



WAGONER COUNTY

Financial Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**WAGONER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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Cindy Byrd, CPA | State Auditor & Inspector

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February 3, 2022

TO THE CITIZENS OF
WAGONER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Wagoner County, Oklahoma for the fiscal year ended June 30, 2020. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**WAGONER COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Board of County Commissioners

District 1 – James Hanning

District 2 – Chris Edwards

District 3 – Tim Kelley

County Assessor

Sandy Hodges

County Clerk

Lori Hendricks

County Sheriff

Chris Elliott

County Treasurer

Dana Patten

Court Clerk

James “Jim” Hight

District Attorney

Jack Thorp

**WAGONER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

TABLE OF CONTENTS

FINANCIAL SECTION

Report of State Auditor and Inspector 1

 Financial Statement:

 Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with
 Combining Information)..... 4

 Notes to the Financial Statement..... 5

SUPPLEMENTARY INFORMATION

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—General Fund..... 13

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—Health Fund..... 14

 Note to Supplementary Information..... 15

INTERNAL CONTROL AND COMPLIANCE SECTION

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..... 16

Schedule of Findings and Responses..... 18

FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
WAGONER COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Wagoner County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statement is prepared by Wagoner County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Wagoner County as of June 30, 2019, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

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 balances for all county funds of Wagoner County, for the year ended June 30, 2020, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022, on our consideration of Wagoner 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 solely 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 effectiveness of the County’s internal control over financial reporting or on compliance. That report is an integral part

of an audit performed in accordance with *Government Auditing Standards* in considering Wagoner County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

January 31, 2022

REGULATORY BASIS FINANCIAL STATEMENT

WAGONER COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Beginning Cash Balances July 1, 2019	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
Combing Information:						
County General	\$ 2,334,043	\$ 7,790,613	\$ 1,600,276	\$ 1,600,000	\$ 7,843,405	\$ 2,281,527
County Highway Unrestricted	2,618,340	2,615,622	267	1,735	2,459,885	2,772,609
Treasurer Mortgage Certification	395,730	20,110	-	-	9,180	406,660
Sheriff Community Service Sentencing Program	124,693	102,090	-	-	111,388	115,395
Health	3,717,224	1,700,509	-	-	999,178	4,418,555
Resale Property	710,048	540,528	27,469	-	408,137	869,908
FEMA	-	4,524	-	-	-	4,524
Lake Patrol	19,352	278	-	-	1,207	18,423
County Clerk Lien Fee	29,608	16,765	-	-	7,359	39,014
Sheriff Service Fee	490,630	531,540	-	-	719,401	302,769
JAG Recovery Grant	4,251	-	-	-	-	4,251
Assessor Visual Inspection	16	-	-	-	-	16
Assessor Revolving Fee	8,151	1,450	-	-	-	9,601
Road and Bridges-ST	6,188,187	4,865,111	1,735	267	4,155,571	6,899,195
County Clerk Records Management and Preservation	165,368	135,984	-	-	83,013	218,339
Safe Oklahoma - AG	38,060	30,000	-	-	37,579	30,481
County Bridge and Road Improvement	1,359,287	631,623	-	-	407,181	1,583,729
OHSO Grant	1,165	-	-	-	948	217
Sheriff Board of Prisoners	32,930	2,807	-	-	9,167	26,570
Rural Fire-ST	2,379,312	1,790,525	-	276	1,577,551	2,592,010
Sheriff Commissary	109,207	177,247	-	-	172,033	114,421
Planning and Zoning	335,473	277,670	-	-	202,814	410,329
Use Tax-ST	2,284,915	1,385,335	-	-	815,293	2,854,957
General Government-ST	886,599	609,999	-	-	536,274	960,324
Courthouse Maintenance-ST	3,642,947	52,077	1,600,000	1,600,000	540,920	3,154,104
County Donations	54,218	14,200	-	-	37,747	30,671
Juvenile Detention	1,945	-	-	-	-	1,945
Juvenile Drug Court	8,251	25,000	-	-	8,075	25,176
Adult Drug Court	79,273	104,026	-	-	105,332	77,967
Sheriff-ST	424,111	627,940	-	-	761,900	290,151
Local Emergency Planning Committee	153	1,000	-	-	22	1,131
911 Phone Fees	302,752	517,883	8,900	-	320,089	509,446
Court Clerk Payroll	21,343	266,730	25,000	-	289,672	23,401
Sheriff Forfeiture	1,232	-	-	-	1,111	121
Okay Waterline EODD REAP	-	4,500	-	-	4,500	-
Emergency Management	6,390	20,746	-	-	18,972	8,164
Emergency Management Weather Radios	419	10	-	-	-	429
Trash Cop	13,980	22,778	-	-	19,720	17,038
Emergency Management Building	-	60,000	-	-	-	60,000
FEMA DR 4438	-	266,860	-	-	-	266,860
Mental Health Court	156,511	103,609	-	-	114,435	145,685
Combined Total - All County Funds, as Restated	\$ 28,946,114	\$ 25,317,689	\$ 3,263,647	\$ 3,202,278	\$ 22,779,059	\$ 31,546,113

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

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Wagoner County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. 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, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

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

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 county funds included as combining information within the financial statement:

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

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

Treasurer Mortgage Certification – revenues are from a fee for certifying mortgages. Disbursement of the funds as restricted by statute.

Sheriff Community Service Sentencing Program – revenues are from the Oklahoma Department of Corrections to reimburse the County for the expense of administering the Community Service Sentencing Program, including administrative expenses and supervisor of offenders.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

FEMA – accounts for federal grant funds for presidentially declared disasters to be used for reimbursement of expenses due to natural disasters.

Lake Patrol – accounts for the collections from the Corps of Engineers for additional lake patrol.

County Clerk Lien Fee – revenues are from a fee charged by the County for filing lien fees. Disbursements as restricted by state statute.

Sheriff Service Fee – revenues are from fees charged by the Sheriff for services. Disbursements are for any lawful expense for the Sheriff’s office.

JAG Recovery Grant – accounts for revenues from federal grants and disbursements are for the purpose of purchasing law enforcement equipment for the Sheriff’s office.

Assessor Visual Inspection – accounts for the collection and disbursement of monies by the County Assessor as restricted by state statute for the visual inspection program.

Assessor Revolving Fee – accounts for the collection of fees for copies and disbursed as restricted by state statute.

Road and Bridges-ST – revenues are from the one cent sales tax for the purpose of operational expenditures for the building and maintenance of County roads and highways.

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

Safe Oklahoma - AG – accounts for grant funds from the State of Oklahoma. Disbursements are for salaries and operations of the Sheriff’s office.

County Bridge and Road Improvement – accounts for state, local, and miscellaneous receipts and disbursements are for the purpose of constructing and maintaining county roads and bridges.

OHSO Grant – accounts for grant monies received from the State of Oklahoma, Oklahoma Highway Safety Office (OHSO) and disbursed for the payment of overtime salary reimbursement in the study of crash causes.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Sheriff Board of Prisoners – revenues are from the Department of Corrections for the housing and care of prisoners.

Rural Fire-ST – accounts for sales tax collections received for operating and maintaining the various fire districts.

Sheriff Commissary – revenues are from profits on commissary sales in the County Jail. Disbursements of funds as restricted by state statute.

Planning and Zoning – accounts for fees collected for permits and disbursements are for salaries and office supplies.

Use Tax-ST – revenues are from the monthly use tax allocations. Disbursements are at the discretion of the Board of County Commissioners for any lawful expense of the County.

General Government-ST – revenues are from the one cent sales tax for the purpose of operational expenditures for the general government.

Courthouse Maintenance-ST – revenues are from sales tax collected for voter approved renovations and improvements to the Courthouse and related structures. The collection of this sales tax was eliminated in accordance with the sales tax ballot of August 22, 2006.

County Donations – accounts for monies from the sale of a property in Wagoner County which was donated by the bank/property holder and any undesignated donations to the County to be expended for purposes designated by the Board of County Commissioners.

Juvenile Detention – accounts for the receipt of monies from fees collected. Disbursements are for salaries and office needs for the purpose of intervention of troubled youth first time offenders.

Juvenile Drug Court – accounts for monies received from the Oklahoma Department of Mental Health and Substance Abuse Services to be expended for maintenance and operation of the Juvenile Drug Court.

Adult Drug Court – accounts for monies received from the Oklahoma Department of Mental Health and Substance Abuse Services to be expended for maintenance and operation of the Adult Drug Court.

Sheriff-ST – revenues are from the one cent sales tax for the purpose of operational expenditures for the Sheriff's office.

Local Emergency Planning Committee – accounts for revenues from state and federal funds and disbursements are for civil defense.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

911 Phone Fees – accounts for the collection of fees charged on telephone bills for the County’s emergency 911 system and monies received from the County Commissioners Use Tax fund per resolution. Disbursements are for expenditures related to providing 911 services.

Court Clerk Payroll – accounts for funds deposited to be used for payroll for the Court Clerk’s office.

Sheriff Forfeiture – accounts for proceeds of forfeited property. Disbursements are for the enforcement of controlled substance laws.

Okay Waterline EODD REAP – accounts for REAP grant funds received and disbursements of funds as restricted by grant agreement for the Okay Waterline.

Emergency Management – accounts for grant funds received from the State of Oklahoma. Disbursements are for the operations of the Emergency Management Office.

Emergency Management Weather Radios – accounts for fees collected for the sale of weather radios. Disbursements are for the purchase of weather radios.

Trash Cop – accounts for the collection and disbursement of state funds for the prosecution of trash offenders.

Emergency Management Building – accounts for EODD REAP grant funds received and disbursements of funds as restricted by grant agreement for the emergency management building.

FEMA DR4438 – accounts for federal grant funds for presidentially declared disasters to be used for reimbursement of expenses due to natural disasters.

Mental Health Court – accounts for funds received from Oklahoma Department of Mental Health and Substance Abuse Services to be expended for the maintenance and operation of the Mental Health Court.

C. Basis of Accounting

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

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

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.

E. Cash and Investments

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents and investments as allowed by statutes. 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).

The County Treasurer has been authorized by the County’s governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

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. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

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

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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."

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. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

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

3. Other Information

A. 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.

B. 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.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

C. 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.

D. Sales Tax

On April 4, 2017, Wagoner County voters approved to continue the levy, an excise (sales) tax of one percent (1%) upon the gross proceeds from all sales to any person taxable under the sales tax law of Oklahoma, as was originally approved by a majority of the votes of Wagoner County on March 8, 1988. The monthly income of the revenue of said tax is pledged to the county roads in the amount of eighty percent (80%), to the Sheriff's office in an amount of ten percent (10%), and general government in the amount of ten percent (10%). The duration of the life of the tax is to be until March 31, 2028. These funds are accounted for in the Road and Bridges-ST, General Government-ST, and Sheriff-ST funds.

On February 13, 2007, Wagoner County voters approved a fifteen-hundredth of one percent (.15%) sales tax, which increases the current Wagoner County Fire Tax to thirty-hundredth of one percent (.30%). The purpose of the proceeds of this tax is to provide funding for the fire departments in the following communities: Wagoner, Taylor Ferry, Toppers, Tullahassee, Whitehorn, Coweta, Oak Grove, Rolling Hills, Flat Rock, Okay, Red Bird, Porter, Stone Bluff, and Broken Arrow. The proceeds are to be split as follows: ninety-five (95%) of the fifteen-hundredth of one percent (.15%) will be split evenly between the fourteen departments and five (5%) of the fifteen-hundredth of one percent (.15%) will be placed in a cash fund account to be used for such other fire protection services as may be deemed necessary by the Board of County Commissioners. This makes the existing Wagoner County Fire Excise (Sales) Tax of fifteen-hundredth of one percent (.15%) permanent. This adds the Broken Arrow Fire Department as an equal recipient of the current Wagoner County Fire Excise (Sales) Tax of fifteen-hundredth of one percent (.15%); effective date per Oklahoma Tax Commissioner is July 1, 2007. These funds are accounted for in the Rural Fire-ST fund.

E. Interfund Transfers

During the fiscal year, the County made the following transfers between cash funds.

- \$1,600,000 was transferred from the Courthouse Maintenance-ST fund to the County General fund to meet the requirements of appropriations in accordance with 68 O.S. § 3021.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- \$1,600,000 was transferred from the County General fund to the Courthouse Maintenance-ST fund for the repayment of the loan in accordance with 68 O.S. § 3021.
- \$276 was transferred from the Rural Fire-ST fund to the County General fund for reimbursement of advertising expenses.
- \$267 was transferred from the Road and Bridges-ST fund to the County Highway Unrestricted fund for reimbursement for asphalt paver machine parts.
- \$1,735 was transferred from the County Highway Unrestricted fund to the Road and Bridges-ST fund for reimbursement of servicing expense of asphalt paver machine.
- \$27,469 was transferred from the Excess Resale Fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131.
- \$8,900 was transferred from the Wagoner County School Development Authority (a trust and agency fund) to the 911 Phone Fees fund to reimburse and cover for salary.
- \$25,000 was transferred from the Court Clerk Revolving Fund (a trust and agency fund) to the Court Clerk Payroll fund for fund payroll.

SUPPLEMENTARY INFORMATION

WAGONER COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund		
	Budget	Actual	Variance
County Sheriff	\$ 2,501,991	\$ 2,500,374	\$ 1,617
County Treasurer	176,003	174,998	1,005
County Commissioners	230,372	222,853	7,519
OSU Extension	113,005	91,238	21,767
County Clerk	495,000	483,696	11,304
Court Clerk	260,513	251,845	8,668
County Assessor	267,047	241,992	25,055
Revaluation of Real Property	697,579	637,412	60,167
General Government	1,528,587	579,846	948,741
Excise - Equalization Board	7,200	5,896	1,304
County Election Expense	183,622	164,873	18,749
Insurance - Benefits	1,936,615	1,899,193	37,422
Purchasing Agent	50,100	45,432	4,668
Charity	1,500	750	750
Emergency Management	99,252	99,252	-
Courthouse Security	165,867	158,664	7,203
E-911	200,500	200,479	21
County Audit Budget Account	66,413	50,000	16,413
Storm Water Management	21,400	13,411	7,989
Total Expenditures, Budgetary Basis	<u>\$ 9,002,566</u>	<u>\$ 7,822,204</u>	<u>\$ 1,180,362</u>

WAGONER COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 4,392,600	\$ 1,164,058	\$ 3,228,542
Total Expenditures, Budgetary Basis	\$ 4,392,600	\$ 1,164,058	\$ 3,228,542

**WAGONER COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health 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 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.

INTERNAL CONTROL AND COMPLIANCE SECTION

Independent Auditor's 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
WAGONER COUNTY, OKLAHOMA

We have audited, in accordance with the 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, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Wagoner County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprises Wagoner County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 31, 2022.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2020, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Wagoner County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Wagoner County's internal control. Accordingly, we do not express an opinion on the effectiveness of Wagoner County's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention of those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wagoner County's financial statement is free from 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*.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

January 31, 2022

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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*

No findings were noted.

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 2020-005 – Lack of Segregation of Duties Over Collections and Disbursements - Court Clerk (Repeat Finding)

Condition: Upon inquiry and observation of the records with regards to the collection and disbursement processes of the Court Fund we noted the following:

Receipting Process:

- All employees operate from the same cash drawer.
- Multiple employees have access to the safe.
- One employee issues receipts, balances the cash drawer, prepares deposits, takes the deposit to the Treasurer, and reconciles the daily report.

Disbursement Process:

- One employee orders goods/services, prepares vouchers, prints vouchers, takes vouchers to be registered, picks up vouchers from County Treasurer, signs vouchers, distributes vouchers, reconciles accounts, has access to make changes and voids in system, and prepares quarterly and annual reports.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately segregate the duties of the receipting and disbursement processes within the office of the Court Clerk.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Regarding the collection process, OSAI recommends that one employee should not be performing all of the duties regarding issuing receipts, balancing the cash drawer, preparing the deposit, and delivering the deposit to the County Treasurer’s

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

office. Further, we recommend that all employees issuing receipts, operate from separate cash drawers. The cash drawer should be closed out, reconciled to the employees' daily receipts, and be approved by someone independent of the cash drawer and making the deposit.

OSAI also recommends the following key accounting functions of the disbursement be adequately segregated as follows:

- Preparing claims.
- Reviewing voucher report to claims.
- Printing vouchers.
- Signing and registering vouchers with the County Treasurer.
- Reconciling monthly and quarterly reports with the County Treasurer.

Management Response:

Court Clerk: The finding is noted, as in past audits. Our method of administration concerning these matters will continue as before. While recognizing the position of the audit staff, I will continue to operate the office on the principle of "calculated risk." Having separate cash drawers would operate to the detriment of efficient operations as we would have to close the office early in order to count and balance multiple drawers. Multiple employees issue receipts throughout the day. Different employees have responsibility for balancing the cash drawer and all that goes with it. Each Deputy Clerk receives a frank and comprehensive briefing on the perils of theft upon hire. To date, we have never experienced a day where receipts did not balance with cash or check. With only 10 Deputy Clerks, it is easy to spot and fix responsibility for errors should they occur.

In disbursements, the Court Clerk reviews these items. The Bookkeeper is in the best position to perform these administrative functions for accuracy. There are multiple checks and balances in the system to prevent errors, theft and other maladies.

Auditor Response: The duties regarding the collections and disbursements processes are not adequately segregated.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Finding 2020-006 – Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: An audit of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund reflected the following:

- Policies and procedures have not been designed and implemented for the handling of unclaimed property.
- Inmate Trust Fund Checking Account bank reconciliations are not being performed in their entirety. The Sheriff's office does not have documentation to adequately support the reconciliation and they are not reviewed for accuracy.
- The Sheriff's Annual Commissary Report to the Board of County Commissioners is not accurately completed.
- One employee collects monies from the drop box and kiosk, counts the monies and posts to accounts in the inmate trust software system, prepares the bank deposit, issues inmate trust fund checks and maintains all bank records.
- Deposits were not being made daily.

Cause of Condition: Policies and procedures have not been designed to ensure financial transactions regarding the Inmate Trust Fund Checking Account and Sheriff Commissary fund are made in compliance with state statutes.

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Effect of Condition: These conditions resulted in noncompliance with state statutes. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the following:

- Policies and procedures be designed and implemented to ensure disposition of unclaimed property is handled in accordance with 22 O.S. § 1325.
- Inmate Trust fund reconciliations be performed every month and maintained with all documentation to support the reconciliation. Additionally, the reconciliation should be reviewed for accuracy by someone other than the preparer.
- The Sheriff complete and file an accurate annual commissary report with the Board of County Commissioners by January 15th, of each year.
- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- All monies collected be deposited on a daily basis.

Management Response:

County Sheriff: We have implemented policies and procedures and put them in place to ensure that disposition of unclaimed property funds is handled in accordance with 22 O.S. 1325.

Inmate Trust Fund reconciliations are performed every month and maintained with all documentation to support this. It is reviewed for accuracy by the Jail Administrator.

One employee collects monies from the drop box and kiosk, counts and posts to accounts in the inmate trust software system, and prepares the bank deposit. Another employee issues inmate trust fund checks and maintains all bank records. The Jail Administrator reviews any deposits and bank transactions for accuracy each day.

The Sheriff completes and files once a year a report of the commissary with the commissioners by January 15, of each year.

Deposits are to be made daily, unless on a holiday. Designated employees are to deliver the deposit to the bank in a timely manner. If one employee is unavailable, the next one in place will take it to ensure that it is done same day.

Criteria: The GAO Standards – Principal 10 – Design Control Activities – 10.03 states in part:

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions,

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principal 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process

Title 19 O.S. § 180.43 D. states in part, “...Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff’s Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff’s Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.”

Title 19 O.S. § 531 A. states in part, “The county sheriff may establish a checking account, to be designated the “Inmate Trust Fund Checking Account.” The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.”

Title 22 O.S. § 1325(F, H) outlines the procedures for handling unclaimed property.

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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