

SEQUOYAH COUNTY

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007



COUNTY AUDIT



Oklahoma State Auditor
& Inspector

**SEQUOYAH COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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September 21, 2009

TO THE CITIZENS OF
SEQUOYAH COUNTY, OKLAHOMA

Transmitted herewith is the audit of Sequoyah County, Oklahoma for the fiscal year ended June 30, 2007. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

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

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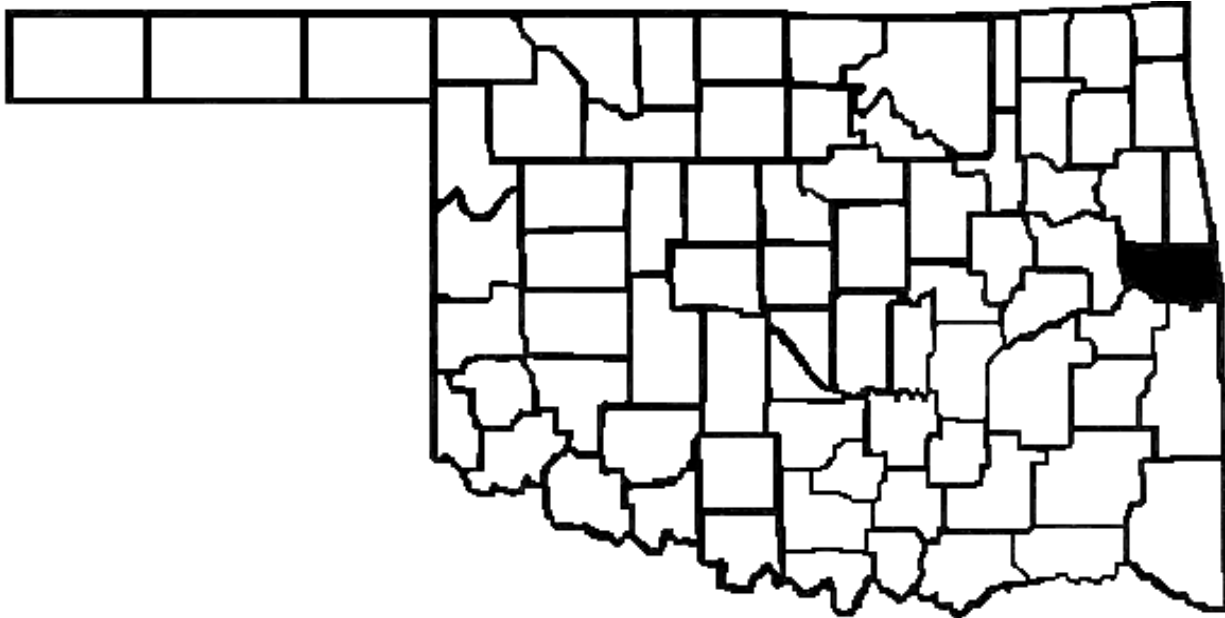
**SEQUOYAH COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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



Once a part of Arkansas, this county was created at statehood, and named for the Sequoyah District of the Cherokee Nation, Indian Territory. Sequoyah was the Cherokee linguist who developed an alphabet for his people. Sallisaw is the county seat.

Agriculture is a mainstay of the county's economy, with grain and cattle being major products. Applegate Cove, Cowlington Point, and Short Mountain Cove are among the many campgrounds available in the county. Lake Tenkiller and Robert S. Kerr Reservoir also afford recreational opportunities. Blue Ribbon Downs racetrack, Oklahoma's first pari-mutual horse racing track, is another county tourist attraction, as is Sequoyah's home in Sallisaw.

County Seat – Sallisaw

Area – 714.88 Square Miles

County Population – 40,868
(2005 est.)

Farms – 1,259

Land in Farms – 222,350 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

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

COUNTY ASSESSOR
Donna Graham

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
Donna Jamison

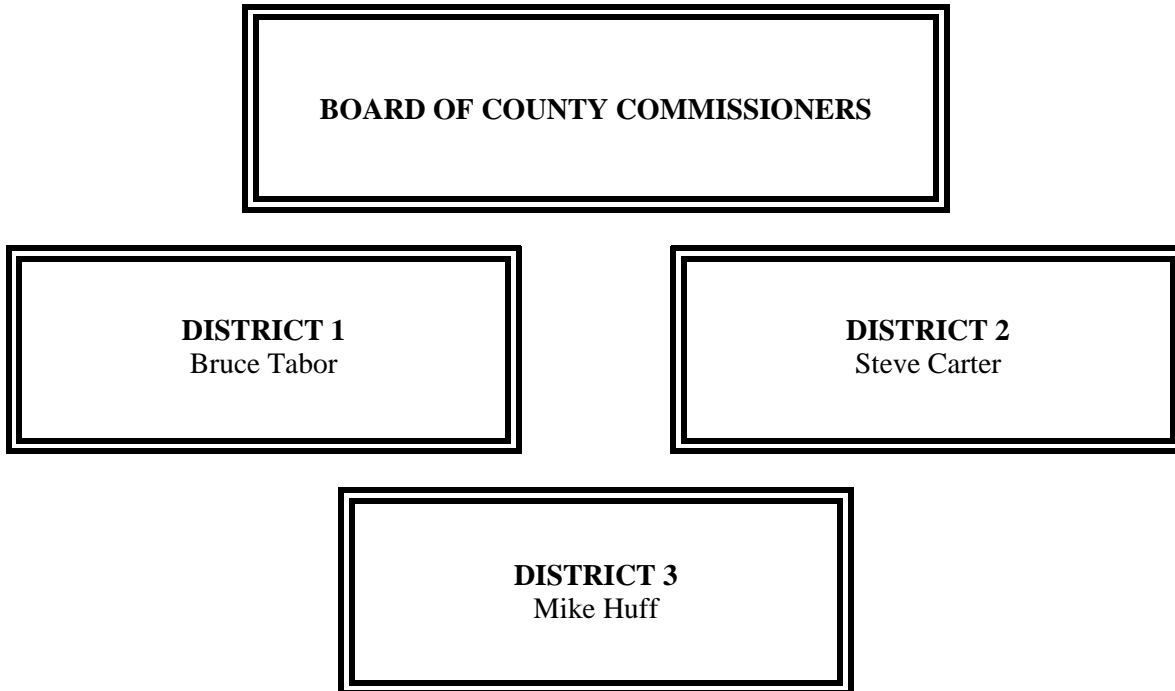
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

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



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

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

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

See independent auditor's report.

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

COUNTY SHERIFF
Johnny Philpot

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
Trica Yates

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.

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

COURT CLERK
Bernell Edwards

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
Jerry Moore

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.

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

ELECTION BOARD SECRETARY
Kathy Webb

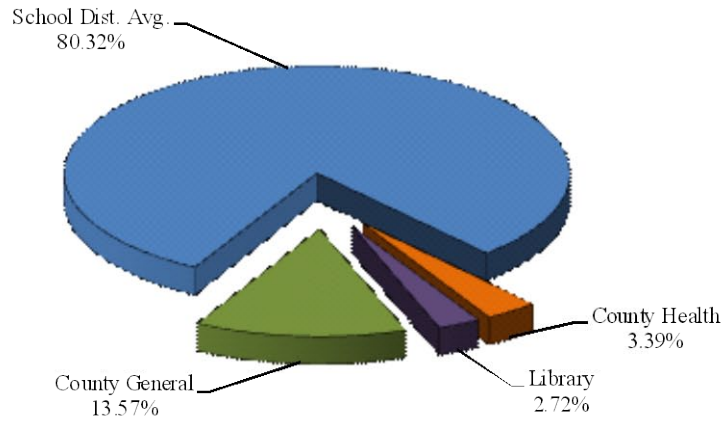
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

**SEQUOYAH COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career		Total
							Tech	Common	
County General	10.00								
County Health	2.50	Sallisaw	I-1	35.00	5.00	3.88	10.00	4.00	57.88
Library	2.00	Vian	I-2	35.00	5.00	19.67	10.00	4.00	73.67
		Muldrow	I-3	35.00	5.00		10.00	4.00	54.00
		Gans	I-4	35.00	5.00	13.19	10.00	4.00	67.19
		Roland	I-5	35.00	5.00		10.00	4.00	54.00
		Gore	I-6	35.00	5.00		10.00	4.00	54.00
		Central	I-7	35.00	5.00		10.00	4.00	54.00
		Liberty	D-1	35.00	5.00	11.69	10.00	4.00	65.69
		Marble City	D-35	35.00	5.00		10.00	4.00	54.00
		Brushy	D-36	35.00	5.00	5.40	10.00	4.00	59.40
		Belfonte	D-50	35.00	5.00		10.00	4.00	54.00
		Moffett	D-68	35.00	5.00	13.65	10.00	4.00	67.65
		Braggs	I-46	35.00	5.00		10.00	4.00	54.00

See independent auditor's report.

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

Total net assessed value as of January 1, 2006		<u>\$ 134,009,703</u>
Debt limit - 5% of total assessed value		6,700,485
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	-
Legal debt margin		<u>\$ 6,700,485</u>

See independent auditor's report.

**SEQUOYAH COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

	2007
Estimated population	40,868
Net assessed value as of January 1, 2006	\$ 134,009,703
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.

**SEQUOYAH COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2006	\$21,282,079	\$18,575,421	\$104,497,280	\$10,345,077	\$134,009,703	\$1,218,270,027

See independent auditor's report.

FINANCIAL SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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

Independent Auditor's Report

TO THE OFFICERS OF
SEQUOYAH COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Sequoyah County, Oklahoma, as of and for the year ended June 30, 2007, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Sequoyah County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Sequoyah County as of June 30, 2007, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Sequoyah County, for the year ended June 30, 2007, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2008, on our consideration of Sequoyah County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over

financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

November 19, 2008

Basic Financial Statement

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

	Beginning Cash Balances July 1, 2006	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2007
Combining Information:				
General Fund	\$ 524,619	\$ 2,249,848	\$ 2,082,263	\$ 692,204
Highway Cash	1,921,034	3,270,546	3,476,511	1,715,069
County Health	162,011	325,435	317,227	170,219
Sales Tax	580,894	1,191,421	904,066	868,249
Sheriff Service Fee	255,613	116,520	217,572	154,561
Resale Property	101,208	122,886	124,852	99,242
Assessor Revolving	3,782	4,230	1,310	6,702
Assessor's Visual Inspection	1,110			1,110
CSSP	78,810	88,847	73,480	94,177
County Clerk Lien Fee	2,120	7,830	1,809	8,141
County Clerk Records Preservation	140,713	48,682	2,025	187,370
Emergency Management	4,919	19,512	9,760	14,671
Mortgage Certification Fee	44,400	11,350		55,750
County Jail Sales Tax	91,239	1,192,876	1,078,612	205,503
Sheriff Training Fund	6,284		3,263	3,021
Lake Patrol	6,477		6,199	278
Sheriff Drug Fund	5,196	2,678	4,000	3,874
Trash Cop	2,288			2,288
CDBG Grant	76,241		76,241	
EOP Grant	3,411		3,411	
County Fair Board	300	24,416	19,246	5,470
HMEP Planning Grant	5,086		5,431	(345)
Bureau of Justice Grant	1,262			1,262
Court Clerk Revolving	47,012	41,522	28,793	59,741
Grant Funds	11,095			11,095
Fire Departments		348,113	51,224	296,889
Combined Total--All County Funds	\$ 4,077,124	\$ 9,066,712	\$ 8,487,295	\$ 4,656,541

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

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

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

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

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

Sales Tax – revenues are from a county sales tax. Disbursements are for road and highway construction and maintenance.

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

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

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

Assessor Revolving – revenues are from copy fees charged by the Assessor. Disbursements are for any lawful expense of the Assessor's office.

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.

CSSP – revenues are from the State Department of Corrections to reimburse the County for the expense of administering the Community Service Sentencing Program.

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

County 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.

Emergency Management – revenues are from state and federal funds. Disbursements are for civil defense.

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

County Jail Sales Tax – revenues are from a county sales tax. Disbursements are for the construction and maintenance of a modern jail facility.

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

Lake Patrol – revenues are from the U.S. Corps of Engineers. Disbursements are for the expenses of patrolling corps land by County Sheriff deputies.

Sheriff Drug Fund – revenues are from the sale of seized and forfeited property sold at auction. Disbursements are for the enforcement of controlled dangerous substance laws.

Trash Cop – accounts for grant collections. Disbursements are to enforce trash dumping laws.

CDBG Grant – revenues are from a federal grant (Community Development Block Grant). Disbursements are for Rural Water District improvements.

EOP Grant – revenues are from a federal grant. Disbursements are for emergency management.

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

County Fair Board – revenues are from donations and grants. Disbursements are for expenses relating to the County Fair.

HMEP Planning Grant – revenues are from a federal grant. Disbursements are for emergency management equipment.

Bureau of Justice Grant – revenues are from a federal grant. Disbursements are for law enforcement purposes.

Court Clerk Revolving – revenues are from the courts and disbursements are for any legal expense of the Court Clerk's office.

Grant Funds – revenues are from federal grants. Disbursements are for various law enforcement expenses.

Fire Departments - revenues are from a County sales tax. Disbursements are for County Fire Departments.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including library, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

C. Basis of Accounting

The basic financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

D. Budget

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

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

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. Employees with service years up to 10 years earn 10 days per year. Employees with service years exceeding 10 years earn 15 days per year. Vacation leave is accrued monthly.

Sick leave benefits are accrued at the rate of 10 hours per month and employees may accumulate up to 30 days. Sick leave is not paid upon termination.

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

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, 2006, was approximately \$134,009,703.

The County levied 10.00 mills (the legal maximum) for general fund operations, 2.5 mills for county health department, and 2.0 mills for county library. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2007, were approximately 88.59 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.

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

4. Risk Management

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

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers Liability • Vehicle 	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 		
Workers' Compensation <ul style="list-style-type: none"> • Employees' Injuries 	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee <ul style="list-style-type: none"> • Medical • Disability • Dental • Life 	The County Carries commercial insurance	None

ACCO-SIG – The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$25,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Commercial Insurance – The County obtains commercial insurance coverage to pay legitimate workers' compensation claims and employees' insurance. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

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

5. Long-term Obligations

Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free. 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 7.5% and 12.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 12.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2007, 2006, and 2005, were \$312,967, \$265,695, and \$231,955, 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.

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

8. Contingent Liabilities

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

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

OTHER SUPPLEMENTARY INFORMATION

SEQUOYAH COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 524,619	\$ 524,619	\$ 524,619	\$ -
Less: Prior Year Outstanding Warrants	(89,370)	(89,370)	(86,509)	2,861
Less: Prior Year Encumbrances	(21,765)	(21,765)	(21,695)	70
Beginning Cash Balances, Budgetary Basis	<u>413,484</u>	<u>413,484</u>	<u>416,415</u>	<u>2,931</u>
Receipts:				
Ad Valorem Taxes	1,228,948	1,228,948	1,258,944	29,996
Charges for Services	160,487	160,487	190,097	29,610
Intergovernmental Revenues	370,681	370,681	372,537	1,856
Miscellaneous Revenues	135,330	253,615	428,270	174,655
Total Receipts, Budgetary Basis	<u>1,895,446</u>	<u>2,013,731</u>	<u>2,249,848</u>	<u>236,117</u>
Expenditures:				
District Attorney	2,000	2,000	1,992	8
Total District Attorney	<u>2,000</u>	<u>2,000</u>	<u>1,992</u>	<u>8</u>
County Sheriff	533,594	533,594	522,299	11,295
Total County Sheriff	<u>533,594</u>	<u>533,594</u>	<u>522,299</u>	<u>11,295</u>
County Treasurer	113,700	113,700	113,700	
Total County Treasurer	<u>113,700</u>	<u>113,700</u>	<u>113,700</u>	<u>-</u>
OSU Extension	22,650	22,650	21,337	1,313
Capital Outlay	8,200	8,200	456	7,744
Total OSU Extension	<u>30,850</u>	<u>30,850</u>	<u>21,793</u>	<u>9,057</u>
County Clerk	158,000	158,000	157,993	7
Capital Outlay	2,600	2,600	2,600	
Total County Clerk	<u>160,600</u>	<u>160,600</u>	<u>160,593</u>	<u>7</u>
Court Clerk	113,653	113,653	112,094	1,559
Total Court Clerk	<u>113,653</u>	<u>113,653</u>	<u>112,094</u>	<u>1,559</u>
County Assessor	56,200	52,072	51,005	1,067
Total County Assessor	<u>56,200</u>	<u>52,072</u>	<u>51,005</u>	<u>1,067</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.

SEQUOYAH COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	215,000	219,129	214,411	4,718
Total Revaluation of Real Property	215,000	219,129	214,411	4,718
County Commissioners	174,182	102,144	47,376	54,768
Total County Commissioners	174,182	102,144	47,376	54,768
Civil Defense	30,500	30,500	21,760	8,740
Total Civil Defense	30,500	30,500	21,760	8,740
General Government	726,000	912,793	858,897	53,896
Capital Outlay	43,340	43,340		43,340
Total General Government	769,340	956,133	858,897	97,236
Excise-Equalization Board	7,500	7,500	2,519	4,981
Total Excise-Equalization Board	7,500	7,500	2,519	4,981
County Election Board	88,410	91,939	90,612	1,327
Total County Election Board	88,410	91,939	90,612	1,327
County Audit Budget Account	13,401	13,401		13,401
Total County Audit Budget Account	13,401	13,401	-	13,401
 Total Expenditures, Budgetary Basis	 2,308,930	 2,427,215	 2,219,051	 208,164
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 \$ -	 447,212	 \$ 447,212
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			47,973	
Add: Current Year Outstanding Warrants			197,019	
Ending Cash Balance			<u>\$ 692,204</u>	

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

SEQUOYAH 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, 2007

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 162,011	\$ 162,011	\$ 162,011	\$ -
Less: Prior Year Outstanding Warrants	(1,765)	(1,765)	(1,765)	
Less: Prior Year Encumbrances	(3,618)	(3,618)	(3,618)	
Beginning Cash Balances, Budgetary Basis	<u>156,628</u>	<u>156,628</u>	<u>156,628</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	304,569	304,826	314,736	9,910
Charges for Services		8,287	8,287	
Miscellaneous Revenues		2,412	2,412	
Total Receipts, Budgetary Basis	<u>304,569</u>	<u>315,525</u>	<u>325,435</u>	<u>9,910</u>
Expenditures:				
Health and Welfare	448,135	459,091	357,807	101,284
Capital Outlay	13,062	13,062	10,766	2,296
Total Expenditures, Budgetary Basis	<u>461,197</u>	<u>472,153</u>	<u>368,573</u>	<u>103,580</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	113,490	<u>\$ 113,490</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			8,346	
Add: Current Year Outstanding Warrants			48,383	
Ending Cash Balance			<u>\$ 170,219</u>	

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

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

Budgetary Schedules

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

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

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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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
SEQUOYAH COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Sequoyah County, Oklahoma, as of and for the year ended June 30, 2007, which comprises Sequoyah County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 19, 2008. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. 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 Sequoyah County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2007-1, 2007-2, 2007-3, 2007-4, 2007-5, 2007-7, and 2007-12 as described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2007-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sequoyah County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2007-6, 2007-8, and 2007-10.

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

Sequoyah County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Sequoyah County's response and, accordingly, we express no opinion on it.

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. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

November 19, 2008

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2007-1 – Segregation of Duties (Repeat Finding)

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

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

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

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

Views of responsible officials and planned corrective actions: As per our conversation on November 19, 2008, regarding the Sequoyah County Exit Audit for 2007, we are taking the information given to us and working to resolve each issue in a timely manner.

Finding 2007-2 – IRS Form 941 (Repeat Finding)

Criteria: Demonstration of accountability and stewardship are goals used in evaluating management's accounting for funds. To ensure a proper accounting for funds, amounts reported on Federal 941 reports, W-2 reports, and amounts electronically drafted from the EFTPS county bank account, should be supported by accurate payroll reports.

Condition: We determined that the amount of required taxes to be sent to the federal government, per Form 941, Schedule B, did not match the amount of electronic fund transfers out of the EFT payroll account. The total variance was different for each month. The grand total for the period July 2006 through June 30, 2007, showed a variance of \$57,181.43. It should be noted that we observed several notices from the IRS to pay the amounts, and penalties were assessed. We also observed a levy notice in the amount of \$1,019.13, of which \$760.00 consisted of penalties and interest.

Effect: Payroll taxes paid or reported to the IRS could be in error.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Recommendation: OSAI recommends amounts reported on the Federal 941 and amounts electronically drafted from the County EFTPS bank account be adequately supported by payroll records. OSAI also recommends that all required payments to the IRS be made in a timely manner.

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

Finding 2007-3 – Bank Reconciliations and Payroll Account (Repeat Finding)

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. To help ensure a proper accounting of funds, a reconciliation should be performed on a monthly basis between the Treasurer's general ledger and the banks. The reconciliation should be approved by someone other than the preparer.

Condition: From testwork performed on bank reconciliations, we determined the payroll account is not being reconciled. Also, this account, with a balance of \$171,461.92, is not shown on the General Ledger.

Effect: Without a bank reconciliation and disclosure on the general ledger, this increases the risk of misappropriation of County monies.

Recommendation: OSAI recommends all accounts be reconciled on a monthly basis and in a timely manner, and be approved by someone other than the preparer. Also, the Payroll Account activities should be included on the General Ledger.

Views of responsible officials and planned corrective actions: The one bank account in the County's name referred to is used only for Federal Tax Deposits. It is not accounted for on the Treasurer's general ledger or reconciled because it should never have a balance. There was a balance showing at the time of your audit because the County Clerk had an error in the withholdings. Since your audit, that has been resolved.

Finding 2007-4 – Payroll Warrant Registers (Repeat Finding)

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. Safeguard controls over payroll check disbursement include authorization and documentation.

Condition: Based on discussions with county personnel, it appears each Commissioner signs their District's payroll claims and the chairman of the board signs the other officers' payroll claims. Periodically, the County Clerk takes the warrants to each office and disburses the payroll checks to the official for that department and then the officer of that department will disburse the warrants to the employees. If the Clerk doesn't take the warrants to each office, the officer or someone designated will

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

come to the Clerk's office to pick up the payroll checks. A payroll warrant register is not signed by whoever picks up the warrants and a payroll warrant register isn't always printed for the elected officials' use.

Effect: By failing to prepare the warrant register on a routine basis and not obtaining approval by each elected official, there is an increased risk of misstatement or misappropriation of payroll funds.

Recommendation: OSAI recommends management take steps to ensure that the payroll warrant register is prepared and printed on a monthly basis and made available for approval by all elected county officials. The payroll warrant register should be signed by elected officials or a designated employee when picking up payroll checks.

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

Finding 2007-5 – Depositing Daily (Repeat Finding)

Criteria: Statutory control requirements have been established for county government for depositing daily. Title 19 O.S. § 682 states, "It shall be the duty of each and every county officer, county board, county commission and all members and employees of either thereof, to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, funds, rentals, penalties, costs, proceeds of sale of property, fees, fines, forfeitures and public charges of every kind received or collected by virtue or under color of office..."

Condition: The County Sheriff's office is not making daily deposits.

Effect: Monies could be lost or misappropriated.

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

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

Finding 2007-6 – Official Depository Accounts (Repeat Finding)

Criteria: Title 19 O.S. § 684 states:

All monies that shall be received during any calendar month by any county officer, county board, county commission or the members or employees of either thereof, accruing as a part of the funds of the county or municipal subdivision thereof, shall be paid into the county treasury, - that is, transferred from the official account of the officer, board, commission or employee of either thereof depositing the same, to the fund or funds of the county or municipal subdivision thereof to which the same belongs, - by the authority so receiving the same on or before the second Monday following the close of the calendar month in which such monies shall have

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

been received; and it shall be the further duty of all such officers, boards, commissions, and the members and employees of either thereof, to make and file with the county clerk on or before the second Monday of each month, a verified report in writing showing the several sources, classes and amounts of money received by virtue or under color of office during the preceding calendar month, together with an itemized statement of the amount and purpose of all vouchers issued in disbursement, distribution and transfer thereof.

Condition: Based on test work performed, it appears account balances are not transferred out monthly from the Treasurer, County Clerk, Court Clerk, and Election Board official depository accounts. However, the Treasurer, County Clerk, Court Clerk, and Election Board officials are submitting monthly reports to the Board of County Commissioners, which are on file with the County Clerk.

Effect: Monies could be misappropriated.

Recommendation: OSAI recommends all official depository monies be transferred from the official depository account of the officer, board, commissioner or employee thereof depositing the same, to the fund or funds of the county or municipal subdivision thereof to which the same belongs.

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

Finding 2007-7 – Schedule of Expenditures of Federal Awards (SEFA) (Repeat Finding)

Criteria: Management should establish internal controls to ensure compliance with laws, regulations, contracts and grant agreements. This includes developing internal controls to document and monitor Federal grants to ensure compliance with OMB Circular A-133 requirements.

Condition: Inquiries with the County revealed that internal controls are not in place to monitor Federal expenditures during a fiscal year.

Effect: Federal grant requirements could be neglected.

Recommendation: OSAI recommends all federal grants received or applied for be approved by the Board of County Commissioner in open meetings. The County Clerk should have this recorded in the minutes of the Board of County Commissioners and all federal grant award documents should be maintained on file with the County Clerk, as the official record keeper of the County. Sequoyah County should also have a policy for handling all federal grants within the County. These policies could incorporate by reference applicable federal regulations to be followed, as well as the appropriate policy for the application, receipt and expenditure of federal funds.

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

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Finding 2007-8 – Sale of Tinhorns (Repeat Finding)

Criteria: Title 19 O.S. § 421.1.D. states:

A board of county commissioners may sell any materials, tools, apparatus, machinery or equipment to a state agency, if the agency is subject to The Oklahoma Central Purchasing Act, or to a political subdivision of the state if the political subdivision is subject to such act or a similar competitive bidding procedure. The board of county commissioners may purchase materials, tools, apparatus, machinery or equipment from a state agency, if the agency is subject to The Oklahoma Central Purchasing Act, or from a political subdivision of the state if the political subdivision is subject to such act or a similar competitive bidding procedure.

E. The board of county commissioners may, by resolution, enter into an agreement with any other county or political subdivision for the purpose of selling, transferring, trading or otherwise disposing of equipment or materials.

Generally, counties can exercise such powers only as are conferred upon it by the Constitution or the statutes.

Condition: Receipts for Sequoyah County revealed the sale of county tinhorns, tiles, and signs from all three District Barns to the public. During fiscal year 2007, a total of 77 tinhorns, in the amount of \$42,774.42, were sold by all district barns.

Effect: Sales to the public could result in improprieties of County funds and inventories.

Recommendation: OSAI recommends the County discontinue selling tinhorns or any other road related equipment to the public.

Views of responsible officials and planned corrective actions: As per our conversation on November 19, 2008, regarding the Sequoyah County Exit Audit for 2007, we are taking the information given to us and working to resolve each issue in a timely manner.

Finding 2007- 10 – Documentation of Successful Bidder

Criteria: Title 19 O.S. § 1505.B.4 states:

The board of county commissioners in an open meeting shall open the sealed bids and compare them to the state contract price. The board of county commissioners shall select the lowest and best bid based upon the availability of material and transportation cost to the job site within thirty (30) days of the meeting...The board of county commissioners shall keep a written record of the meeting as required by law, and any time the lowest bid was not considered to the lowest and best bid, the reason for such conclusion shall be recorded...

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Title 19 O.S. § 1505.B.5 states:

The county purchasing agent shall notify the successful bidder and shall maintain a copy of the notification. The county purchasing agent shall prepare and maintain a vendors list specifying the successful bidders and shall notify each county officer of the list...

Condition: During our review of bid packets for the County, we were unable to locate documentation of notification to the successful bidder.

Effect: The County is not following bid procedures established by state statutes.

Recommendation: OSAI recommends management take steps to ensure that bidding procedures be followed and that all documentation supporting the bids be maintained by the purchasing agent.

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

Finding 2007-12 – Negative General Ledger HMEP Fund Balance

Criteria: Safeguarding controls are an aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as verifying that there is sufficient cash on hand prior to registering warrants, are deficiencies in internal control.

Condition: On June 30, 2007, the HMEP Planning Grant had a cash balance deficit of \$345. This fund had a negative balance in 9 of the 12 months (October 2006-June 2007) of the fiscal year, indicating warrants were issued and paid without cash being available in the fund.

Effect: This results in expending amounts greater than funds available.

Recommendation: OSAI recommends the County Treasurer verify cash is available in the fund prior to the registration of any warrants. OSAI recommends actual expenditures be limited to the amount of appropriations set forth in 68 O.S. § 3003.C.

Views of responsible officials and planned corrective actions: In reference to your findings on the HMEP account that showed a negative balance, the general ledger has shown a negative balance for HMEP prior to my administration, as far back as 2004. I have made several attempts in researching this, but have not got to the bottom of it. There has been NO warrants issued with unavailable funds or as non-payable warrants. The funds are there when the warrants are registered, and the account balances with the County Clerk. I believe the error is on the general ledger only, an incorrect entry within funds. I will make this a priority to be resolved.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2007-9 – Oklahoma Public Employees Retirement System (OPERS) (Repeat Finding)

Criteria: Title 74 O.S. § 925 states, "All employees of participating employers who are eligible or may hereafter become eligible to be members of the system as provided by this act shall, as a condition of continuing employment or as a condition of obtaining employment with a participating employer, become members of the system."

Also, 74 O.S. § 902(14) states, "Employee" means any officer or employee of a participating employer, whose employment is not seasonal or temporary and whose employment requires at least one thousand (1,000) hours of work per year and whose salary or wage is equal to the hourly rate of the monthly minimum wage for state employees..."

Condition: From test work performed on employees who worked for Sequoyah County in FYE 2007, we noted one employee who worked more than 1,000 hours in a one-year period based on the employee’s anniversary date and did not participate in OPERS benefits. There was no documentation that the employee was seasonal or temporary.

Effect: All eligible employees may not be participating in the pension plan. This could result in the County having to pay the employer's and employee's share of the retirement benefits and other post-employment benefits.

Recommendation: OSAI recommends the County contact OPERS regarding the eligibility of this employee and the employee be notified of the conditions of continued employment.

Views of responsible officials and planned corrective actions: As per our conversation on November 19, 2008, regarding the Sequoyah County Exit Audit for 2007, we are taking the information given to us and working to resolve each issue in a timely manner.

Finding 2007-11 – Consumable Inventories

Criteria: Title 19 O.S. § 1502 prescribes the procedures to be used to account for supplies and materials used in the construction and maintenance of roads and bridges.

Condition: We found no consistent records or reports to adequately and accurately document consumable items on hand. Consumable stock cards are maintained at District 1 and District 2 barns. District 3 only maintains cards for gasoline and diesel. None of the three Districts fill out weekly warehouse summaries or monthly reports.

**SEQUOYAH COUNTY, OKLAHOMA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Effect: This condition could result in the misappropriation of county inventories.

Recommendation: OSAI recommends all Districts maintain the appropriate documents to maintain a complete, continuous inventory. OSAI recommends the use of the reports to help ensure that the items are accounted for. Consumable stock cards, transfer cards, fuel logs, warehouse summaries, and monthly reports should be maintained. It is important that all information on these sheets be monitored and compared to items on hand. This includes reconciling the items on hand to the documents maintained.

Views of responsible officials and planned corrective actions: As per our conversation on November 19, 2008, regarding the Sequoyah County Exit Audit for 2007, we are taking the information given to us and working to resolve each issue in a timely manner.



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