did not receive OPERS benefits.

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

Recommendation: OSAI recommends the County contact OPERS regarding the eligibility of this employee.

Management Response: County Officers will begin to watch the hours worked by part-time employees and contact OPERS for any corrections and/or payments that are due.

Finding 2007-4—Sheriff's Annual Report (Repeat Finding)

Criteria: Title 19 O.S. §180.43.D. states in part, "...The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year...."

Condition: The County Sheriff has not filed an annual report of the commissary activity with the County Commissioners.

Effect: The condition results in monies not being fiscally accounted for.

Recommendation: OSAI recommends an annual report of commissary operations be submitted to the Board of County Commissioners no later than January 15 of each year.

Management Response: We concur with the State Auditor's findings. We will implement procedures to correct this issue.

Finding 2007-11—Sheriff Inmate Trust Account (Repeat Finding)

Criteria: Statutory requirements have been established for the receipting and depositing of funds. Title 19 O.S. § 682 states, "It shall be the duty of each and every county officer...to deposit daily in the official depository all monies...received or collected by virtue or under color of office. In addition, Title 19 O.S. § 531.A. states, "Notwithstanding any other provisions of law, the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account", to be managed by the county sheriff and maintained separately from regular county funds. The checking account shall be subject to audit by the State Auditor and Inspector. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the

**OSAGE COUNTY, OKLAHOMA
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Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

The overall goal of effective internal control as related to governmental entities is to demonstrate accountability and stewardship. To help ensure the proper accounting of funds, each deposit slip should be traceable to corresponding receipts in the receipt books, disbursement authorizations from the inmate trust account should be properly maintained and have a date and signatures from the inmate and the corresponding official, the inmate trust account should be reconciled and the reconciliation be performed by someone other than the preparer.

Condition: The following exceptions were noted in our audit of the activity in the Sheriff Inmate Trust Fund:

1. The inmate disbursement authorization forms for July 2006 and August 2006 could not be located.
2. Inmate trust authorization forms are not being signed and dated in a proper manner in the following conditions:
 - a. September 20, 2006 – no date
 - b. October 23, 2006 – no date
 - c. December 12, 2006 – no date and signature
 - d. January 3, 2007 – no date and signature
 - e. February 27, 2007 – no date and signature
 - f. March 13, 2007 – no date and signature
 - g. April 4, 2007 – no date and signature
 - h. May 14, 2007 – no date and signature
 - i. June 25, 2007 – no date and signature
3. Monthly bank reconciliations were not performed.
4. The Sheriff's office did not issue duplicate receipts for all monies received for the Inmate Trust Fund.
5. Checks written for FY2007 did not have the required two signatures.

Effect: This condition could result in undetected errors in deposits and disbursements and misappropriation of inmate trust money.

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Recommendation: OSAI recommends bank statements be reconciled monthly to the Inmate Trust Fund ledgers, issue pre-numbered duplicate receipts, deposit daily all monies, and inmate disbursement authorization forms be properly maintained to support all disbursements from this account.

Management Response: We concur with the State Auditor's findings and will implement procedures to correct these issues.



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