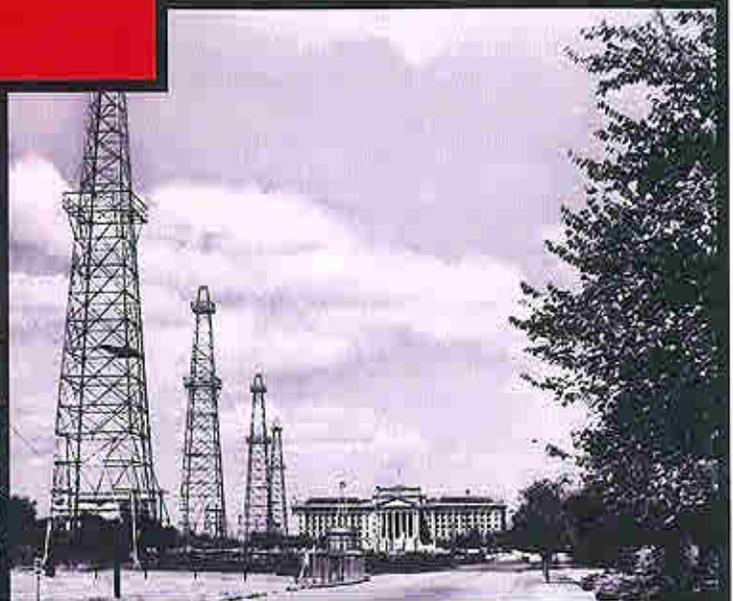


**County Audit**

**Rogers County,  
Oklahoma**

**For The Fiscal Year Ended  
June 30, 2006**



**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, 2006**

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This publication is printed and issued by the State Auditor and Inspector as authorized by 19 O.S. § 171. Pursuant to 74 O.S. § 3105.B, thirty-five (35) copies have been prepared and distributed at a cost of \$97.44. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



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, 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 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, 2006**

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

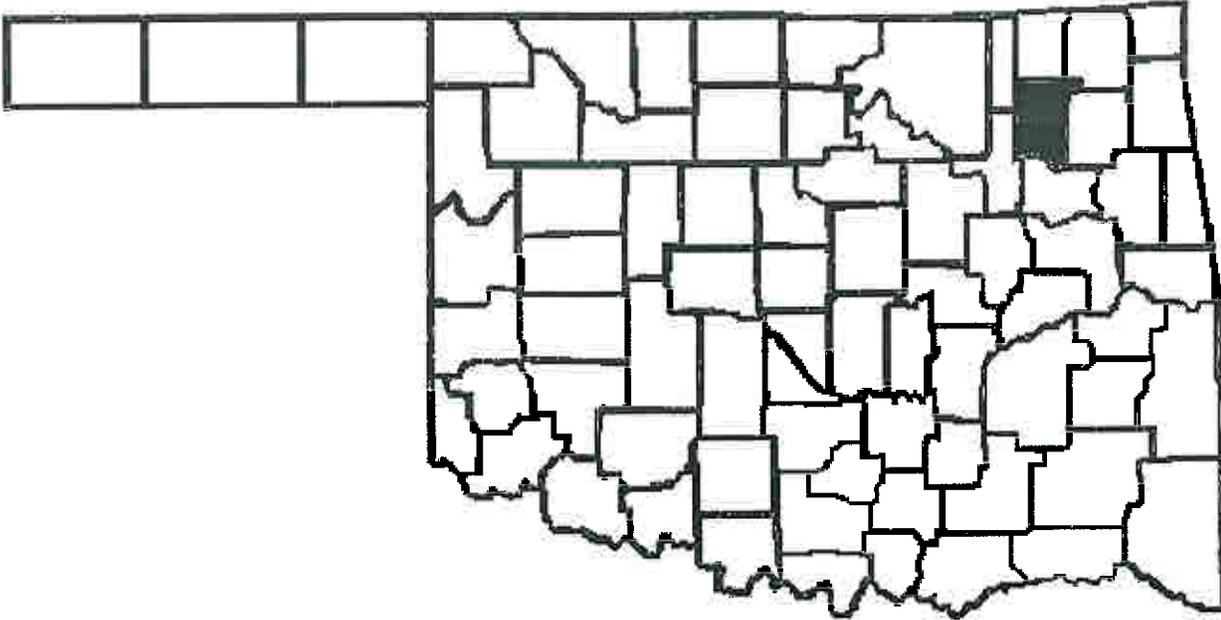
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REPORT TO THE CITIZENS  
OF  
ROGERS COUNTY, OKLAHOMA

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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, 2006**

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**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.

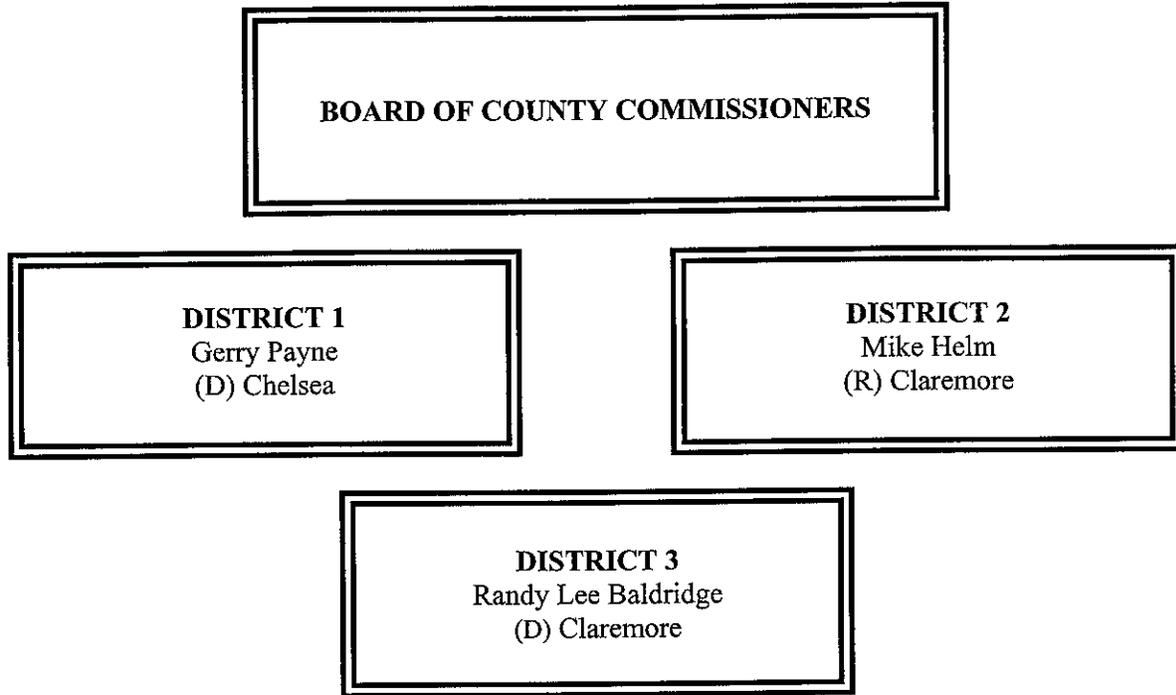
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. 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, 2006**

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The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

See independent auditor's report.

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

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**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, 2006**

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**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, 2006**

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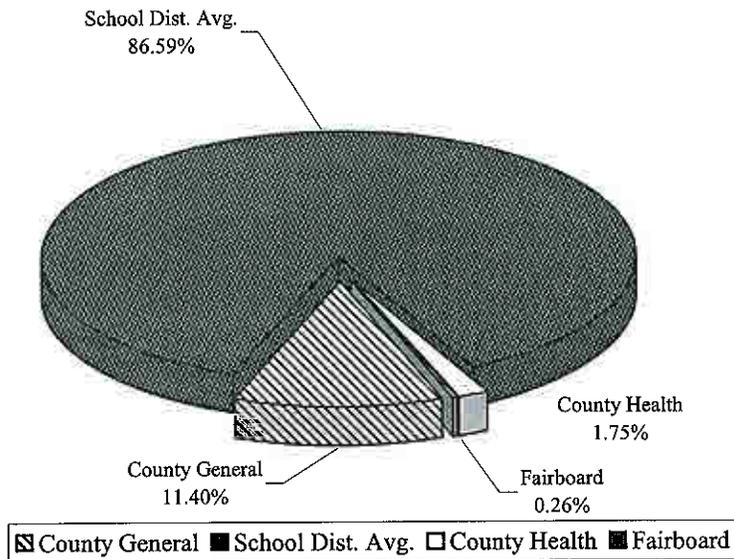
<b>ELECTION BOARD SECRETARY</b> Terri Thomas (D) Claremore
--

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, 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						
			Gen.	Bldg.	Skg.	Tech	Common	Total	
Co. General	10.01								
County Health	1.54	Claremore	1	35.97	5.14	25.38	11.27	4.099	81.859
Fairboard	0.23	Catoosa	2	35.46	5.06	12.30	13.18	4.099	70.099
		Chelsea	3	36.51	5.22	21.61	11.27	4.099	78.709
		Oologah-Talala	4	35.38	5.05	8.06	11.27	4.099	63.859
		Inola	5	36.33	5.19	26.29	11.27	4.099	83.179
		Sequoyah	6	36.69	5.24	21.14	11.27	4.099	78.439
Oologah/Talala EMS	3.00	Foyil	7	36.42	5.20	19.01	11.27	4.099	75.999
		Verdigris	8	35.65	5.09	23.11	11.27	4.099	79.219
		Justus-Tiawah	C009	36.48	5.21	15.84	11.27	4.099	72.899
Verdigris	10.31	Tulsa-Collinsville	JC-6	36.47	5.60	18.85	11.27	4.099	76.289
Limestone	14.28	Tulsa-Owasso	JC-11	36.81	5.26	29.45	11.27	4.099	86.889
Northwest	11.96	Mayes	J-32	36.84	5.26	7.48	11.27	4.099	64.949
NW Cities	11.96								
Foyil	17.41								
Tri-District	10.44								

See independent auditor's report.

**ROGERS COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

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Total net assessed value as of January 1, 2005		<u>\$ 501,427,920</u>
Debt limit - 5% of total assessed value		25,071,396
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 25,071,396</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, 2006  
(UNAUDITED)**

---

	2006
Estimated population	79,042
Net assessed value as of January 1, 2005	\$ 501,427,920
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

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

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Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2005	\$73,062,337	\$125,783,266	\$321,922,781	\$19,340,464	\$501,427,920	\$4,558,435,636

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, 2006, 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.

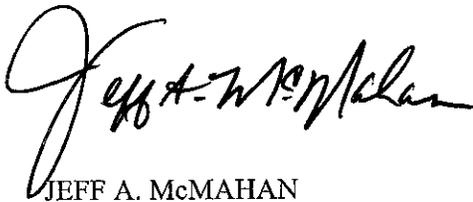
As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between 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, 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 Rogers 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 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, 2006**

	Beginning Cash Balances July 1, 2005	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2006
Combining Information:				
County General Fund	3,790,026	\$ 13,716,115	\$ 13,001,945	\$ 4,504,196
Use Tax	68,471	478,083	504,697	41,857
T-Highway	1,038,803	3,066,021	3,282,992	821,832
Sheriff Equipment Grant	10			10
Resale Property	267,212	230,966	210,621	287,557
Civil Defense/Emergency Management	47,070	40,452	72,325	15,197
County Health	523,654	905,528	983,782	445,400
Sheriff Drug Enforcement	2,772	1,200	1,220	2,752
Sheriff Revolving	604			604
Sheriff Civil Fee	71,576	315,016	283,021	103,571
County Clerk Lien Fee	26,908	24,520	35,076	16,352
Treasurer Mortgage Certification Fee	154,858	31,965	70,655	116,168
County Clerk Record Preservation	73,673	115,582	158,114	31,141
Planning Commission Engineering Fees	8,326	5,257	6,036	7,547
Sheriff Beacon Light Fund	636			636
Sheriff Commissary	28,852	101,404	87,968	42,288
Community Service	22,846		22,828	18
Sheriff Jail Account	1,978,177	2,033,570	1,777,125	2,234,622
Justice Bureau Block Grant	14			14
Safe Room Rebate	9,036	41,371	50,406	1
Attendant Care	2,230	17,554	13,069	6,715
CERT Emergency Management	153			153
CDBG RWD #9	80			80
CDBG Wellman Pro Group		750,000	750,000	
Assessor Revolving	9,436	6,280	7,018	8,698
<b>Combined Total--All County Funds</b>	<b>\$ 8,125,423</b>	<b>\$ 21,880,884</b>	<b>\$ 21,318,898</b>	<b>\$ 8,687,409</b>

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, 2006**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of 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, 2006**

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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 Record 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 Fees – 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, 2006**

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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 Wellman Pro Group – revenues are from a federal grant. Disbursements are for water, waste water and roadway improvements to support Wellman Products expansion project.

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

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 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

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

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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

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.

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

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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, 2005, was approximately \$501,427,920.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.01 mills for general fund operations, 1.54 mills for county health department, and .23 mill for the 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, 2006, were approximately 95.54 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.

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

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**4. Risk Management**

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

<b>Types of Loss</b>	<b>Method of Management</b>	<b>Risk of Loss Retained</b>
General Liability <ul style="list-style-type: none"> <li>• Torts</li> <li>• Errors and Omissions</li> <li>• Law Enforcement Officers Liability</li> <li>• Vehicle</li> </ul> Physical Plant <ul style="list-style-type: none"> <li>• Theft</li> <li>• Damage to Assets</li> <li>• Natural Disasters</li> </ul>	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"> <li>• Employees' Injuries</li> </ul>	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee <ul style="list-style-type: none"> <li>• Medical</li> <li>• Disability</li> <li>• Dental</li> <li>• Life</li> </ul>	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.

**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.

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

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**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 6.5% and 11.5% of earned compensation. Elected officials could contribute between 4.5% and 10% 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 \$780,922, \$641,174, and \$600,915, 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.

**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. The request for a new trial 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. However, 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, 2006.

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

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**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.

**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, 2006**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 3,773,460	\$ 3,773,460	\$ 3,790,026	\$ 16,566
Less: Prior Year Outstanding Warrants	(467,088)	(467,088)	(467,049)	39
Less: Prior Year Encumbrances	(437,492)	(437,492)	(385,150)	52,342
Beginning Cash Balances, Budgetary Basis	<u>2,868,880</u>	<u>2,868,880</u>	<u>2,937,827</u>	<u>68,947</u>
Receipts:				
Ad Valorem Taxes	4,555,382	4,555,382	4,902,092	346,710
Sales Tax	4,843,021	4,843,021	5,809,948	966,927
Charges for Services	669,715	669,715	931,246	261,531
Intergovernmental Revenues	413,819	1,747,950	1,984,646	236,696
Miscellaneous Revenues	127,280	127,280	88,183	(39,097)
Total Receipts, Budgetary Basis	<u>10,609,217</u>	<u>11,943,348</u>	<u>13,716,115</u>	<u>1,772,767</u>
Expenditures:				
County Sheriff	1,270,880	1,294,929	1,247,041	47,888
Capital Outlay	4,138	4,138	239	3,899
Total County Sheriff	<u>1,275,018</u>	<u>1,299,067</u>	<u>1,247,280</u>	<u>51,787</u>
County Treasurer	397,286	397,286	336,172	61,114
Capital Outlay	1	1	-	1
Total County Treasurer	<u>397,287</u>	<u>397,287</u>	<u>336,172</u>	<u>61,115</u>
County Commissioners	209,083	207,815	207,668	147
Capital Outlay	1	1,769	1,693	76
Total County Commissioners	<u>209,084</u>	<u>209,584</u>	<u>209,361</u>	<u>223</u>
OSU Extension	197,000	191,550	167,485	24,065
Capital Outlay	1	5,451	5,277	174
Total OSU Extension	<u>197,001</u>	<u>197,001</u>	<u>172,762</u>	<u>24,239</u>
County Clerk	378,989	376,776	376,133	643
Capital Outlay	1	2,215	2,056	159
Total County Clerk	<u>378,990</u>	<u>378,991</u>	<u>378,189</u>	<u>802</u>
Court Clerk	275,278	275,278	250,676	24,602
Capital Outlay	-	-	-	-
Total Court Clerk	<u>275,278</u>	<u>275,278</u>	<u>250,676</u>	<u>24,602</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, 2006**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	360,976	360,610	308,744	51,866
Capital Outlay	4,481	5,481	3,049	2,432
Total County Assessor	<u>365,457</u>	<u>366,091</u>	<u>311,793</u>	<u>54,298</u>
Revaluation of Real Property	341,508	340,008	336,380	3,628
Capital Outlay	1	1,501	1,398	103
Total Revaluation of Real Property	<u>341,509</u>	<u>341,509</u>	<u>337,778</u>	<u>3,731</u>
Data Processing	134,971	136,337	121,355	14,982
Capital Outlay	15,000	15,000		15,000
Total Data Processing	<u>149,971</u>	<u>151,337</u>	<u>121,355</u>	<u>29,982</u>
General Government	2,563,890	2,533,320	2,192,141	341,179
Capital Outlay	10,000	10,000	8,595	1,405
Total General Government	<u>2,573,890</u>	<u>2,543,320</u>	<u>2,200,736</u>	<u>342,584</u>
Excise-Equalization Board	5,750	5,750	3,304	2,446
Total Excise-Equalization Board	<u>5,750</u>	<u>5,750</u>	<u>3,304</u>	<u>2,446</u>
County Election Board	206,280	203,189	189,883	13,306
Capital Outlay	603	9,653	9,050	603
Total County Election Board	<u>206,883</u>	<u>212,842</u>	<u>198,933</u>	<u>13,909</u>
District Court	1,214	732,088	730,762	1,326
Total District Court	<u>1,214</u>	<u>732,088</u>	<u>730,762</u>	<u>1,326</u>
Charity	10,500	10,500	2,199	8,301
Total Charity	<u>10,500</u>	<u>10,500</u>	<u>2,199</u>	<u>8,301</u>
Sales Tax	6,047,752	6,220,599	5,495,244	725,355
Capital Outlay	500,000	924,450	580,439	344,011
Total Sales Tax	<u>6,547,752</u>	<u>7,145,049</u>	<u>6,075,683</u>	<u>1,069,366</u>
Engineer	256,326	252,693	240,948	11,745
Capital Outlay	1,000	7,184	6,548	636
Total Engineer	<u>257,326</u>	<u>259,877</u>	<u>247,496</u>	<u>12,381</u>
Civil Defense	46,273	46,824	46,488	336
Total Civil Defense	<u>46,273</u>	<u>46,824</u>	<u>46,488</u>	<u>336</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, 2006**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Highway Budget	48,601	48,101	46,682	1,419
Capital Outlay	1	1		1
Total Highway Budget	<u>48,602</u>	<u>48,102</u>	<u>46,682</u>	<u>1,420</u>
County Audit Budget	68,312	69,731	2,931	66,800
Total County Audit Budget	<u>68,312</u>	<u>69,731</u>	<u>2,931</u>	<u>66,800</u>
County Cemetery	94,000	102,000	89,400	12,600
Capital Outlay	16,000	8,000		8,000
Total County Cemetery	<u>110,000</u>	<u>110,000</u>	<u>89,400</u>	<u>20,600</u>
Provision for Interest on Warrants	12,000	12,000	125	11,875
Total Expenditures, Budgetary Basis	<u>13,478,097</u>	<u>14,812,228</u>	<u>13,010,105</u>	<u>1,802,123</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	3,643,837	<u>\$ 3,646,837</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			291,817	
Add: Current Year Outstanding Warrants			568,542	
Ending Cash Balance			<u>\$ 4,504,196</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, 2006**

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 523,654	\$ 523,654	\$ 523,654	\$ -
Less: Prior Year Outstanding Warrants	(51,865)	(51,865)	(51,865)	
Less: Prior Year Encumbrances	(58,897)	(58,897)	(55,414)	3,483
Beginning Cash Balances, Budgetary Basis	<u>412,892</u>	<u>412,892</u>	<u>416,375</u>	<u>3,483</u>
Receipts:				
Ad Valorem Taxes	700,828	700,828	754,077	53,249
Miscellaneous Revenues		151,451	151,451	
Total Receipts, Budgetary Basis	<u>700,828</u>	<u>852,279</u>	<u>905,528</u>	<u>53,249</u>
Expenditures:				
Health and Welfare	878,813	1,030,264	719,853	310,411
Capital Outlay	234,907	234,907	193,109	41,798
Total Expenditures, Budgetary Basis	<u>1,113,720</u>	<u>1,265,171</u>	<u>912,962</u>	<u>352,209</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	408,941	<u>\$ 408,941</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			23,268	
Add: Current Year Outstanding Warrants			13,191	
Ending Cash Balance			<u>\$ 445,400</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, 2006**

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**Budgetary Schedules**

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis, for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year, unencumbered appropriations lapse.

**ROGERS COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 Fund 167 - Wellman Products	14.228	11149 CDBGED 03	\$ 750,000
Total U.S. Department of Housing and Urban Development			<u>750,000</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through District Attorneys Council:			
Edward Byrne Memorial Justice Assistant Grant Program	16.738	JO5-141	3,330
Total U.S. Department of Justice			<u>3,330</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through INCOG			
Highway Planning and Construction- Hybrid Vehicle Fund	20.205	101-83000-0400	17,119
Total U.S. Department of Transportation			<u>17,119</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through State Department of Civil Emergency Management:			
Hazard Mitigation Grant	97.039	1272DROK	50,406
Emergency Management Performance Grants	97.042		21,400
Total U.S. Department of Homeland Security			<u>71,806</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed Through State Department of Treasurer:			
Flood Control Projects	12.106		13,884
Total U.S. Department of Defense			<u>13,884</u>
<u>U.S. DEPARTMENT OF THE INTERIOR</u>			
Payments in Lieu of Taxes	15.226		45,361
Total U.S. Department of the Interior			<u>45,361</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 901,500</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, 2006**

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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, 2006, 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, 2005-4, 2006-1, 2006-2, and 2006-4.

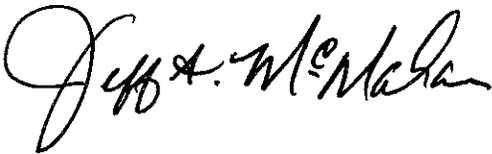
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we 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, 2006. 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, 2006.

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, reading "Jeff A. McMahan". The signature is written in a cursive style with a large initial "J" and a long horizontal stroke at the end.

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, 2006**

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

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? ..... Yes
- 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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	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

**ROGERS COUNTY, OKLAHOMA  
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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 an 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 2005-4—Reconciliations (Repeat Finding)**

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.

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, 2006.

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.

**ROGERS COUNTY, OKLAHOMA  
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**Finding 2006-1—Warrants Registered (Repeat Finding)**

**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 2005, the dollar amount of warrants registered for Tri-District Fire Department exceeded the amount of available funds, leaving the fund with a negative ending balance for the months of July, August, September, October, and November 2005. In September 2005, the dollar amount of warrants registered for the Tiawah Fire Department exceeded the amount of available funds, leaving the fund with a negative ending balance for the months of September, October, and November 2005.

**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 2006-2—Bank Reconciliations**

**Criteria:** The overall goals of internal controls as they relate to governmental entities in evaluating management's accountability for funds is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds the Treasurer cash book should be reconciled to the bank balance monthly with all reconciling items properly identified.

**Condition:** During our fieldwork testing, we noted that the Treasurer cash book had not been reconciled to the bank since June 2006. Additionally, we noted multiple instances in which there were unidentified variances in the bank reconciliations and no reconciliations had been performed on the Credit Card Account.

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

**Recommendation:** We recommend the County Treasurer's "treasurer's statement" balance be reconciled to the bank on a monthly basis, all variances be identified, and reconciliations be approved by someone other than the preparer.

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

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**Finding 2006-4—Purchasing Procedures (Repeat Finding)**

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;
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...”

19 O.S. § 1504 states, “a receiving officer shall receive all supplies, materials and equipment purchased, lease-purchased or rented by his department and shall identify such items received in a manner prescribed by the county road and bridge inventory officer or board of county commissioners or designee. The receiving officer shall also maintain a record of all supplies, materials and equipment received, disbursed, stored and consumed by his department.”

**ROGERS COUNTY, OKLAHOMA  
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Condition: During our audit of fiscal year 2006, we tested sixty warrants (seventy-three purchase orders). Of the seventy-three purchase orders reviewed, we noted the following:

1. In five instances (P.O. #602493, 606798, 607512, 603810, and 604146) funds were not encumbered before the ordering or purchasing of materials or supplies.
2. In two instances (P.O. #600183 and 606354) receiving reports were not completed by the authorized receiving officer.

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 that all purchases be properly encumbered before goods are ordered and all receiving reports be signed by the authorized receiving officer as required by statute.

Views of responsible officials and planned corrective actions: Management is taking the steps necessary to correct this situation.

**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 2006-5—OPERS Benefits**

Criteria: 74 O.S. § 925 specifies that all eligible employees of participating employers in the Oklahoma Public Employees Retirement System (OPERS) participate in the plan as a condition of employment. Also, 74 O.S. § 902 (14) includes that employees whose employment is not seasonal or temporary and whose “employment requires at least one thousand (1,000) hours of work per year” participate in OPERS.

Condition: From test work performed on employees who worked for Rogers County in FYE 2005, we noted 8 part-time employees that worked more than 1,000 hours in a one-year period based on the employee’s anniversary date that were not participants.

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1. The Emergency 911 has one part-time employee that worked 1181.25 hours but did not receive OPERS benefits
2. The Cemetery District #1 has two part-time employees that worked 1100.5 hours and 1172 hours but did not receive OPERS benefits.
3. The Commissioner District #3 has two part-time employees that worked 1064 hours and 1056 hours but did not receive OPERS benefits.
4. The Civil Fees has one part-time employee that worked 1145.5 hours but did not receive OPERS benefits
5. The County Sheriff has one part-time employee that worked 1126 hours but did not receive OPERS benefits.
6. The County Clerk has one part-time employee that worked 1148.75 hours but did not receive OPERS benefits.

Effect: The violation of state statute and the possibility of placing a financial burden on the County.

Recommendation: We recommend that part-time employee hours worked be closely monitored for eligibility of employee benefits.

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

**Finding 2006-3—Bidding Procedures**

Criteria: 19 O.S. § 1501 includes that the county purchasing agent shall make purchases and rental or lease-purchase agreements only after following the bidding procedures as provided for by law, except when materials for road or bridge improvements do not exceed Three Dollars (\$3.00) per yard or per ton.

61 O.S. § 117 states, "If an award is made to other than the lowest bidder, the awarding public agency shall accompany its action with a publicized statement setting forth the reason for its action. Such statement shall be placed on file, open to public inspection and be a matter of public record."

Condition: During our audit of fiscal year 2006, we tested ten purchase orders requiring a bid. Of the ten purchase orders reviewed, there was one instance (P.O. # 603948) where a purchase for bridge materials was not bid. Similar instances of not following bid procedures when required have been noted in previous year audit findings. There was also an instance (P.O. # 8492)) where the lowest bidder was not accepted, and the BOCC minutes did not state why the lowest bid was not accepted.

Effect: These conditions result in non-compliance with statutory purchasing procedures.

Recommendation: We recommend that the county purchasing agent follow bidding procedures for all purchases \$10,000 and over (exceptions are stated at 19 O.S. § 1501). We further recommend that when the lowest bid is not accepted the BOCC minutes state the reason that the lowest bid was not accepted.

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

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**Finding 2006-6—Renewal of Lease Contracts**

Criteria: 19 O.S. § 1501.A.5. states, “The county purchasing agent:

“Shall make lease or lease purchase agreements for road machinery and equipment if the county has adequate funds appropriated during any fiscal year... The term of any lease or lease-purchase agreement authorized pursuant to this paragraph may be for any period up to one (1) year, provided, the term shall not extend beyond the end of any fiscal year, with an option to renew such agreement...”

62 O.S. § 430.1. includes that the governing board of any county...authorize the lease or rental of any “personal property.”

Condition: Based on observation and inquiry it appears the County has not renewed Caterpillar Motor Grader VIN # 140H-APM01215 and Caterpillar Motor Grader VIN# 140H-APM01228. Form 120-A for the lease of the Gradall XL3100 Excavator SN# 0210017513 was not signed by any of the members of the governing board of Rogers County.

Effect: Lease contracts are not properly perfected.

Recommendation: We recommend that BOCC approve all current year’s lease purchase contracts for renewal. Additionally, the Board must sign all lease contracts after the contracts are approved.

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