

OTTAWA COUNTY

FOR THE FISCAL YEAR ENDED
JUNE 30, 2006

COUNTY AUDIT



Oklahoma State Auditor
& Inspector

**OTTAWA 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 21, 2008

TO THE CITIZENS OF
OTTAWA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Ottawa 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

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

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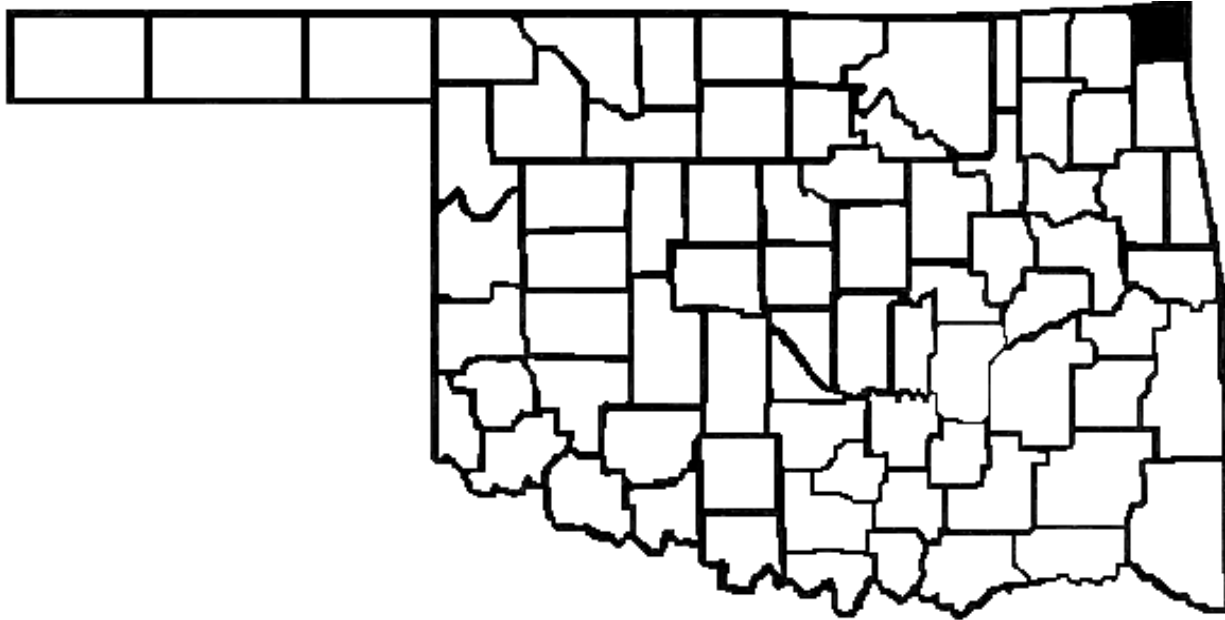
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**OTTAWA COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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



The extreme northeastern county of Oklahoma, bordering Kansas and Missouri, is named for the Ottawa Indians. This county has been the home to members of a greater number of Indian tribes than any other county in the United States. With 71 percent of the total land area in farms, as much as 60 percent of the county's agricultural income is from livestock and dairy products. Northeastern Oklahoma A&M College is located in Miami, the county seat. Various industries are represented throughout Ottawa County.

For additional information, please call the county clerk's office at (918) 542-3332.

County Seat –Miami

Square Miles– 484.73

County Population – 32,737
(2004 est.)

Farms – 1,137

Land in Farms – 226,436 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

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

COUNTY ASSESSOR
Linda S. Kelly

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
Reba G. Sill

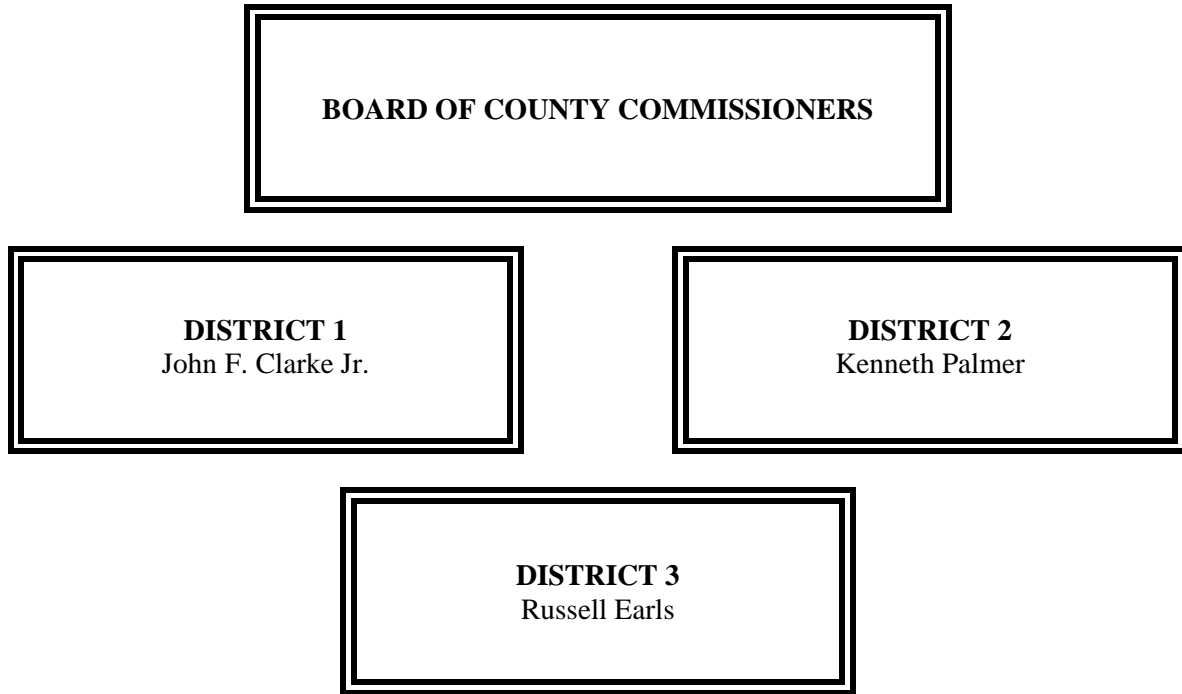
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**OTTAWA 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.

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

COUNTY SHERIFF
Terry Durborow

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
Brenda Connor

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.

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

COURT CLERK
Cathy Williams

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.

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

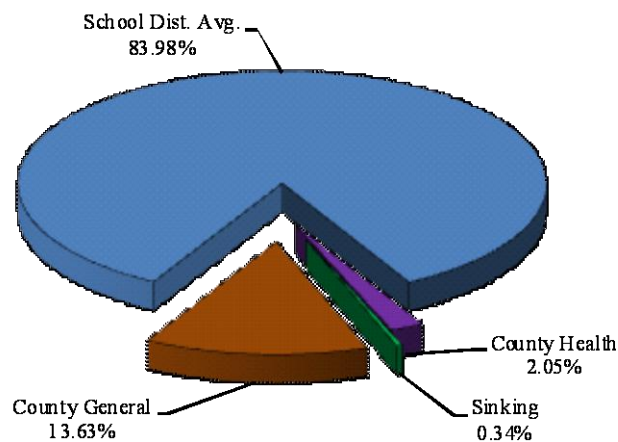
ELECTION BOARD SECRETARY Verna Bass

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.

**OTTAWA 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							
								Career		
County General	10.00			Gen.	Bldg.	Skg.	EMS	Tech	Common	Total
County Health	1.50	Turkey Ford	D-10	35.00	5.00	6.56		11.00	4.00	61.56
County Sinking	0.25	Wyandotte	I-1	35.00	5.00	12.95		11.00	4.00	67.95
		Quapaw	I-14	35.00	5.00			11.00	4.00	55.00
		Picher	I-15	35.00	5.00	8.88		11.00	4.00	63.88
Cities and Towns		Commerce	I-18	35.00	5.00			11.00	4.00	55.00
Miami	5.36	Miami	I-23	35.00	5.00	5.36	3.00	11.00	4.00	63.36
		Afton	I-26	35.00	5.00	2.92		11.00	4.00	57.92
		Fairland	I-1	35.00	5.00	10.47		11.00	4.00	65.47
		Neosho Valley		35.00	5.00	15.51		11.00	4.00	70.51
		Miami	I-18/23	35.00	5.00			11.00	4.00	55.00

See independent auditor's report.

**OTTAWA 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>\$ 106,574,963</u>
Debt limit - 5% of total assessed value		5,328,748
Total bonds outstanding	175,000	
Total judgments outstanding	-	
Less cash in sinking fund	<u>40,046</u>	<u>134,954</u>
Legal debt margin		<u>\$ 5,193,794</u>

See independent auditor's report.

OTTAWA 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)

	<u>2006</u>
Estimated population	<u>32,737</u>
Net assessed value as of January 1, 2005	<u>\$ 106,574,963</u>
Gross bonded debt	175,000
Less available sinking fund cash balance	<u>40,046</u>
Net bonded debt	<u>\$ 134,954</u>
Ratio of net bonded debt to assessed value	<u>0.127%</u>
Net bonded debt per capita	<u>\$ 4.12</u>

See independent auditor's report.

**OTTAWA COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2005	\$21,062,305	\$15,447,928	\$77,509,545	\$7,444,815	\$106,574,963	\$934,868,096

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
OTTAWA COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Ottawa 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 Ottawa 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 Ottawa 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 Ottawa 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 13, 2008, on our consideration of Ottawa 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 13, 2008

Basic Financial Statement

**OTTAWA COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Beginning Cash Balances July 1, 2005	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2006
Combining Information:				
County General Fund	\$ 695,244	\$ 2,851,114	\$ 2,955,898	\$ 590,460
County Sales Tax	78,706	1,498	13,882	66,322
County Health	148,938	235,296	209,970	174,264
Highway Cash	838,431	2,189,659	2,171,556	856,534
Highway 1/2 Cent Sales Tax	1,257,533	1,184,079	1,311,184	1,130,428
District 1 D.E.Q. Settlement	461,699	5,982	237,423	230,258
Resale Property	63,406	56,728	76,525	43,609
Sheriff Service Fee	184,746	243,388	335,441	92,693
Sheriff DARE	161			161
Sheriff DFCF	681			681
County Clerk Lien Fee	6,357	9,356	6,696	9,017
County Treasurer Mortgage Cert. Fee	6,094	9,075	7,893	7,276
County Clerk Preservation	54,142	37,153	70,289	21,006
Mida Rawlins Sinking	39,827	26,169	25,950	40,046
Sheriff Commissary	11,774	67,388	70,341	8,821
Sheriff Drug Buy	3,250	1,500	2,000	2,750
Sheriff Bond Fee	2,932	10,114	10,504	2,542
Child Abuse Prevention	5,586	60		5,646
Firefighters Sales Tax	121,807	221,891	202,981	140,717
Board of Prisoners	119,813	618,767	610,582	127,998
County Assessor Revolving	13,910	7,969	8,337	13,542
Insurance Recovery Cash Fund	8			8
Paradise Point CDBG		12,072	12,072	
CDBG Flood Mitigation		5,000	5,000	
DEQ 2		3,265,761	3,214,714	51,047
Combined Total--All County Funds	\$ 4,115,045	\$ 11,060,019	\$ 11,559,238	\$ 3,615,826

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

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

B. Fund Accounting

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

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

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

County Sales Tax – revenues are from interest earnings. This is the residual balance of sales tax collected for the construction of the county jail. Disbursements are for capital improvements to the jail.

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.

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

Highway ½ Cent Sales Tax – revenues are from a county sales tax. Disbursements are for the construction of county roads and bridges.

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

District 1 D.E.Q Settlement – revenues are from reimbursements from the Environmental Protection Agency and are disbursed for the rebuilding of roads damaged in District 1.

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

Sheriff DARE – revenues are from donations for drug education. Disbursements are for payroll of officers who go into schools and teach Drug Abuse Resistance Education.

Sheriff DFCF – revenues are from monies seized and forfeited to the Sheriff's office. Disbursements are for the maintenance and operation of the Sheriff's Drug Task Force.

County Clerk Lien Fee – 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.

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

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

Mida Rawlins Sinking – revenues are from ad valorem taxes and interest earnings. Disbursements are for the payment of principal and interest on bonds and judgments against the County.

Sheriff Commissary – revenues are from profits of commissary sales in the county jail. Disbursements are for jail improvements.

Sheriff Drug Buy – revenues are from the sale of seized and forfeited property sold at auction. Disbursements are for drug prevention.

Sheriff Bond Fee – revenues are from a fee charged to all persons who post a surety bond and are subsequently incarcerated. Disbursements are for any legal expense of the jail.

Child Abuse Prevention – revenues are from a federal grant. Disbursements are for child abuse prevention.

Firefighters Sales Tax – revenues are from county sales tax. Disbursements are for general operation, maintenance, training, and construction of new and existing fire department buildings.

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

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

County Assessor 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.

Insurance Recovery Cash Fund – revenues are from insurance claims filed by the County. Disbursements are for the replacement of items damaged in the courthouse.

Paradise Point CDBG – revenues are from a federal grant. Disbursements were for road improvements and fire fighting equipment. The County expended \$45,445 of this grant in the prior year before the funds were received under a "letter of intent" per 68 O.S. § 3003.C. This resulted in a negative cash balance and current year disbursements.

CDBG Flood Mitigation – revenues are from a federal grant. Disbursements are for flood mitigation.

DEQ 2 – revenues are from reimbursements from the Environmental Protection Agency. Disbursements are for the rebuilding of roads damaged in District 1.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, 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

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

Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

E. Cash

The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC). However, on June 30, 2006, the County was undercollateralized by \$7,437.44: \$3,348.10 at one bank and \$4,089.34 at another.

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.

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

G. Compensated Absences

All full-time Ottawa County employees shall be entitled to annual leave that is accrued on a monthly basis in accordance with the schedule outlined below:

First year	1 week
Second year	2 weeks
Third year	2 weeks
Fourth year	2 weeks
Fifth year	3 weeks
Sixth year	4 weeks

Vacation must be earned before it is taken. No vacation will be longer than ten consecutive working days without permission of the appropriate elected official. Vacation schedules are subject to the elected official approval. Employees may not carry over more than ten days of annual leave per year.

Sick leave benefits are accrued at the rate of 8 hours per month and employees may accumulate up to 36 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 \$106,574,963.

The County levied 10.00 mills (the legal maximum) for general fund operations, 1.5 mills for county health department, and .25 mill for county sinking. 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.

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

Current year tax collections for the year ended June 30, 2006, were approximately 90.8 percent of the tax levy.

3. Fuel Tax

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

4. Risk Management

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

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none">• Torts• Errors and Omissions• Law Enforcement Officers Liability• Vehicle Physical Plant <ul style="list-style-type: none">• Theft• Damage to Assets• Natural Disasters	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.
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 \$10,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay

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

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.

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.

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

County General Obligation Limited Tax Bonds of 1987 – bonds in the amount of \$400,000 were issued July 1, 1987, to provide funds for the purpose of securing and developing industry within Ottawa County.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 25 years from the date of issue. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Ottawa County General Obligation Bonds of 1987	6.00%	175,000

During the fiscal year ended June 30, 2006, principle payments of \$15,000 and interest payments of \$10,950 were made on this issue.

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

Annual debt service requirements to maturity for general obligation bonds, including interest of 6.00% are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$ 15,000.00	\$ 10,050.00	\$ 25,050.00
2008	15,000.00	9,150.00	24,150.00
2009	15,000.00	8,250.00	23,250.00
2010	15,000.00	7,350.00	22,350.00
2011-2015	45,000.00	16,650.00	61,650.00
2016-2018	70,000.00	9,900.00	79,900.00
Total	\$ 175,000.00	\$ 61,350.00	\$ 236,350.00

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 \$306,698, \$357,687, and \$325,372, 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.

**OTTAWA 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

On September 15, 1992, Ottawa County voters approved a permanent one-half cent sales tax. The purpose of the tax is the construction, maintenance, and operation of a modern jail facility and operation of the Ottawa County Sheriff's Department. The one-half cent sales tax is apportioned to the County Sales Tax fund for the operation of the Sheriff's Department.

On November 3, 1998, Ottawa County voters approved a permanent one-half cent sales tax effective January 1, 1999, for the construction, operation, and maintenance of the county road and bridge system of Ottawa County, Oklahoma. The one-half cent sales tax is apportioned to the Highway Sales Tax fund for the designated purpose.

On November 18, 2003, Ottawa County voters approved a one-tenth of one percent (1/10 of 1%) county sales tax in perpetuity and effective on or after April 1, 2004, which is to be used to fund the fire departments in Ottawa County, for purposes including, but not limited to equipment, general operations, maintenance, training and the construction of new fire department buildings or improvements to existing fire department buildings.

On December 13, 2005, Ottawa County voters approved a one-fourth of one percent (1/4 of 1%) county sales tax for the sole purpose to pay for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining County Courthouse facilities for the County of Ottawa County, Oklahoma; and to pay the principal and interest on indebtedness incurred on behalf of the County by the Ottawa County Governmental Building Authority for such purposes. The effective date of this tax is April 1, 2006, and shall expire and cease to be collected when sufficient funds have been collected from said levy to retire such indebtedness or on April 1, 2036, whichever shall be earlier.

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

10. Restatement Prior Year Ending Balance

Due to the reclassification of funds for the 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 being reported as a trust and agency fund in fiscal year 2005 that should have been classified as a county fund, resulting in an increase of \$11,774.

Prior year ended as reported	\$4,103,271
Funds moved to county funds	11,774
Prior year ending balance as restated	\$4,115,045

OTHER SUPPLEMENTARY INFORMATION

OTTAWA 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	\$ 695,244	\$ 695,244	\$ 695,244	\$ -
Less: Prior Year Outstanding Warrants	(126,023)	(126,023)	(126,023)	
Less: Prior Year Encumbrances	(23,031)	(23,031)	(23,031)	
Less: Prior Year Lapsed			83	(83)
Plus: Estopped Warrants			5	(5)
Beginning Cash Balances, Budgetary Basis	546,190	546,190	546,278	(88)
Receipts:				
Ad Valorem Taxes	968,863	1,249,139	1,005,788	(243,351)
Sales Tax	858,599	858,599	998,374	139,775
Charges for Services	337,363	337,363	397,160	59,797
Intergovernmental Revenues	345,824	345,824	418,627	72,803
Miscellaneous Revenues	21,367	21,367	31,165	9,798
Total Receipts, Budgetary Basis	2,532,016	2,812,292	2,851,114	38,822
Expenditures:				
District Attorney	4,000	4,165	4,165	
Total District Attorney	4,000	4,165	4,165	-
County Sheriff	879,916	895,986	895,873	113
Capital Outlay	80,000	63,930	63,930	
Total County Sheriff	959,916	959,916	959,803	113
County Treasurer	145,554	145,595	145,594	1
Capital Outlay	1	1		1
Total County Treasurer	145,555	145,596	145,594	2
OSU Extension	48,368	48,389	48,357	32
Total OSU Extension	48,368	48,389	48,357	32
County Clerk	233,161	232,430	232,322	108
Capital Outlay	850	5,922	5,922	
Total County Clerk	234,011	238,352	238,244	108

continued on next page

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

OTTAWA 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
County Commissioners	175,969	175,969	173,294	2,675
Capital Outlay	1	1		1
Total County Commissioners	175,970	175,970	173,294	2,676
Court Clerk	180,728	434,772	434,772	
Total Court Clerk	180,728	434,772	434,772	-
County Assessor	137,303	137,303	137,097	206
Total County Assessor	137,303	137,303	137,097	206
Revaluation of Real Property	108,376	108,376	108,358	18
Total Revaluation of Real Property	108,376	108,376	108,358	18
General Government	453,038	456,540	404,021	52,519
Capital Outlay	477,835	477,835	135,000	342,835
Total General Government	930,873	934,375	539,021	395,354
Excise-Equalization Board	2,239	2,239	2,044	195
Total Excise-Equalization Board	2,239	2,239	2,044	195
County Election Board	114,909	128,071	122,767	5,304
Capital Outlay	400	5,400	3,560	1,840
Total County Election Board	115,309	133,471	126,327	7,144
County Audit Budget Account	20,558	20,558	20,558	
Total County Audit Budget Account	20,558	20,558	20,558	-
County Cemetery	1,500	1,500	300	1 200
Total County Cemetery	1,500	1,500	300	1,200
Free Fair	9,500	9,500	8,660	840
Total Free Fair	9,500	9,500	8,660	840

continued on next page

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

OTTAWA 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	4,000	4,000	3,343	657
Total Expenditures, Budgetary Basis	<u>3,078,206</u>	<u>3,358,482</u>	<u>2,949,937</u>	<u>408,544</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	447,455	<u>\$ 447,455</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			13,400	
Add: Current Year Outstanding Warrants			<u>129,605</u>	
Ending Cash Balance			<u>\$ 590,460</u>	

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

OTTAWA 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		
	Budget	Budget	Actual	Variance
Beginning Cash Balances	\$ 148,938	\$ 148,938	\$ 148,938	\$ -
Less: Prior Year Outstanding Warrants	(3,693)	(3,693)	(3,693)	
Less: Prior Year Encumbrances	(24,049)	(24,049)	(24,049)	
Plus: Canceled Warrants/Estopped			423	423
Beginning Cash Balances, Budgetary Basis	121,196	121,196	121,619	423
Receipts:				
Ad Valorem Taxes	145,330	145,329	150,868	5,539
Miscellaneous Revenues		79,370	84,428	5,058
Total Receipts, Budgetary Basis	145,330	224,699	235,296	10,597
Expenditures:				
Health and Welfare	149,093	287,462	197,783	89,679
Capital Outlay	117,433	58,433	150	58,283
Total Expenditures, Budgetary Basis	266,526	345,895	197,933	147,962
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	158,982	\$ 158,982
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			10,396	
Add: Current Year Outstanding Warrants			4,886	
Ending Cash Balance			\$ 174,264	

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

**OTTAWA COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Beginning Cash Balance	<u>\$ 39,827</u>
Receipts:	
Ad Valorem	25,229
Miscellaneous	<u>940</u>
Total Receipts	<u>26,169</u>
Disbursements:	
G. O. Bonds	15,000
County Judgments	<u>10,950</u>
Total Disbursements	<u>25,950</u>
Ending Cash Balance	<u>\$ 40,046</u>

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

**OTTAWA COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. 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.

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.

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
OTTAWA COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Ottawa County, Oklahoma, as of and for the year ended June 30, 2006, which comprises Ottawa County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 13, 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 Ottawa 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 Ottawa 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 2003-1, 2006-7, 2006-8, 2006-17, 2006-21, and 2006-24.

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 2003-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ottawa 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 2006-1, 2006-9, 2006-11, 2006-14, 2006-22, and 2006-23.

We also noted certain matters that we reported to the management of Ottawa 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 Ottawa 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 13, 2008

**OTTAWA 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 2003-1 - Segregation of Duties

Criteria: Demonstration of accountability and stewardship are overall goals of governmental entities. To help ensure 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, 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 desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of office operations and periodic review of operations.

Views of responsible officials and planned corrective actions: It is the desire of Ottawa County to perform all duties as prescribed by the State Auditor & Inspector. However, due to 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 2006-1 - Collateral

Criteria: Title 62 O.S. § 511 states,

Any custodian of public funds of any kind or character, required by law to secure proper collateral before depositing public funds in a bank or trust company, shall hereafter in depositing public funds in a bank or trust company whose deposits are insured by the Federal Deposit Insurance Corporation, be required to secure proper collateral only for sums deposited in excess of the amount of deposit insured by such Federal Deposit Insurance Corporation.

Condition: During our review of the County's pledged collateral it was noted that funds deposited in one bank were under collateralized by \$46,973.53 and \$2,044.06 in another bank during the month of December 2005. Additionally, at June 30, 2006, the County was undercollateralized \$3,348.10 in one bank and \$4,089.34 in another.

Effect: With inadequate collateral, this appears to be a violation of state statutes and the possible loss of County monies if the banks were to fail.

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

Recommendation: OSAI recommends the Treasurer keep all county funds sufficiently collateralized at all times.

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

Finding 2006-7 – 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. §2871states:

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....

Title 68 O.S. § 2874 addresses correction of clerical errors on tax rolls.

Whether upon discovery by the county treasurer or county assessor or any of their deputies, or upon complaint of the taxpayer, the agent or attorney or any person acting on behalf of the taxpayer, upon certificate of clerical error issued by the county assessor to the county treasurer, with a copy to the county clerk and a copy retained, the county treasurer shall be authorized to make correction upon the tax rolls of either of the following specifically enumerated errors of strictly clerical import not involving valuations assessed and equalized and not involving any

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

exemption allowed whether of homestead, service in the armed forces, charitable, educational, religious, or other authorized exemptions, and which clerical error certificates shall issue only under the conditions stated as to each, as follows:

1. Error in the name of the person assessed, upon affidavit verifying the name of the true owner as of January 1 of the taxable year involved;
2. Error in the address of the person, firm or corporation assessed, when furnished by such person or a representative of the firm or corporation;
3. Error in the legal description of real property, when verified by the county clerk, certifying to the description on his land records as of January 1 of the taxable year involved;
4. Error in land-list entry, such as section or part thereof, township, range or of lot or block or of designation of urban addition, when verified by the county clerk to the land records or plats on file, as of January 1 of the taxable year involved;
5. Error in the school district designation as of the date when school district tax levies attached themselves to such property, when verified by the county assessor certifying to the date, if after January 1st of such taxable year, when the school district designation or location changed, or the school district designation prior to January 1st of such taxable year where no change of the boundaries of such district was thereafter ordered during such taxable year. If a school district boundary change occurs after April 15 of such taxable year, the opinion of the district attorney as to the applicable school district designation to such property for purpose of levy of such taxable year shall be attached to the certification;
6. If the error of school district designation caused the application of levies not applicable thereto, then also the "extension of tax", when verified by the county clerk with proof of computation attached;
7. Error commonly called duplicate assessment, but only in instances where the two entries as delivered to the county treasurer are verified by the county treasurer or deputy to be completely identical in every specific detail; and
8. Error in transcribing to the tax rolls from assessment rolls or assessment lists, conditioned on complete absence of all indication of erasures or other alteration of original entry when confirmed by endorsement to the certificate by the county clerk certifying to personal visual inspection and verifying absence of all indication of erasure or change in original entry.

Condition: During our testing of Tax Roll Corrections we found:

1. Out of ten parcels tested, seven parcels of erroneous assessment certificates were not completed; and corrected amounts to the tax roll were not posted.
2. Out of ten parcels tested, three parcels of erroneous assessment certificates did not exist. These parcels were deeded to the County and taxes were subsequently waived.
3. The Board of Tax Roll Corrections is not approving the minutes of the Board of Tax Roll Corrections.

Effect: This condition results in inaccurate tax rolls and unauthorized corrections. It could also result in improprieties in the administering of ad valorem tax assessments and charges.

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Recommendation: OSAI recommends Ottawa County correctly complete and maintain adequate support of tax roll corrections and the Board of Tax Roll Corrections approve minutes to all meetings.

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

Finding 2006-8 – Receipting of Federal Grant Monies

Criteria: Statutory control requirements have been established for county government for the receipting of funds. Title 19 O.S. § 624 requires all money received by the county treasurer be receipted in duplicate and the duplicate be filed with the county clerk.

Condition: During test work we noted that grant money received from the federal government for Senior Companion was not miscellaneous-receipted-in but rather transferred-in by journal entry without adequate supporting documentation.

Effect: This increases the possibility of misappropriation of funds and the inability to detect errors in a timely manner.

Recommendation: OSAI recommends that all money received by the County Treasurer be receipted in and miscellaneous receipts be written for all grant money received.

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

Finding 2006-9 – Commissary Vending Account Contract

Criteria: Title 19 O.S. § 180.43.D states in part that,
Each county sheriff may operate, or contract the operations of, a commissary for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff....

Condition: It was noted that the County does not maintain a current commissary service contract which states the terms of the contract.

Effect: Without a written contract there is no standard in which to measure the results of the operations of the inmate commissary. This condition could result in unaccountability and misappropriation of funds.

Recommendation: OSAI recommends that management take steps to ensure that all contracts are approved, signed by the Board of County Commissioners, contain all pertinent information, and filed with the County.

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

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SCHEDULE OF FINDINGS AND RESPONSES
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Finding 2006-11 – Assessor’s Daily Deposits

Criteria: Title 19 O.S. § 682 states,

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....

Condition: The County Assessor’s office is not making daily deposits.

Effect: The County Assessor is not in compliance with state statutes regarding the safeguarding of funds collected.

Recommendation: OSAI recommends all monies receipted by the officer be deposited in the official depository account on a daily basis.

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

Finding 2006-14 – Annual Commissary Report

Criteria: Title 19 O.S. § 180.43 states that the Sheriff shall file an annual report of any commissary under his operation with the Board of Commissioners no later than January fifteenth of each year.

Condition: The Sheriff did not file an annual report with the Board of County Commissioners.

Effect: The Sheriff is in violation of state statutes regarding the accountability for commissary operations.

Recommendation: OSAI recommends the Sheriff submit an annual report to the Board of County Commissioners on or before January fifteenth of each year.

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

Finding 2006-17 – Health Department Receipting and Depositing of Monies

Criteria: Demonstration of accountability and stewardship are goals of governmental entities. To ensure funds are accounted for in the proper form, pre-numbered, duplicate receipts should be written for all forms of monies received. The original should be given to the payee and the duplicate should be maintained and filed.

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Statutory requirements have been established for controls over the receipt and depositing of cash.

Title 19 O.S. § 682 states,

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...

Condition: Through verification of the receipts at the Health Department, it was determined that receipts were not issued for all payments received. We also noted the County Health Department is not depositing daily all monies received. We noted that the deposit ticket for December 2, 2005, was made up of receipted monies from November 30, 2005 through December 1, 2005.

Effect: By not issuing receipts for all payments received and not depositing daily, the Ottawa County Health Department not only increases the risk of undetected errors and misappropriation of cash, but is also in violation of state statutes for receipting and depositing of cash.

Recommendation: OSAI recommends all monies received are supported by pre-numbered, duplicate receipts and deposited daily.

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

Finding 2006-21 – Timesheets

Criteria: Demonstration of accountability and stewardship are overall goals of governmental entities. 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 our test work, we found the following exceptions:

During our review of timesheets, we found:

- a. Assessor's Office - Attendance records were not signed by the employee and supervisor of the Assessor's office;
- b. Court Clerk's Office - Attendance records were signed by the employee but not the Court Clerk;
- c. Treasurer's Office - Attendance records were signed by the employee but not the Treasurer;
- d. District 1 - Attendance records were not signed by the employee and/or the department head;
- e. District 2 - Attendance records were not signed by the employee or the department head;
- f. District 3 - Attendance records were not signed by the employee or the department head.

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

Recommendation: OSAI recommends management take steps to ensure that timesheets and leave reports are signed by the employee and supervisor/elected official.

Views of responsible officials and planned corrective actions:

Kenneth Palmer, Commissioner, District 2

The signing of timesheets for every pay period by each employee and supervisor has been implemented.

Finding 2006-22 – OPERS

Criteria: Title 74 O.S. § 925 states,

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

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 (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 Ottawa County in FY06, we noted one part-time employee of the Ottawa Court Clerk's Office who worked 1,103.5 hours in a one year period, based on the employee's anniversary date, and did not receive OPERS benefits. There was no documentation in the personnel file to indicate that the employee was seasonal or temporary.

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

Recommendation: OSAI recommends that the County confirm with OPERS on eligibility of employees, and document that eligibility in the employee's personnel file.

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

Finding 2006-23 – Sales Tax Distribution

Criteria: Title 68 O.S. § 1370.E states in part,

The proceeds of any sales tax levied by a county shall be deposited in the general revenue or sales tax revolving fund of the county and shall be used only for the purpose for which such sales tax was designated.

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Condition: Ottawa County had three separate sales taxes in effect during the fiscal year under examination. The sales taxes were as follows:

1. September 15, 1992 – a permanent one-half cent sales tax for the construction, maintenance, and operations of a modern jail facility and the operation of the Ottawa County Sheriff's Department;
2. November 3, 1998 – a permanent one-half cent sales tax for the construction, operation, and maintenance of the county road and bridge system of Ottawa County;
3. November 18, 2003 – a one-tenth of one percent sales tax in perpetuity, to be used to fund the fire departments in Ottawa County.

Upon recalculating the fiscal year 2006 sales tax split among the different entities, we noted the fire departments received \$20,169 more than and the Sheriff and the Highways each received \$10,084 less than directed by the sales tax votes.

Effect: This condition not only appears to violate state statutes but also appears to be in noncompliance with the sales tax ballots as voted on and passed by the citizens of Ottawa County.

Recommendation: OSAI recommends the entities receiving sales tax proceeds, as prescribed by the sales tax ballots, receive the appropriate appropriations.

Views of responsible officials and planned corrective actions:

Brenda Conner, Ottawa County Treasurer

Our office has put all monthly totals on an excel program that breaks out the correct calculation. There should not be a problem with this calculation ever again.

Finding 2006-24 – Consumable Inventories

Criteria: Demonstration of accountability and stewardship are overall goals of governmental entities. Title 19 O.S. § 1502 prescribes the procedures to be used to account for supplies and materials used in the construction and maintenance of roads and bridges. To ensure proper accounting of consumable assets, consumable item records should be accurately maintained, updated in a timely manner, reconciled to physical count, and turned into the county clerk's office.

Condition: During test work of consumable inventory, we found:

1. District 1 and District 2 are not maintaining adequate consumable inventory records;
2. District 1, District 2, and District 3 are not preparing transfer documents;
3. District 1, District 2, and District 3 are not maintaining fuel balances or reconciling fuel balances

Effect: Without proper documentation of inventory records, the County runs the risk of misstatements, an increase risk of improprieties occurring, and misappropriation of consumable materials and supplies.

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Recommendation: OSAI recommends all county offices maintain an accurate consumable inventory listing, updated and filed with the County Clerk's office through the weekly summary forms. We also recommend the Districts maintain fuel balances and reconcile fuel usage to purchases and fuel on hand.

Views of responsible officials and planned corrective actions:

Kenneth Palmer, Commissioner, District 2

Due to the flooding of our office and barn, and change in office personnel, we were unable to provide all of this information in a timely manner. This was addressed, thanks in part to your personnel through instruction and information, by the development of spreadsheets to help track, balance, and reconcile this information.

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 2006-15 – Inmate Trust Bank Reconciliations

Criteria: Demonstration of accountability and stewardship are overall goals of governmental entities evaluating management's accounting for funds. To help ensure a proper accounting of funds, bank reconciliations should be performed, at least monthly, and approved by someone other than the preparer of the reconciliation.

Condition: We determined that reconciliations are performed on the Inmate Trust Account; however, the reconciliations are not reviewed nor approved by someone other than the preparer of the reconciliation.

Effect: These conditions could result in undetected errors and in some instances could result in misappropriation of the Inmate Trust Account.

Recommendation: OSAI recommends that all inmate trust bank reconciliations be reviewed and approved on a timely basis by someone other than the preparer.

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

Finding 2006-16 – Inmate Trust Account Deposits

Criteria: Title 19 O.S. § 531.A. includes that the County Sheriff may establish an Inmate Trust Fund Checking Account and shall deposit all monies collected from inmates incarcerated in the county jail into such checking account. Statutory control requirements have been established for county government for the depositing of funds received.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
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Title 19 O.S. § 682 states in part,

It shall be the duty of each and every county officer, county board ... to deposit daily... all monies, checks...and charges of every kind received or collected by virtue or under color of office...

Condition: The Sheriff's office is not making timely deposits to its Inmate Trust Fund Checking Account. During our test of twelve receipts, we found these receipted monies were deposited as much as two to twenty days after being receipted.

Effect: Monies received are not being safeguarded from possible impropriety. Additionally, not making daily deposits could lead to a deficit in the inmates' accounts. Inmates could make commissary orders and/or be released from jail prior to monies being deposited into their account.

Recommendation: OSAI recommends all inmate trust fund monies receipted by the Sheriff's office be deposited daily.

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

Finding 2006-18 – Duplicate Receipt Numbers

Criteria: Demonstration of accountability and stewardship are overall goals of governmental entities. Receipts that are issued should be pre-numbered and issued in sequential order and voided receipts should be defaced and retained and not reissued.

Condition: During our test work of official depository accounts, it was noted that the Court Clerk's computer system allows the Court Clerk to reissue a receipt with the same number. The Court Clerk voided receipts #168651 and #108652; then reissued the receipts with the same receipt numbers.

Effect: Voiding receipts and reissuing the same number can result in errors occurring and not being detected and confusion as to the receipt number sequence and proper amount of funds received.

Recommendation: OSAI recommends that the Court Clerk's computer system be modified with controls that prevent the reissuing of receipt numbers. OSAI further recommends that receipts requiring changes to the dollar amount be properly voided and a new receipt issued.

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

Finding 2006-20 – Cash Bonds

Criteria: Demonstration of accountability and stewardship are overall goals of governmental entities. Cash bonds received by the Sheriff's office should be remitted to the Court Clerk's office in a timely manner.

**OTTAWA COUNTY, OKLAHOMA
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Condition: During our testwork of official depository accounts, it was noted that the Sheriff's office did not remit all cash bonds to the Court Clerk's office. If the bond was prescribed by the courts as payment of child support, then the bond was sent to the Ottawa County Child Support Office even though a case was filed with the Ottawa County Court Clerk's Office.

Effect: These conditions result in unaccounted for cash bonds and could result in the misappropriation of funds.

Recommendation: OSAI recommends that all cash bonds collected be remitted to the Court Clerk.

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



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