

County Audit

Rogers County, Oklahoma

For The Fiscal Year Ended
June 30, 2005



Office of the Oklahoma State Auditor and Inspector
Jeff A. McMahan, CFE

**ROGERS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

October 19, 2007

TO THE CITIZENS OF
ROGERS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Rogers County, Oklahoma, for the fiscal year ended June 30, 2005. 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 black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

**ROGERS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**ROGERS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

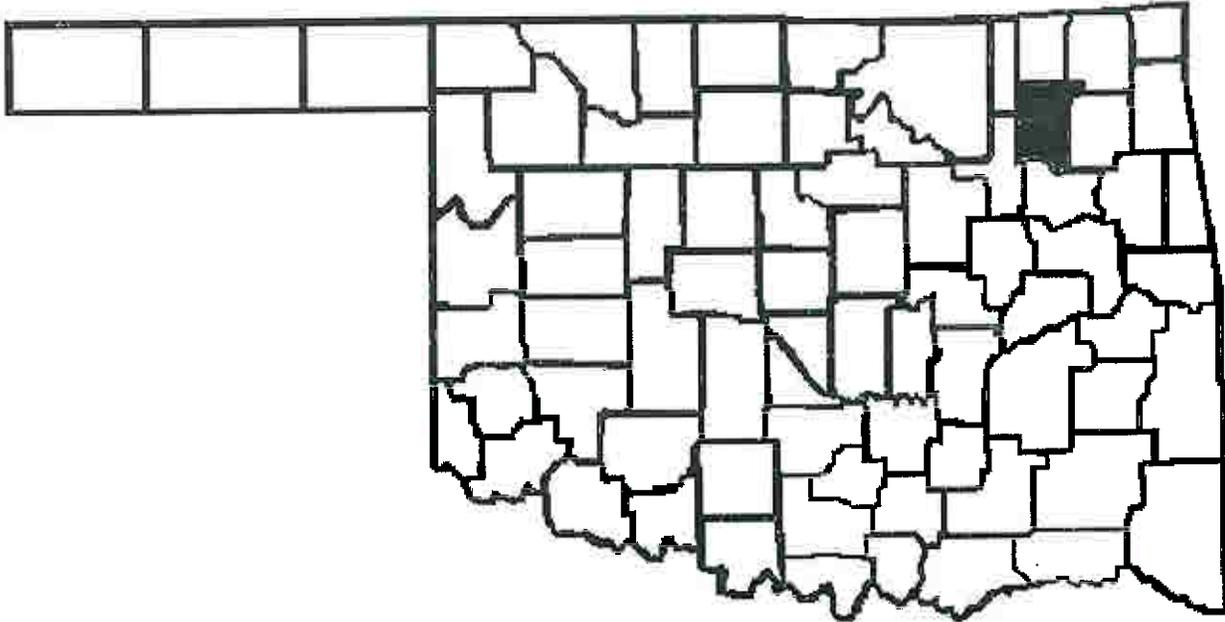
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**REPORT TO THE CITIZENS
OF
ROGERS COUNTY, OKLAHOMA**



Originally part of the Cherokee Nation, Rogers County was created at statehood, and named for Clem V. Rogers, member of the Oklahoma Constitutional Convention and father of famed Will Rogers.

Claremore, the county seat, was named for the Osage Chief Clermont, killed during the Clermont Mound Massacre. It claims as its own such notables as singer Patti Page and astronaut Stuart Roosa. Lynn Riggs, author of *Green Grow the Lilacs*, from which the musical *Oklahoma!* was adapted, was born three miles from Claremore. J.M. Davis, a local resident, owned a hotel and collected more than 20,000 guns in his lifetime.

Catoosa, now a port, was once a rail terminal, which saw the likes of the Daltons, Youngers, Doolins, and other outlaws pass through its boundaries. The waterway extends from the Verdigris, Arkansas, and Mississippi rivers to the Gulf of Mexico.

While agriculture is still basic, the mining of coal and shale has also been important to the economy of Rogers County. Points of interest in the county include the Will Rogers Memorial Museum in Claremore, which attracts nearly one million visitors annually; the J.M. Davis Gun Museum; Totem Pole Historical Park located east of Foyil; and the Belvidere Mansion in Claremore.

County Seat – Claremore

Area – 711.44 Square Miles

County Population – 79,042
(2004 est.)

Farms – 1,803

Land in Farms – 310,415 Acres

Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

**ROGERS COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

COUNTY ASSESSOR
Melissa Anderson
(D) Chelsea

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
Peggy Armstrong
(D) Claremore

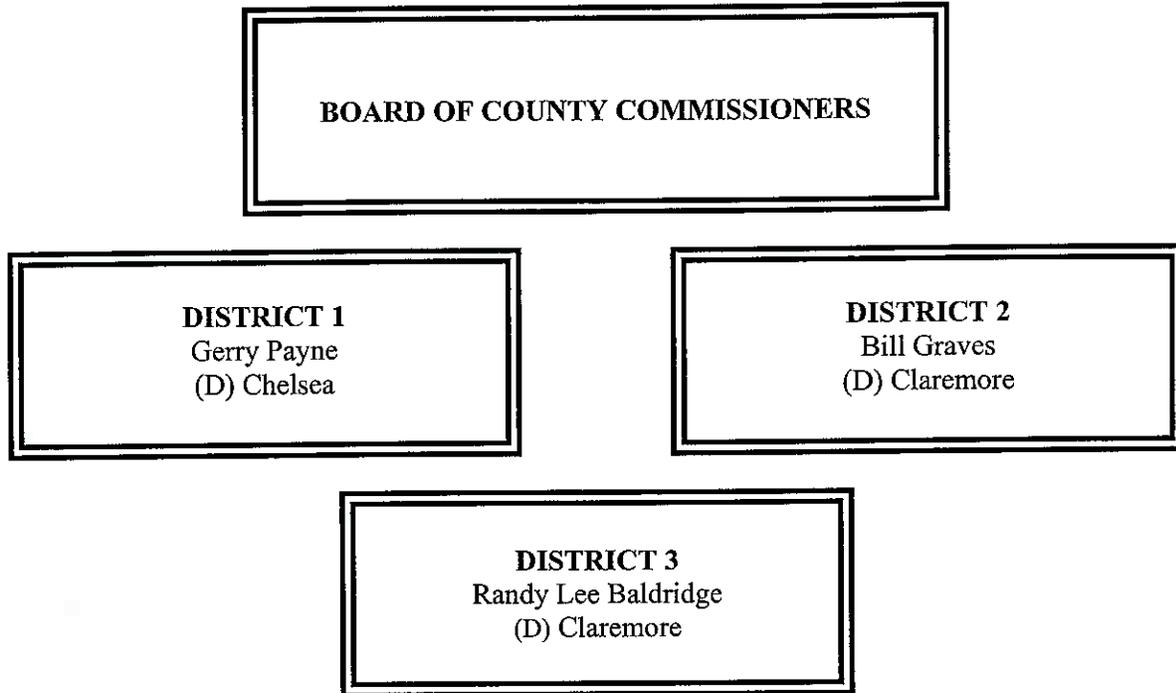
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**ROGERS COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**



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.

**ROGERS COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

COUNTY SHERIFF
Jerry W. Prather
(D) Claremore

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
Cathy Pinkerton Baker
(D) Talala

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.

**ROGERS COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

COURT CLERK
Candi Czpansky
(D) Claremore

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
Gene Haynes
(D) Claremore

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.

**ROGERS COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

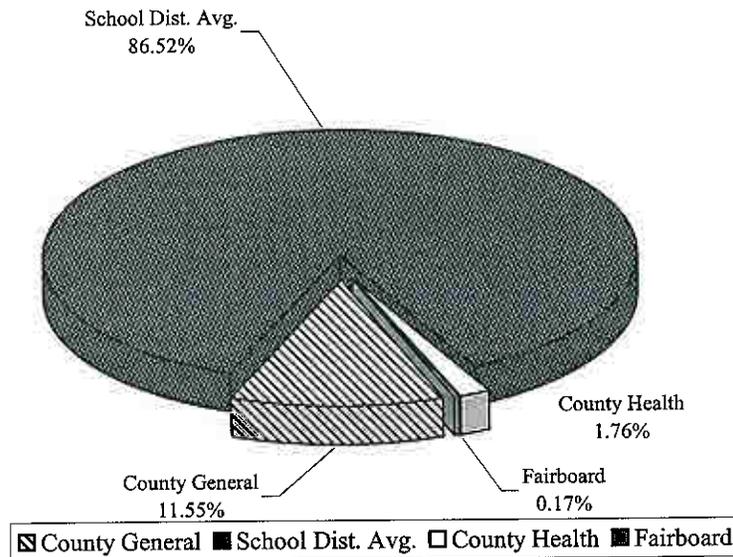
<p>ELECTION BOARD SECRETARY Terri Thomas (D) Claremore</p>

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.

**ROGERS COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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



County-Wide Millages		School District Millages							
						Career			
			Gen.	Bldg.	Skg.	Tech	Common	Total	
Co. General	10.09								
County Health	1.54	Claremore	1	35.97	5.14	24.70	11.27	4.099	81.179
Fairboard	0.15	Catoosa	2	35.46	5.06	16.90	13.18	4.099	74.699
		Chelsea	3	36.51	5.22	21.48	11.27	4.099	78.579
		Oologah-Talala	4	35.38	5.05	8.08	11.27	4.099	63.879
		Inola	5	36.33	5.19	27.04	11.27	4.099	83.929
Oologah/Talala EMS	3.00	Sequoyah	6	36.69	5.24	19.69	11.27	4.099	76.989
		Foyil	7	36.42	5.20	21.51	11.27	4.099	78.499
		Verdigris	8	35.65	5.09	19.98	11.27	4.099	76.089
		Justus-Tiawah	C009	36.48	5.21	11.42	11.27	4.099	68.479
Verdigris	10.31	Tulsa-Collinsville	JC-6	36.47	5.60	17.83	11.27	4.099	75.269
Limestone	14.28	Tulsa-Owasso	JC-11	36.81	5.26	28.97	11.27	4.099	86.409
Northwest	12.39	Mayes	J-32	36.84	5.26	5.88	11.27	4.099	63.349
NW Cities	12.39								
Foyil	16.88								
Tri-District	10.44								

See independent auditor's report.

**ROGERS COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)**

Total net assessed value as of January 1, 2004		<u>\$ 447,144,248</u>
Debt limit - 5% of total assessed value		22,357,212
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 22,357,212</u>

See independent auditor's report.

**ROGERS COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)**

	<u>2005</u>
Estimated population	<u>79,042</u>
Net assessed value as of January 1, 2004	<u>\$ 447,144,248</u>
Gross bonded debt	-
Less available sinking fund cash balance	<u>-</u>
Net bonded debt	<u>\$ -</u>
Ratio of net bonded debt to assessed value	<u>0.00%</u>
Net bonded debt per capita	<u>\$ -</u>

See independent auditor's report.

**ROGERS COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(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>
1/1/2004	\$61,523,646	\$107,389,463	\$297,123,112	\$18,891,973	\$447,144,248	\$4,064,947,709

See independent auditor's report.

FINANCIAL SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
ROGERS COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Rogers County, Oklahoma, as of and for the year ended June 30, 2005, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Rogers 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.

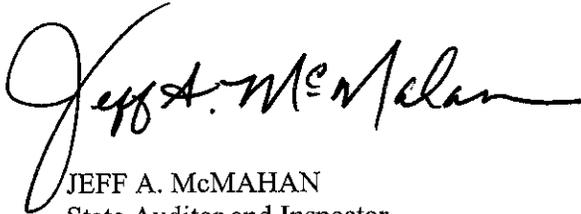
As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between 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 Rogers County as of June 30, 2005, 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 Rogers County, for the year ended June 30, 2005, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2007, on our consideration of Rogers 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.



JEFF A. McMAHAN
State Auditor and Inspector

September 24, 2007

Basic Financial Statement

ROGERS COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Beginning		Transfers In	Transfers Out	Disbursements	Ending
	Cash Balances July 1, 2004	Receipts Apportioned				Cash Balances June 30, 2005
Combining Information:						
County General Fund	\$ 3,953,538	\$ 12,791,095	\$ 29,194	\$	\$ 12,983,801	\$ 3,790,026
Use Tax	24,260	407,743			363,532	68,471
T-Highway	1,381,066	2,895,539			3,237,802	1,038,803
Sheriff Equipment Grant	2,139				2,129	10
Resale Property	363,939	206,282			303,009	267,212
Civil Defense/Emergency Management	20,489	82,790			56,209	47,070
County Health	485,359	849,679			811,384	523,654
Sheriff Drug Enforcement	1,726	2,000			954	2,772
Sheriff Revolving	604					604
Sheriff Civil Fee	76,182	251,617			256,223	71,576
County Clerk Lien Fee	16,714	22,886			12,692	26,908
Treasurer Mortgage Certification Fee	129,647	31,678			6,467	154,858
County Clerk Records Preservation	231,614	112,739			270,680	73,673
Planning Commission Engineering Fee	9,326	2,630			3,630	8,326
Sheriff Beacon Light Fund	136	500				636
Sheriff Commissary	32,092	95,477			98,717	28,852
Community Service	9,693	71,771			58,618	22,846
Sheriff Jail Account	1,799,449	1,744,117			1,565,389	1,978,177
Justice Bureau Block Grant	14					14
Safe Room Rebate		64,494			55,458	9,036
Attendant Care	1,753	2,467			1,990	2,230
CERT Emergency Management	1,000	3,446			4,293	153
CDBG RWD #9	80					80
CDBG Port Channel/CDBG 10656		493,000			493,000	
CDBG Pechiney Plastics/11053		99,768			99,768	
Assessor Visual Inspection	19,463	171			19,634	
Assessor Revolving	6,406	4,749			1,719	9,436
Rogers County Sinking	29,194			29,194		
Combined Total--All County Funds	\$ 8,595,883	\$ 20,236,638	\$ 29,194	\$ 29,194	\$ 20,707,098	\$ 8,125,423

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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 Rogers 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, officer's fees, sales tax, interest earnings and miscellaneous collections of the County. Disbursements are for the general operations of the County.

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

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

Sheriff Equipment Grant – revenues are from a federal grant. Disbursements are for safety equipment for the Sheriff's employees.

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.

Civil Defense/Emergency Management – revenues are from state and federal funds. Disbursements are for civil defense and emergency management services.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

County Health – accounts for monies collected on behalf of the county health department from ad valorem taxes, state and local revenues and miscellaneous fees charged by the health department. Disbursements are for the operation of the county health department.

Sheriff Drug Enforcement – revenues are from the sale of property forfeited in drug cases. Disbursements are for officer training, equipment, and crime prevention.

Sheriff Revolving – revenues are from the Department of Corrections for reimbursement for keeping inmates. Disbursements were made for maintenance of inmates within the jail (clothing, beds, etc.).

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

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.

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

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

Planning Commission Engineering Fee – revenues are from building permits, licenses, and engineering fees. Individuals put up \$500 for projects. Disbursements are made back to individuals once projects are approved.

Sheriff Beacon Light Fund – revenues are from donations from people in the community. Disbursements are made for the purchase of blinking light bulbs for the elderly people in the community.

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

Community Service – revenues are from state funds reimbursing the expenses of operating a community service sentencing program. Disbursements are for any activity or equipment needed for the people fulfilling community service sentences.

Sheriff Jail Account – revenues are from a county sales tax. Disbursements are for the maintenance and operation of the jail, salaries, food, medical expenses, board of prisoners, and travel.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Justice Bureau Block Grant – revenues are from a federal grant from the Bureau of Justice. Disbursements are for equipment (rifles, sirens, etc.) and other capital outlay.

Safe Room Rebate – accounts for federal grant funds received for the reimbursement of storm shelter installation.

Attendant Care – revenues are from state funds. Disbursements are for the payment to counselors to sit with and spend time with juveniles.

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

CDBG RWD #9 – revenues are from a federal grant. Disbursements are for improvements to Rural Water District #9.

CDBG Port Channel/CDBG 10656 – accounts for federal funds passed through the department of commerce to be used for infrastructure improvements at the Port of Catoosa.

CDBG Pechiney Plastics/CDBG 11053 – accounts for federal funds passed through the department of commerce to be used for infrastructure improvements at the Port of Catoosa.

Assessor Visual Inspection – Revenues are from fees charged to all entities receiving ad valorem taxes. Disbursements are for the re-valuation of all county property for ad valorem purposes.

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

Rogers County Sinking – residual balance of paid off bonds transferred to the county general by a board of county commissioner's resolution.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, fire districts, county health departments, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations.

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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

D. Budget

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

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

E. Cash

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

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

F. Investments

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

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- 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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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. Vacation leave is received in total on employee's anniversary date.

Sick leave benefits are accrued at the rate of 8 hours per month and employees may accumulate up to 120 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, 2004, was approximately \$447,144,248.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.09 mills for general fund operations, 1.54 mills for county health department, and .15 mill for fairboard. In addition, the County collects the ad valorem taxes assessed by cities and towns, emergency medical districts, 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, 2005, were approximately 97 percent of the tax levy.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 carries commercial insurance	A judgment could be assessed for claims in excess of the coverage.
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

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.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

5. Long-term Obligations

Capital Leases

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

6. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2005, 2004, and 2003 were \$641,174, \$600,915, and \$588,029, 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.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

8. Contingent Liabilities

The County was sued in an inverse condemnation action. Rogers County District Court case CJ-2004-234 involved a claim for lost profits and mining royalties arising from the annexation of real property into the City of Claremore-Rogers County Metropolitan Planning Area. The County won on summary judgment; however, the plaintiff filed a request for a new trial. Pending the outcome of this case, an ad valorem tax levy could be assessed against all taxable property in Rogers County. Any potential loss to the County is uncertain; however, the outcome will not have any effect on the County's cash basis financial statement at June 30, 2005.

9. Sales Tax

On February 11, 2003, Rogers County voters approved the renewal of a one-cent sale tax, which originally began on April 1, 1988. The sales tax was renewed for a period of five years. Proceeds of the sales tax are to be used for the construction, operation and maintenance for the county road and bridge system.

The voters of Rogers County approved a ½ % sales tax effective May 1, 1997, to be administered by the Rogers County Criminal Justice Authority for the purpose of acquiring a site and erecting, furnishing, equipping, operating and maintaining a county jail to be applied or pledged toward the payment of principal and interest on any indebtedness, including refunding indebtedness, incurred by or on behalf of Rogers County for such purposes. This ½ % sales tax became effective May 1, 1997, and continues thereafter, but reduces to one-third percent (1/3 %) on the earlier of May 1, 2015, or the date of payment or provision for payment of all indebtedness, including refunding indebtedness, incurred by or on behalf of Rogers County.

This sale tax revenue received by Rogers County is paid to the Rogers County Criminal Justice Authority, which maintains responsibility for the administration of such revenue for operating and maintaining the county jail.

The Criminal Justice Authority is a component unit of Rogers County. The Authority issued revenue bonds for the construction of the jail. Rogers County has no liability for the repayment of the revenue bonds.

10. Residual Equity Transfer

The County transferred \$29,194 from the County Sinking Fund to the General Fund as authorized by 62 O.S. § 445.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

11. Subsequent Events

In fiscal year 2006 the request for a new trial in Court Case CJ-2004-234 was overruled by the trial court. The plaintiff then filed a certificate of appeal. The appellate court affirmed in part, reversed in part, and remanded the case back to the District Court for further proceedings. Outcomes in this litigation are pending.

OTHER SUPPLEMENTARY INFORMATION

ROGERS 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, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 3,936,910	\$ 3,936,910	\$ 3,953,538	\$ 16,628
Less: Prior Year Outstanding Warrants	(483,762)	(483,762)	(483,450)	312
Less: Prior Year Encumbrances	(771,514)	(771,514)	(675,612)	95,902
Beginning Cash Balances, Budgetary Basis	<u>2,681,634</u>	<u>2,681,634</u>	<u>2,794,476</u>	<u>112,842</u>
Residual Equity Transfer	-	-	29,194	29,194
Total Residual Equity Transfer	<u>-</u>	<u>-</u>	<u>29,194</u>	<u>29,194</u>
Receipts:				
Ad Valorem Taxes	4,101,532	4,101,532	4,539,329	437,797
Sales Tax	4,319,726	4,319,726	5,381,134	1,061,408
Charges for Services	642,229	642,229	801,024	158,795
Intergovernmental Revenues	423,097	1,223,097	1,228,677	5,580
Miscellaneous Revenues	100,653	705,895	840,931	135,036
Total Receipts, Budgetary Basis	<u>9,587,237</u>	<u>10,992,479</u>	<u>12,791,095</u>	<u>1,798,616</u>
Expenditures:				
County Sheriff	1,304,619	1,297,702	1,248,776	48,926
Capital Outlay	2,225	34,142	31,414	2,728
Total County Sheriff	<u>1,306,844</u>	<u>1,331,844</u>	<u>1,280,190</u>	<u>51,654</u>
County Treasurer	387,783	387,772	323,676	64,096
Capital Outlay	1	1	1	1
Total County Treasurer	<u>387,784</u>	<u>387,773</u>	<u>323,676</u>	<u>64,097</u>
County Commissioners	199,034	199,035	198,045	990
Capital Outlay	1	1	1	1
Total County Commissioners	<u>199,035</u>	<u>199,035</u>	<u>198,045</u>	<u>990</u>
OSU Extension	171,000	171,001	143,441	27,560
Capital Outlay	1	1	1	1
Total OSU Extension	<u>171,001</u>	<u>171,001</u>	<u>143,441</u>	<u>27,560</u>
County Clerk	324,103	356,603	342,319	14,284
Capital Outlay	1	1	1	1
Total County Clerk	<u>324,104</u>	<u>356,604</u>	<u>342,319</u>	<u>14,285</u>
Court Clerk	264,650	267,925	247,110	20,815
Capital Outlay	1	114,301	114,301	114,301
Total Court Clerk	<u>264,650</u>	<u>382,226</u>	<u>361,411</u>	<u>20,815</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.

ROGERS 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, 2005

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	372,216	367,226	311,523	55,703
Capital Outlay	3,847	8,848	4,367	4,481
Total County Assessor	<u>376,063</u>	<u>376,074</u>	<u>315,890</u>	<u>60,184</u>
Revaluation of Real Property	385,962	381,462	336,702	44,760
Capital Outlay	1	4,501	2,451	2,050
Total Revaluation of Real Property	<u>385,963</u>	<u>385,963</u>	<u>339,153</u>	<u>46,810</u>
Data Processing	119,125	129,302	123,007	6,295
Capital Outlay	20,000	22,870	22,461	409
Total Data Processing	<u>139,125</u>	<u>152,172</u>	<u>145,468</u>	<u>6,704</u>
General Government	2,125,203	2,116,285	2,119,995	(3,710)
Capital Outlay	10,000	4,007	4,007	
Total General Government	<u>2,135,203</u>	<u>2,120,292</u>	<u>2,124,002</u>	<u>(3,710)</u>
Excise-Equalization Board	5,750	5,750	3,514	2,236
Total Excise-Equalization Board	<u>5,750</u>	<u>5,750</u>	<u>3,514</u>	<u>2,236</u>
County Election Board	194,813	196,409	174,535	21,874
Capital Outlay	174	5,874	5,271	603
Total County Election Board	<u>194,987</u>	<u>202,283</u>	<u>179,806</u>	<u>22,477</u>
Court Fund		577,658	576,445	1,213
Total Court Fund	<u>-</u>	<u>577,658</u>	<u>576,445</u>	<u>1,213</u>
Charity	9,000	9,000	4,211	4,789
Total Charity	<u>9,000</u>	<u>9,000</u>	<u>4,211</u>	<u>4,789</u>
Sales Tax Highway	5,463,782	5,362,876	5,212,273	150,603
Capital Outlay	200,002	980,484	587,701	392,783
Total Sales Tax Highway	<u>5,663,784</u>	<u>6,343,360</u>	<u>5,799,974</u>	<u>543,386</u>
Engineer	243,684	243,684	220,623	23,061
Capital Outlay	1,000	1,000		1,000
Total Engineer	<u>244,684</u>	<u>244,684</u>	<u>220,623</u>	<u>24,061</u>
Civil Defense	42,860	42,860	42,460	400
Total Civil Defense	<u>42,860</u>	<u>42,860</u>	<u>42,460</u>	<u>400</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.

ROGERS 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, 2005

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Highway Budget	214,000	181,500	176,173	5,327
Capital Outlay	1	1		1
Total Highway Budget	<u>214,001</u>	<u>181,501</u>	<u>176,173</u>	<u>5,328</u>
County Audit Budget	91,403	91,403	71,731	19,672
Total County Audit Budget	<u>91,403</u>	<u>91,403</u>	<u>71,731</u>	<u>19,672</u>
County Cemetery	88,630	100,630	82,846	17,784
Capital Outlay	12,000			
Total County Cemetery	<u>100,630</u>	<u>100,630</u>	<u>82,846</u>	<u>17,784</u>
Provision for Interest on Warrants	12,000	12,000	(1,787)	13,787
Total Expenditures, Budgetary Basis	<u>12,268,871</u>	<u>13,674,113</u>	<u>12,729,591</u>	<u>944,522</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	2,885,174	<u>\$ 2,885,174</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			437,492	
Add: Current Year Outstanding Warrants			467,360	
Ending Cash Balance			<u>\$ 3,790,026</u>	

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

ROGERS 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, 2005

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 485,363	\$ 485,363	\$ 485,359	\$ 4
Less: Prior Year Outstanding Warrants	(7,716)	(7,716)	(7,716)	
Less: Prior Year Encumbrances	(4,850)	(4,850)	(4,400)	450
Beginning Cash Balances, Budgetary Basis	<u>472,797</u>	<u>472,797</u>	<u>473,243</u>	<u>446</u>
Receipts:				
Ad Valorem Taxes	626,002	626,002	692,809	66,807
Miscellaneous Revenues		154,265	156,870	2,605
Total Receipts, Budgetary Basis	<u>626,002</u>	<u>780,267</u>	<u>849,679</u>	<u>69,412</u>
Expenditures:				
Health and Welfare	878,813	969,632	714,529	255,103
Capital Outlay	219,986	283,432	195,501	87,931
Total Expenditures, Budgetary Basis	<u>1,098,799</u>	<u>1,253,064</u>	<u>910,030</u>	<u>343,034</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	412,892	<u>\$ 412,892</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			58,897	
Add: Current Year Outstanding Warrants			51,865	
Ending Cash Balance			<u>\$ 523,654</u>	

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

**ROGERS COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Beginning Cash Balance	\$ 29,194
Residual Equity Transfer	<u>(29,194)</u>
Ending Cash Balance	<u>\$ -</u>

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

**ROGERS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through State Department of Commerce:			
CDBG Port of Catoosa Port Channel # 10656	14.228		\$ 493,000
CDBG Port of Catoosa Pechiney Plastics #11053	14.228		99,768
Total U.S. Department of Housing and Urban Development			<u>592,768</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through State Department of Civil Emergency Management:			
Hazard Mitigation Grant	97.039		55,458
Disaster Grants - Public Assistance	97.036		26,751
Emergency Management Performance Grants (EMPG)	97.042		45,477
Total U.S. Department of Homeland Security			<u>127,686</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed Through State Department of Treasurer:			
Flood Control Projects	12.106		12,293
Total U.S. Department of Defense			<u>12,293</u>
<u>U.S. DEPARTMENT OF THE INTERIOR</u>			
Payments in Lieu of Taxes	15.226		44,604
Total U.S. Department of Defense			<u>44,604</u>
Total Expenditures of Federal Awards			<u><u>\$ 777,351</u></u>

The accompanying notes are an integral part of this schedule.
See independent auditor's report.

**ROGERS COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Rogers 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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
ROGERS COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Rogers County, Oklahoma, as of and for the year ended June 30, 2005, which comprises Rogers County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated September 24, 2007. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. 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 Rogers 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 Rogers 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 questioned costs as items 2005-1, 2005-2, 2005-4, and 2005-6.

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 2005-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rogers 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 2005-7

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

This report is intended solely for the information and use of the County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



JEFF A. McMAHAN
State Auditor and Inspector

September 24, 2007



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**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
ROGERS COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Rogers 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, 2005. Rogers 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 Rogers County's management. Our responsibility is to express an opinion on Rogers 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 Rogers 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 Rogers County's compliance with those requirements.

In our opinion, Rogers 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, 2005.

Internal Control Over Compliance

The management of Rogers 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 Rogers 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 the County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in black ink that reads "Jeff A. McMahán". The signature is written in a cursive style with a large, stylized initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

September 24, 2007

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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? No

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

CFDA Number(s)
14.228

Name of Federal Program or Cluster
Community Development Block Grant

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 2005-1—Segregation of Duties (Repeat Finding)

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation is an important element of effective internal control over government assets and resources.

Condition: The limited number of office personnel within several County offices prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control structure.

Recommendation: We recommend management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of office operations and periodic review of operations.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. Management does have knowledge of office operations and will perform a periodic review of these operations.

Finding 2005-2—Purchasing Procedures

Criteria: 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.

A. The procedure for requisitioning items for county offices shall be as follows:

1. The requesting department shall prepare a requisition form in triplicate. The requisition shall contain any specifications for an item as deemed necessary by the requesting department...

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;

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3. If there is an unencumbered balance in the appropriation made for that purpose by the county excise board, the county clerk shall so certify in the following form: I hereby certify that the amount of this encumbrance has been entered against the designated appropriation accounts and that this encumbrance is within the authorized available balance of said appropriation...No purchase order shall be valid unless signed by the county purchasing agent and certified by the county clerk...

F. The following procedures are for the processing of purchase orders:

2. The board of county commissioners shall consider the purchase orders presented and act upon the purchase orders, by allowing in full or in part or by holding for further information or disallowing the same. The disposition of purchase orders shall be indicated by the board of county commissioners, showing the amounts allowed or disallowed and shall be signed by at least two members of the board of county commissioners..."

Condition: We tested ninety-two purchase orders and found the following;

1. Four purchase orders were not properly encumbered prior to the purchase being made. (5723, 1910, 8099, 7938).
2. Two receiving reports were not completed by an authorized receiving officer (1807, 0466), and one receiving report was not signed (1767).
3. One purchase order was not certified for payment by the County Clerk or designee. (1807)

Effect: The County is not following internal control procedures established by state statutes, which could result in undetected errors and in some instances could result in misappropriation of assets.

Recommendation: We recommend management ensure that purchase orders are timely encumbered, and that the requisitioning officer, the proper receiving officer, purchasing agent, and county clerk or designate, sign all purchase orders prior to payment being made.

Views of responsible officials and planned corrective actions: Management will inform all County employees of the need to obtain a purchase order before goods and/or services are ordered. Additionally, the County Clerk has taken steps to verify all purchase orders are properly signed.

Finding 2005-4—Reconciliations

Criteria: The overall goal of internal controls as they relate to governmental entities in evaluating management's accounting for funds is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds, the County Treasurer and County Clerk should reconcile warrant registers to the appropriation ledger warrants issued and cash balances per the Treasurer to appropriation ledger balances.

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Condition: The County Treasurer and County Clerk are not reconciling on a monthly basis; as a result the budget maker could not reconcile the Treasurer's warrants issued to the County Clerk's warrants issued and had to record an unidentified variance in the General Fund warrants issued for the fiscal year ending June 30, 2005.

Effect: This condition could result in unrecorded transactions, misstated financial reports, errors, or misappropriation of assets.

Recommendation: We recommend the County Treasurer and the County Clerk begin reconciling on a monthly basis in order to verify all warrants are properly posted, cancelled warrants are identified and paid warrants are recorded.

Views of responsible officials and planned corrective actions: Reconciliations will begin immediately.

Finding 2005-6—Warrants Registered

Criteria: The overall goal of internal controls as they relate to governmental entities in evaluating management's accounting for funds is to demonstrate accountability and stewardship. In order to properly remit funds to other governmental entities the County Treasurer should provide a proper report to the County Clerk's office depicting the amount of funds collected for the month that is to be remitted.

Condition: In July, August, and September 2004, the dollar amount of warrants registered for Catoosa Schools exceeded the amount available leaving the fund with a negative ending balance for all three months. Additionally, in October, November, December 2004 and February, March, and May 2005 the dollar amount of warrants registered for the cities of Claremore, Catoosa, Chelsea, Inola, Oologah, Talala, and Verdigris exceeded the amount of available funds, leaving the funds with a negative ending balance for all six months.

Effect: This could result in the improper remittance of collections.

Recommendation: We recommend remittance to other governmental entities only be made for the amount of collections for the month. The County Treasurer should verify the amount on the Treasurer's statement is adequate to pay the amount of the remittance per the collection report prior to sending the report to the County Clerk.

Views of responsible officials and planned corrective actions: This will be corrected.

Finding 2005-7—General Fund Appropriations

Criteria: 19 O.S. § 1505.C.3. states, "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: 3. If there is an unencumbered balance in the appropriation made for that purpose by the county excise board, the

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county clerk shall so certify in the following form: I hereby certify that the amount of this encumbrance has been entered against the designated appropriation accounts and that this encumbrance is within the authorized available balance of said appropriation...No purchase order shall be valid unless signed by the county purchasing agent and certified by the county clerk..."

Condition: We noted one of the general government appropriation account expenditures exceeded the budgeted amount of appropriations.

Effect: The encumbering and expending of funds when there were no appropriations available.

Recommendation: We recommend the County Clerk verify there are unencumbered funds on hand prior to certifying that funds are available when purchase orders are encumbered. If funds are not available the County Clerk should notify the officer requesting the purchase that funds are not adequate in the account to make the purchase, the officer may request a transfer of appropriations within the general fund and have it approved by the County Excise Board.

Views of responsible officials and planned corrective actions: This has been corrected.

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* or OMB A-133. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2005-3—Bidding Procedures

Criteria: Title 19 O.S. §1501 states,

“A. The county purchasing agent:

1. Shall, within the amount of the unencumbered balance, make all purchases that are paid from county funds for the various institutions, departments, officers, and employees of the county, except at public auctions and as otherwise provided for by law;
2. May make purchases for political subdivisions of this state within the county if authorized by appropriate action of the governing board or body of the political subdivision affected;

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3. Shall make purchases and rental or lease-purchase agreements only after following the bidding procedures as provided for by law, except:
- a. when the purchase does not exceed Ten Thousand Dollars (\$10,000.00). All purchases made pursuant to this subparagraph shall be by a single purchase order. Splitting purchase orders which would result in paying an amount in excess of the limitations specified in this subparagraph is expressly prohibited. Any person convicted of violating the provisions of this subparagraph shall be guilty of a misdemeanor and such person shall forfeit the person's position or office..."

Condition: During our review of 12 purchase orders in excess of the required bid amount, one purchase was not bid as required by statute.

Effect: The particular size pipe was not bid out in the six month bids. The County purchased items that were in excess of the bid amount required by statute, and failed to properly bid out the items.

Recommendation: We recommend management take steps to ensure that bidding procedures be followed and all purchases in excess of the bid amount as prescribed by statute.

Views of responsible officials and planned corrective actions: This will be corrected.

Finding 2005-5—General Ledger

Criteria: 62 O.S. § 475 states, "It is hereby made the duty of the treasurer of the county, city, or town to whom a warrant, certificate of indebtedness or bond is directed for payment, to register the same by entering the number, the date, the name of the payee, the fund upon which it is drawn and the amount, and by writing on the warrant or evidence of indebtedness, the date of registration, his name and official title. All warrants, certificates of indebtedness or bonds, shall be registered in the order in which they have been issued, and when so registered shall be returned to the clerk of the county, city or town. No warrant, certificate of indebtedness or bond shall be a valid charge until registered by the treasurer of the municipality issuing the same as herein provided. Nothing herein shall prevent the appointment and compensation from time to time by the governing body of any county, city, or town of a registrar or transfer agent to effect the transfer of ownership or change of payee of any certificate of indebtedness or bonds issued by such county, city, or town and to maintain books and records relating thereto. Nothing in this section shall prohibit any governing board from using automated recordkeeping procedures or methods and recording different information in lieu of the information specified in this section, provided the information required in this section can be accessed. Warrants and all evidences of indebtedness shall draw a rate of interest to be fixed by the governing board not to exceed the maximum rate provided by Section 498.1 of this title from and after its registration by the treasurer, unless there is cash on hand to pay the same when presented for registration and then the treasurer shall make the same "payable" after registering the same, and no interest shall be computed or allowed thereon when paid. When the treasurer has money on hand to pay warrants duly registered, the treasurer shall publish notice thereof in one issue of a newspaper, or by posting five notices in public places, and interest shall cease on the warrants after thirty (30) days from the date of the publication or posting of said notice."

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Condition: An instance occurred during the fiscal year where the General Fund had a negative balance.

Effect: Warrants were issued and paid without cash being available.

Recommendation: We strongly recommend the County Treasurer verify cash is available in the fund prior to the registration of any warrants. If funds are not available the County Treasurer must, either refuse to register the warrant, or issue non-payable warrants.

Views of responsible officials and planned corrective actions: This will be corrected.