

**WAGONER COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2002**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

May 12, 2003

TO THE OFFICERS OF  
WAGONER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Wagoner County, Oklahoma, for the fiscal year ended June 30, 2002. 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 serve the public interest by providing independent oversight and to issue reports that serve as a management tool to the state to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMaham".

JEFF A. McMAHAN  
State Auditor and Inspector

WAGONER COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

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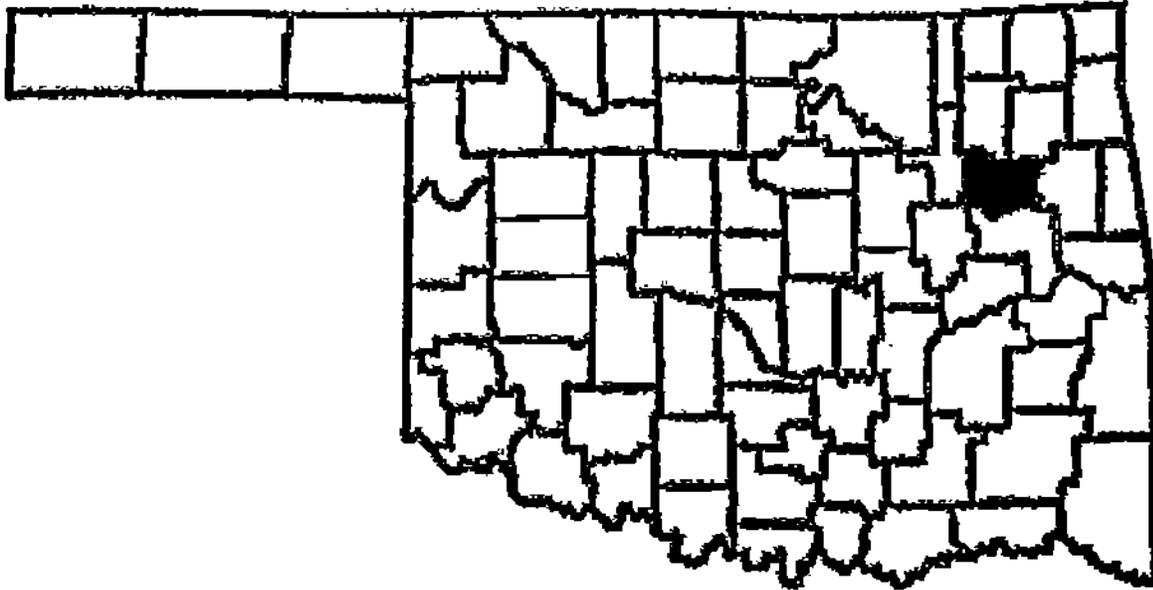
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REPORT TO THE CITIZENS  
OF  
WAGONER COUNTY, OKLAHOMA

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Wagoner County was created at statehood and is named for its major city, which is also the county seat. Agriculture is a basic element in the economy, with grain and cattle being of major importance. Two books, *Three Forks Country* and *History of Wagoner County* are sources of county information.

County Seat - Wagoner

Area - 563 Square Miles

County Population - 56,115  
(1999 est.)

Farms - 973

Land in Farms - 240,660 Acres

Source: Oklahoma Almanac 2001 - 2002

See independent auditor's report

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY ASSESSOR**  
Sandra Bryan  
(July 2001 to February 2002)  
(D) Broken Arrow  
Judie Thompson  
(February 2002)  
(D) Wagoner

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**  
Jerry Fields  
(D) Wagoner

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.

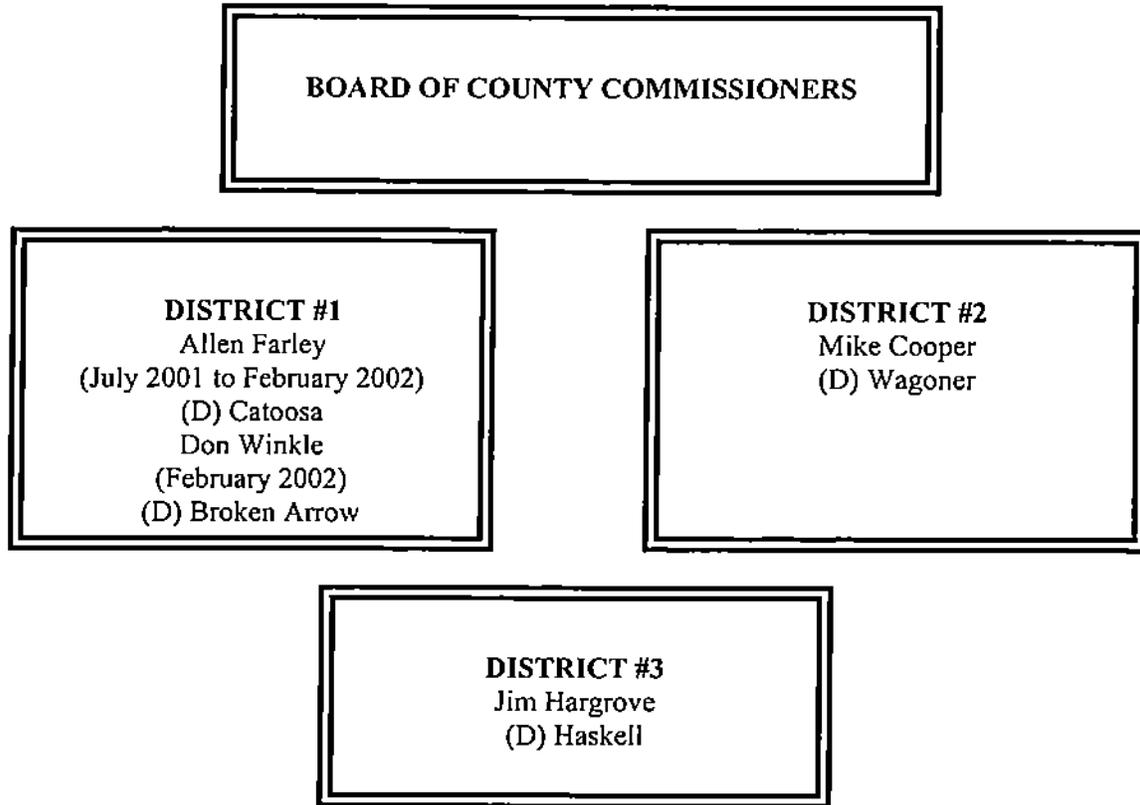
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county.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

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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

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

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

See independent auditor's report

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY SHERIFF**  
Rudy Briggs  
(D) Coweta

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**  
Mary Sue Tedder  
(D) Porter

All revenues received 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 revenues and expenditures, 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

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COURT CLERK**  
Sue Wells  
(D) Wagoner

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**  
Dianne Barker Harrold  
(D) Ft. Gibson

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.

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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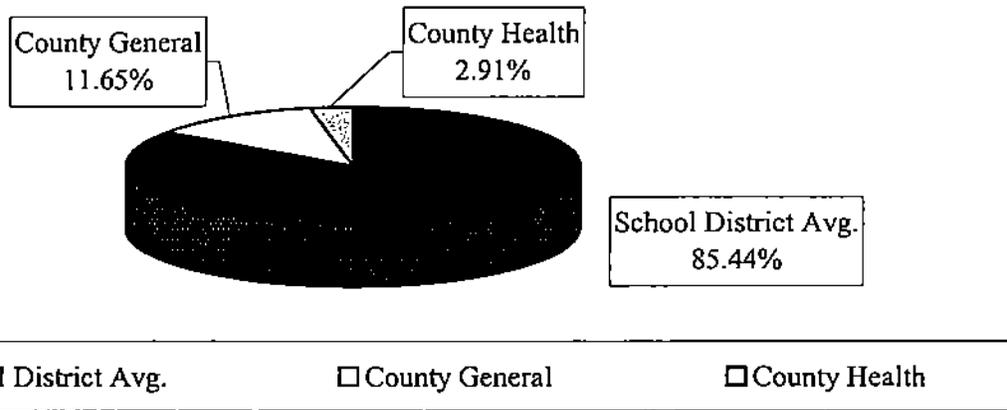
**ELECTION BOARD SECRETARY**  
Eric Goodpaster  
(D) Wagoner

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 operating expenses 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.

**AD VALOREM TAX DISTRIBUTION  
WAGONER COUNTY, OKLAHOMA  
SHARE OF THE AVERAGE MILLAGE**

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

<u>County-Wide Millages</u>		<u>School District Millages</u>						
		<u>Gen.</u>	<u>Bldg.</u>	<u>Skg.</u>	<u>Vo-Tech</u>	<u>Vo-Tech Building</u>	<u>Common</u>	<u>Total</u>
Co. General	10.31	36.17	5.17	8.87	8.11	2.03	4.13	64.48
Co. Health	2.58	36.19	5.17	20.21	8.11	2.03	4.13	75.84
		35.79	5.11	24.17	8.11	2.03	4.13	79.34
		36.77	5.25	13.95	8.11	2.03	4.13	70.24
		36.31	5.19	22.36	8.11	2.03	4.13	78.13
		35.51	5.07	14.02	8.11	2.03	4.13	68.87
		35.84	5.12	15.65	8.13	5.08	4.13	73.95
		37.15	5.31	32.03	10.36		4.13	88.98
		38.84	5.55	17.62	10.36		4.13	76.50
		36.07	5.15	9.62	10.36		4.13	65.33
		35.55	5.08	21.93	8.13	5.08	4.13	79.90
		36.15	5.16	27.13	8.13	5.08	4.13	85.78

See independent auditor's report

## **Independent Auditor's Report**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Independent Auditor's Report**

TO THE OFFICERS OF  
WAGONER COUNTY, OKLAHOMA

We have audited the accompanying general-purpose financial statements of Wagoner County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of Wagoner County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the enterprise funds. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the general-purpose financial statements, insofar as it relates to amounts included for the enterprise funds, is based solely on the reports of the other auditors.

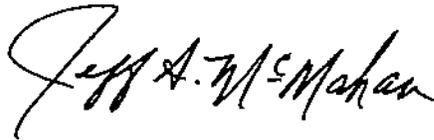
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 and the reports of the other auditors provide a reasonable basis for our opinion.

As explained in Note 1 (H), the general-purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, based on our audit and the reports of the other auditors, except for the effect on the general-purpose financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Wagoner County, Oklahoma, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2002, 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 and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahen". The signature is written in a cursive style with a large initial "J" and "M".

JEFF A. McMAHAN  
State Auditor and Inspector

November 18, 2002

**General-Purpose Financial Statements**

**WAGONER COUNTY, OKLAHOMA**  
**COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUP**  
**JUNE 30, 2002**

	Governmental Fund Types		Proprietary	Fiduciary	Account	Total (Memorandum Only)
	General	Special Revenue	Fund Type Enterprise	Fund Types Trust and Agency	Group General Long-Term	
<b>ASSETS:</b>						
Cash	\$ 3,632,181	\$ 2,630,178	\$ 2,484,996	\$ 1,472,759	\$	\$ 10,220,114
Investments			2,488,630			2,488,630
Ad valorem tax receivable	15,993	4,002		123,471		143,466
Sales tax receivable	211,328		365,875			577,203
Accrued interest receivable	15,539	29	4,548			20,116
Due from other governments	6,491	212,452		15,356		234,299
Mortgages receivable			629,032			629,032
Construction in progress			3,899,348			3,899,348
Fixed assets, net			2,097,049			2,097,049
Amount to be provided for capitalized lease agreements					869,423	869,423
<b>Total assets</b>	<b>\$ 3,881,532</b>	<b>\$ 2,846,661</b>	<b>\$ 11,969,478</b>	<b>\$ 1,611,586</b>	<b>\$ 869,423</b>	<b>\$ 21,178,680</b>
<b>LIABILITIES AND FUND EQUITY:</b>						
Warrants payable	\$ 203,729	\$ 124,705	\$	\$	\$	\$ 328,434
Accounts payable	208,237	101,775				310,012
Accrued interest payable			99,041			99,041
Due to general fund			8,000			8,000
Due to others				1,337,398		1,337,398
Due to other taxing units				274,188		274,188
Notes payable - current			675,000			675,000
Bonds payable - current			20,000			20,000
Prepaid rent received			12,432			12,432
Capital appreciation bonds outstanding			794,994			794,994
Notes payable - noncurrent			4,775,000			4,775,000
Bonds payable, net of discounts - noncurrent			559,257			559,257
Capitalized lease obligations payable					869,423	869,423
<b>Total liabilities</b>	<b>411,966</b>	<b>226,480</b>	<b>6,943,724</b>	<b>1,611,586</b>	<b>869,423</b>	<b>10,063,179</b>
<b>Fund equity:</b>						
Retained earnings			5,025,754			5,025,754
<b>Fund balances:</b>						
Reserved for encumbrances	44,323	61,845				106,168
Unreserved:						
Undesignated	3,425,243	2,558,336				5,983,579
<b>Total fund equity</b>	<b>3,469,566</b>	<b>2,620,181</b>	<b>5,025,754</b>	<b>-</b>	<b>-</b>	<b>11,115,501</b>
<b>Total liabilities and fund equity</b>	<b>\$ 3,881,532</b>	<b>\$ 2,846,661</b>	<b>\$ 11,969,478</b>	<b>\$ 1,611,586</b>	<b>\$ 869,423</b>	<b>\$ 21,178,680</b>

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

**WAGONER COUNTY, OKLAHOMA**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
<b>Revenues:</b>			
Ad valorem tax	\$ 1,967,270	\$ 644,351	\$ 2,611,621
Sales tax	2,356,170		2,356,170
Charges for services	361,538	290,829	652,367
Intergovernmental	758,216	2,572,192	3,330,408
Miscellaneous	241,349	389,925	631,274
<b>Total revenues</b>	<u>5,684,543</u>	<u>3,897,297</u>	<u>9,581,840</u>
<b>Expenditures:</b>			
<b>Current operating:</b>			
General government	2,363,840		2,363,840
Public safety	615,639	257,860	873,499
Health and welfare	872	172,174	173,046
Culture and recreation	16,000	373,683	389,683
Education	79,071		79,071
Roads and highways	1,989,550	2,899,511	4,889,061
<b>Total expenditures</b>	<u>5,064,972</u>	<u>3,703,228</u>	<u>8,768,200</u>
<b>Excess of revenues over (under) expenditures</b>	<u>619,571</u>	<u>194,069</u>	<u>813,640</u>
<b>Other financing sources (uses):</b>			
Capitalized lease agreements	147,627		147,627
Transfers out	(267,500)		(267,500)
<b>Total other financing sources (uses)</b>	<u>(119,873)</u>	<u>-</u>	<u>(119,873)</u>
<b>Excess revenues and other sources over (under) expenditures and other uses</b>	499,698	194,069	693,767
<b>Beginning fund balances</b>	2,969,868	2,426,112	5,395,980
<b>Ending fund balances</b>	<u>\$ 3,469,566</u>	<u>\$ 2,620,181</u>	<u>\$ 6,089,747</u>

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

**WAGONER COUNTY, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL-GENERAL AND SPECIAL REVENUE**  
**(COUNTY HEALTH DEPARTMENT ONLY) FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	General Fund			Special Revenue Funds County Health Department		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 2,730,405	\$ 2,741,393	\$ 10,988	\$ 306,700	\$ 307,699	\$ 999
<b>Revenues:</b>						
Ad valorem taxes	1,801,187	1,972,853	171,666	450,734	493,691	42,957
Sales tax	1,754,173	2,372,346	618,173			
Charges for services	236,900	361,538	124,638		16,540	16,540
Intergovernmental revenues	306,942	758,699	451,757			
Miscellaneous revenues	35,000	244,619	209,619	13,862	402	(13,460)
Total revenues, budgetary basis	4,134,202	5,710,055	1,575,853	464,596	510,633	46,037
<b>Expenditures:</b>						
Current operating:						
General government	3,337,245	2,672,818	664,427			
Public safety	888,164	616,653	271,511			
Health and welfare	1,500	1,396	104	771,296	398,238	373,058
Education	80,900	80,886	14			
Culture and recreation	16,000	16,000				
Roads and highways	2,540,798	1,887,803	652,995			
Total expenditures, budgetary basis	6,864,607	5,275,556	1,589,051	771,296	398,238	373,058
Excess of revenues and beginning fund balances over (under) expenditures, budgetary basis	\$ -	3,175,892	\$ 3,175,892	\$ -	420,094	\$ 420,094
<b>Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances</b>						
Add: Ad valorem taxes receivable		15,993			4,002	
Sales tax receivable		211,328				
Accrued interest receivable		15,539				
Due from other governments		6,491				
Reserved for encumbrances		44,323			17,010	
Ending fund balances		\$ 3,469,566			\$ 441,106	

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

**WAGONER COUNTY, OKLAHOMA  
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
 IN RETAINED EARNINGS - PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED JUNE 30, 2002**

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Operating revenues:	
Interest income - mortgages	\$ 79,034
Building lease income	61,091
Total operating revenues	<u>140,125</u>
Operating expenses:	
Interest expense - current interest bonds	81,692
Audit fees	7,500
Insurance	3,276
Miscellaneous expense	12,934
Depreciation expense	28,547
Total operating expenses	<u>133,949</u>
Operating income (loss)	<u>6,176</u>
Nonoperating revenues	
Interest income - investments	156,923
Investment income	1,109
Miscellaneous income	4
Interest expense	(81,614)
Discount accretion	(1,724)
Sales tax revenue	2,031,363
Net nonoperating revenues & expenses	<u>2,106,061</u>
Net income	2,112,237
Retained earnings, beginning of year	2,951,937
Prior period adjustment, Home Finance Authority	(38,420)
Retained earnings, end of year	<u>\$ 5,025,754</u>

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

**WAGONER COUNTY, OKLAHOMA  
COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2002**

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<b>Cash Flows From Operating Activities</b>	
Operating Income (Loss)	\$ 6,176
Adjustments to reconcile operating income to net cash provided by operating activities:	
Accretion of capital appreciation interest	81,692
Proceeds from mortgages receivable	158,979
Increase in amount due to general fund	8,000
Depreciation	28,547
Decrease in prepaid rent	(3,634)
Decrease in accrued audit fees	(4,500)
Net Cash Provided (Used) by Operating Activities	<u>275,260</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Payment on bonds	(680,000)
Sales tax received	2,037,207
Cash payments for capital assets	(3,868,838)
Interest paid	(93,214)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,604,845)</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Payments on current interest bonds	(442,902)
Net Cash Used by Noncapital Financing Activities	<u>(442,902)</u>
<b>Cash Flows From Investing Activities</b>	
Interest received	177,080
Purchase of investments	(3,039,079)
Proceeds from sales or maturities of investments	6,628,879
Net Cash Provided (Used) by Investing Activities	<u>3,766,880</u>
Change in cash	994,393
Cash, beginning of year	1,490,603
Cash, end of year	<u>\$ 2,484,996</u>
<b>Supplemental Disclosure of Cash Flows Information</b>	
Interest paid reported in operating income	<u>\$ 94,222</u>

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

**Notes to the Financial Statements**

1. Summary of Significant Accounting Policies

The financial statements of the County are required to be presented in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies and practices are described below.

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.

In accordance with GASB Statement No.14, *The Financial Reporting Entity*, the County is required to present the entities which comprise the primary government and its legally separate component units in the fiscal year 2002 general-purpose financial statements. The County had four component units in the fiscal year 2002.

Blended Component Units

The following component units have been presented as blended component units because the component unit's governing body is substantially the same as the governing body of the County.

Wagoner County Home Finance Authority: The Authority is a public trust organized under Title 60 of the Oklahoma Statutes. The purpose of the Authority is primarily to provide a means of financing housing and rental property for eligible low and moderate income persons residing within Wagoner County. The activity of the Authority is presented in the enterprise funds. All activity reported is for the component unit's fiscal year ended December 31, 2001. Complete financial statements for the blended component unit are on file at the Wagoner County Clerk's Office.

Wagoner County Development Authority: The Authority is a public trust organized under Title 60 of the Oklahoma Statutes. The purpose of the Authority is primarily to promote, stimulate, encourage and finance the growth and development of the utility, agricultural, commercial, health care and industrial resources of Wagoner County and to promote the development of adequate housing within Wagoner County. The activity of the Authority is presented in the enterprise funds. All activity is for the component unit's fiscal year ended June 30, 2002. Complete financial statements for the blended component unit are on file at the Wagoner County Clerk's Office.

Wagoner County Courthouse Renovation and Criminal Justice Authority: The Authority is a public trust organized under Title 60 of the Oklahoma Statutes. The purpose of the Authority is primarily to promote, develop and finance courthouse and county building renovation, county jail

**WAGONER COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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Summary of Significant Accounting Policies (continued)

facilities, detention centers and rehabilitation centers, of any sort or description, including, but not limited to, any real or personal property related thereto. The activity of the Authority is presented in the enterprise funds. All activity is for the component unit's fiscal year ended June 30, 2002. Complete financial statements for the blended component unit are on file at the Wagoner County Clerk's Office.

Excluded Component Unit

Wagoner County Industrial Development Authority: The Authority is a public trust organized under Title 60 of the Oklahoma Statutes. The Authority was inactive for the fiscal year ended June 30, 2002.

Related Organizations Excluded from the Reporting Entity

The County officials are also responsible for appointing the members of the board of another organization, but the County's accountability for this organization does not extend beyond making the appointment. This organization is not included in the financial statements.

Wagoner County Economic Development Authority

B. Fund Accounting

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into the following categories: governmental, proprietary, and fiduciary. Each category in turn is divided into separate fund types.

Governmental Funds

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Summary of Significant Accounting Policies (continued)

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, when the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) except for those that conflict with GASB pronouncements.

Fiduciary Funds

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. Agency funds are generally used to account for assets that the government holds on behalf of others as their agent.

Account Groups

General Fixed Assets Account Group (GFAAG) – Accounting principles generally accepted in the United States of America require that those fixed assets of a government not reported in a proprietary fund or a trust fund be reported in a general fixed assets account group (GFAAG). This account group is not a fund. It does not have a balance sheet as such, nor does it report operations. Instead, the GFAAG serves as a list of the government's fixed assets and is designed to ensure accountability.

General Long-Term Debt Account Group (GLTDAG) – The general long-term debt account group (GLTDAG) is used to account for a government's unmatured long-term indebtedness that has not been identified as a specific fund liability of a proprietary or trust fund. In addition to general obligation debt instruments (e.g., bonds, notes, warrants), the GLTDAG is also used to report revenue bonds that will be repaid from general government resources, special assessment debt when the government is "obligated in some manner," special revenue bonds, and certain liabilities that are normally not expected to be liquidated with expendable available financial resources (e.g., capitalized lease-purchase obligations).

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current

Summary of Significant Accounting Policies (continued)

assets and current liabilities are generally included on the balance sheet. Operating statements of these fund types present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified-accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified-accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be quantified, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if collected within 60 days after year-end. Expenditures are recorded when incurred and the related fund liability is expected to be paid from available spendable resources.

Those revenues susceptible to accrual are property taxes, sales tax, interest revenue, and other taxes collected and held by the Oklahoma Tax Commission at year-end on behalf of the government. Charges for services are not susceptible to accrual because generally they are not measurable until received in cash.

D. Budgetary Policies and Procedures

Under current Oklahoma Statutes, the general fund and the County Health Department fund are required to adopt a formal budget. The budget presented for the general and special revenue (County Health Department only) funds includes the originally approved budgeted appropriations for expenditures as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other cash funds are made on a monthly basis, according to the funds then available.

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 the general and special revenue funds.

Summary of Significant Accounting Policies (continued)

Any encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. At the end of the year, unencumbered appropriations are lapsed.

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue (County Health Department only) Funds presents 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 Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

E. Cash

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

F. Receivables

All receivables are reported at their gross value.

G. Interest Receivable

Interest on deposits is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

H. Fixed Assets

While the County presently maintains some individual records of personal property, it does not keep similar records for land, buildings, and improvements. For this reason, a Statement of General Fixed Assets, required by accounting principles generally accepted in the United States of America, is not presented on the Combined Balance Sheet - All Fund Types and Account Group.

I. Risk Management

The County is exposed to various risks of loss as follows:

WAGONER COUNTY, OKLAHOMA  
 NOTES TO THE FINANCIAL STATEMENTS  
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Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - 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-Insured Group. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Worker's Compensation -Employees' Injuries	The County participates in a public entity risk pool. (See ACCO Self-Insured Fund ACCO-SIF).	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life -Medical -Disability -Dental -Life	The County carries commercial insurance for these types of risk.	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 pays a deductible amount (\$1,000 to \$10,000; Wagoner County has a \$2,500 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool pays legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

ACCO-SIF The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. ACCO-SIF was set up in 1984 and pays legitimate worker's compensation claims up to \$500,000 per incident. A reinsurance policy, with no limit, pays claims that exceed \$500,000 for a particular incident. The pool has not assessed additional premiums to be paid by its members in the past three years.

The County continues to carry commercial insurance for employees' health and accident insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three

Summary of Significant Accounting Policies (continued)

fiscal years. No significant reductions in insurance coverage occurred during the fiscal year ended June 30, 2002.

J. Compensated Absences

The County does not accrue any liability for future vacation benefits. The County has not adopted a formal leave policy. Management feels that any accumulated unpaid vacation benefits are not material to the financial statements for the fiscal year ending June 30, 2002.

The County does not record any liability for sick leave. Employees are not paid for accumulated sick leave upon termination. Benefits are contingent upon unforeseen and uncontrollable event that are outside the control of the County or the employee: hence, no liability exists at June 30, 2002.

K. Long-Term Obligations

The County reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

L. Interfund Transactions

Transfers consist of a \$267,500 court ordered transfer from the general fund to an agency investment account. The transfer was made to correct an error in a previous year. Transfers do not balance since revenues and expenditures are not presented for agency funds.

M. Memorandum Only - Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Interfund transactions have not been eliminated from the total column of each financial statement.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office, or department

Summary of Significant Accounting Policies (continued)

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.

3. Detailed Notes on Account Balances

A. Deposits – Excluding Enterprise Funds

Title 62 O.S. § 348.1 authorizes the County Treasurer to invest in:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- General obligation 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

Public trusts that have the state or a county as a beneficiary must only invest in certificates of deposit or other evidence of deposit.

These restrictions do not apply to the proceeds of bonds issued by the component units or the revenues that service the debt which shall be invested pursuant to the indenture established for such bonds per 62 O.S. § 72.4a.

At year-end, the carrying amount of the County's deposits was \$7,735,118 and the bank balance was \$7,840,228. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name. Funds are deposited in various county financial institutions.

B. Receivables

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."

WAGONER COUNTY, OKLAHOMA  
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Detailed Notes on Account Balances (continued)

The net assessed property value as of January 1, 2001, was approximately \$192,173,234. The County levied 10.31 mills for general fund operations and 2.58 mills for the County Health Department. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and apportions 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, 2002, were approximately 96.5 percent of the tax levy.

C. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation, which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5% and 10% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributed 10% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2002, 2001, and 2000, were \$245,303, \$229,657, and \$214,444, respectively, equal to the required contributions for each year.

D. 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

**WAGONER COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Detailed Notes on Account Balances (continued)

January 1997, ODOT began charging a one-time fee of 3% on all subsequent pieces of machinery acquired. The one-time fee is reported as interest. Oklahoma Statutes prohibit the County from entering into contracts of this nature longer than one year. For this reason, these lease-purchase agreements do not qualify for capitalization until the year the lease-purchase agreements are completed and title to the equipment is transferred to the County. However, because it is the County's intent to exercise its right to purchase this property, the lease-purchase agreements have been capitalized to conform to accounting principles generally accepted in the United States of America. The unpaid portions of these agreements have been reflected as capitalized lease obligations within the general long-term debt account group.

Providing all capital leases are renewed each year by resolution of the Board of County Commissioners, minimum lease commitments under capitalized lease-purchase agreements as of June 30, 2002, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 339,176	\$ 44,797	\$ 383,973
2004	253,288	26,031	279,319
2005	161,236	12,201	173,437
2006	57,569	5,478	63,047
2007	13,311	335	13,646
Thereafter	<u>44,843</u>	<u>2,972</u>	<u>47,815</u>
Totals	<u>\$869,423</u>	<u>\$91,814</u>	<u>\$961,237</u>

During the year, the County capitalized leases totaling \$147,627 and paid \$334,183 on the outstanding balances of lease-purchase agreements.

E. Long-Term Debt

Changes in Long-Term Debt

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2002</u>
Capital Leases	\$ <u>1,055,979</u>	\$ <u>147,627</u>	\$ <u>334,183</u>	\$ <u>869,423</u>
Total	\$ <u>1,055,979</u>	\$ <u>147,627</u>	\$ <u>334,183</u>	\$ <u>869,423</u>

Detailed Notes on Account Balances (continued)

F. Fund Balance

Retained earnings reflect the accumulated earnings of an enterprise fund. Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance accounts are summarized below.

Reserved for Encumbrances The reserve for encumbrances represents encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the County but not completed as of the close of the fiscal year.

G. Sales Tax

On May 13, 1997, Wagoner County voters approved the renewal of a one cent sales tax, which originally began on April 1, 1988. The sales tax was renewed for a period of five years. Proceeds of the sales tax are to be used as follows: 10% for general government, 10% for public safety and 80% for roads and highways.

On October 12, 1999, Wagoner County voters approved a .85% sales tax designated for the improvement and expansion of the Wagoner County Courthouse, including, but not limited to, the Wagoner County Jail Facility. The duration of the tax is ten years.

H. Fuel Taxes

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 road and highways only and are accounted for in the County highway fund. The County highway fund is reported herein as "special revenue," and the fuel tax revenue is presented as "intergovernmental."

4. Contingent Liabilities

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

WAGONER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
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5. Component Unit Disclosures-Wagoner County Home Finance Authority

The following notes have been excerpted from the separately issued financial statements for the fiscal year ended December 31, 2001 of the Wagoner County Home Finance Authority, a blended component unit of Wagoner County.

A. Cash and Investments

At year-end, the carrying amount of the Authority's cash deposits was \$7,848. All amounts held under the Bond Indenture by the Trustee Bank were invested in the LaSalle Investment Agreement to the extent feasible and were continuously and fully secured for the benefit of the Authority and the owners of the Bonds primarily by the investment thereof in investment securities meeting the strict criteria of the Bond Indenture. Cash balances in each fund at December 31, 2001, were covered by federal depository insurance or by collateral held by the Trustee Bank.

The Bond Indenture limits the type of investments in which the Authority may invest. The indenture allows investment in "AAA" rated bonds, direct obligations of the United States of America, obligations of the Federal Home Loan Bank, certificates of deposit with any national or state bank within Oklahoma insured by the FDIC with a Standard and Poor rating of "A" or better, money-market funds consisting only of Government Obligations, and various repurchase agreements with an "A" rating and maturing in one year or less.

At December 31, 2001, investments recorded at cost which approximates market value were comprised of the following:

Description

Bond Fund-	
LaSalle Investment Agreement (7.2%)	\$ 8,265
Short Term Treasury Fund	11,489
Miscellaneous Receipt Account-	
Short Term Treasury Fund	7,480
Real Estate Owned Account-	
Short Term Treasury Fund	62,764
Gain or Loss Account-	
Short Term Treasury Fund	4,269

WAGONER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
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Component Unit Disclosures-Wagoner County Home Finance Authority (continued)

Escrow Account-	
Short Term Treasury Fund	34,864
Expense Account-	
Short Term Treasury Fund	<u>2,944</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 132,075</u></b>

B. Mortgage Loans

Various lenders originated mortgage loans with acquisition fund moneys according to the Origination and Service Agreement dated April 15, 1980, of the 1980 Series A Bonds. Pursuant to the Refunding Bonds Indenture the mortgage loans outstanding as of August 12, 1993, were purchased, without recourse, from Liberty National Bank, N.A., as trustee for the 1991 Series A Bonds, by Liberty National Bank and Trust Company, as trustee for the Series 1993 Refunding Bonds.

During 1997, Liberty National Bank and Trust Company was purchased by the Banc One Investment Management Group, and the mortgage loans were transferred to the Corporate Trust Administration Division of Banc One Investment Management Group, as trustee for the Series 1993 Refunding Bonds.

The lenders service the loans and are paid or retain a service fee calculated as a percentage of the outstanding mortgage loan balance each month. The mortgage loans have a level monthly amortization, an annual interest rate of 11.55%, an original maturity of 25 to 30 years, and are insured for 72% of the property value as long as the principal amount of the mortgage loan is 80% or more of the purchase price or original appraised value of the mortgaged property. Additionally, a mortgage pool insurance policy provides insurance coverage on the full amount of any loss realized as a result of default in payments by a mortgagor on every mortgage loan foreclosed (after payment of private mortgage insurance) subject to a total of \$484,743, which is the limitation on aggregate claims of 10% of the principal amount of all mortgage loans as of July 20, 1993.

At December 31, 2001, based on correspondence with lenders, there was one (1) mortgage loan, approximately \$94,618 on which payments were past due for 60 days or more. This represents approximately 15% of the total mortgage principal outstanding at December 31, 2001.

C. Other Real Estate Owned

Other real estate owned includes principal outstanding at the time of foreclosure on delinquent mortgages less any payments received from primary mortgage insurance. These properties are marketed by the lenders servicing the original loans. Recoveries of balances are obtained from

WAGONER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
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Component Unit Disclosures-Wagoner County Home Finance Authority (continued)

sales of properties or from the mortgage pool insurance. At December 31, 2001, there were no properties included in other real estate owned.

D. Revenue Bonds

The capital appreciation bonds were issued November 17, 1992, and bear interest from that date.

The following schedule details the maturity dates, maturity amounts, and interest rates for the outstanding Subordinate Refunding Bonds as of December 31, 2001:

	<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
1992 Series	\$ 794,994	August 1, 2011	8.25%

The Subordinate Refunding Bonds are subject to mandatory redemption, on any date, at a redemption price equal to the principal amount together with accrued interest to the redemption date, without premium (Accreted Value).

E. Prior Period Adjustment

In previous years the accretion was recorded on February 1 and August 1 of each year. In order to reflect proper accrual basis of accounting interest accretion has been accrued from August 1 through December 31. In previous years interest expense has been understated a cumulative total of \$38,420.

6. Component Unit Disclosures-Wagoner County Courthouse Renovation and Criminal Justice Authority

The following notes have been excerpted from the separately issued financial statements of the Wagoner County Courthouse Renovation and Criminal Justice Authority, a blended component unit of Wagoner County, for the fiscal year ended June 30, 2002.

A. Deposits

At year-end, the carrying amount of the Authority's cash deposits was \$2,477,148. All amounts held under the Note Indenture by the Trustee Bank are invested and are continuously and fully secured for the benefit of the Authority and the owners of the Notes, primarily by the investment thereof in investment securities meeting the strict criteria of the Note Indenture (See Note 6B). These investments are held in the Authority's name. No cash was held at the Trustee Bank at June 30, 2002.

WAGONER COUNTY, OKLAHOMA  
 NOTES TO THE FINANCIAL STATEMENTS  
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Component Unit Disclosures-Wagoner County Courthouse Renovation and Criminal Justice Authority (continued)

Proceeds from the .85% sales tax are deposited into the Wagoner County Jail Sales Tax Revolving Fund, which is pooled with the Wagoner County General Fund and held in the Depository Bank, a local financial institution. Cash in the Depository Bank is collateralized by a \$12,000,000 line of credit in the name of the Wagoner County Treasurer.

B. Investments

At June 30, 2002, investments recorded at cost which approximated market value were comprised of U.S. Treasury money market funds, held in the following fund accounts:

Description

Principal Account	\$ 568,633
Interest Account	99,257
Project	1,635,312
Note Proceeds Fund	<u>4,629</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 2,307,831</u></b>

C. Fixed Assets

At June 30, 2002, fixed assets consist of construction in progress in the amount of \$ 3,899,348. Interest of \$248,981 of interest was capitalized during the year ended June 30, 2002. Property and equipment are capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the assets.

D. Bonds

Bonds were issued on, and bear interest from, September 25, 2000. Maturity dates are shown in the following schedule:

<u>September 1 of the Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2001	\$ 660,000	5.25%
2002	675,000	5.25%
2003	725,000	5.25%
2004	750,000	5.25%

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Component Unit Disclosures-Wagoner County Courthouse Renovation and Criminal Justice Authority (continued)

<u>September 1 of the Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2005	800,000	5.25%
2006	825,000	5.25%
2007	850,000	5.25%
2008	825,000	5.40%

Interest on the Notes shall be payable semiannually on March 1 and September 1 of each year beginning March 1, 2002, and continuing until the principal amount of the Notes is paid. The Notes may be prepaid in whole or part, without penalty, at any time following September 1, 2003.

The Notes are subject to special redemption at the option of the Authority, in whole on any date and in part on any interest payment date, if such redemption is made from (a) insurance proceeds; (b) expropriation awards; (c) the proceeds of the sale of all or a part of the Facilities; or (d) payments received from the Authority pursuant to an Event of Default as defined in the Indenture. In the event that such redemption and the interest accrued thereon to the redemption date, but without premium.

The Authority has secured repayment of the Notes with a security agreement pledging chattel paper, contract rights, Sales Tax Revenue, and personal property as collateral on the Notes.

Changes in Bonds for the year ended June 30, 2002 are as follows:

<u>Bonds</u>			
<u>Balance June 30, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2002</u>
\$ 6,110,000	\$ -	\$ 660,000	\$ 5,450,000

E. Lease Agreement

The Authority leased from the Board of County Commissioners of Wagoner County, Oklahoma all county jail facilities now owned, operated or hereafter acquired by Wagoner County (the County). Any improvements to the existing facility and any other property and facilities purchased and/or constructed by the Authority shall become part of the leased property, and shall become the property of the County. The lease has a ten-year term, ending August 31, 2010, or so long as any indebtedness incurred by the Authority for the leased property shall exist.

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Component Unit Disclosures - Wagoner County Courthouse Renovation and Criminal Justice Authority (continued)

The consideration of this Lease shall be the installation and construction of improvements to the Leased Property for the purpose of aiding the Lessor in the performance of its public functions as set forth in the Trust Indenture of the Lessee and the installation and construction of said improvements shall constitute the total consideration for this Lease for the entire term thereof and all extensions and renewals thereof as hereinafter provided.

F. Commitments

The contract for Phase II of construction, the Wagoner County Courthouse New Jail Facilities, was signed April 10, 2001. The contract amount is \$3,940,000, of which \$3,142,319 was paid during the fiscal year ended June 30, 2002. A contract for architectural services for the entire project was signed December 8, 1997. The contract amount is 8% of the cost of construction, of which \$364,715 was paid during the fiscal year ended June 30, 2002.

7. Component Unit Disclosures - Wagoner County Development Authority

The following notes have been excerpted from the separately issued financial statements of the Wagoner County Development Authority, a blended component unit of Wagoner County, for the fiscal year ended June 30, 2002.

A. Cash and Investments

At year-end, the carrying amount of the Authority's cash deposits was \$0. All amounts held under the Bond Indenture by the Trustee Bank are invested and are continuously and fully secured for the benefit of the Authority and the owners of the Bonds, primarily by the investment thereof in investment securities meeting the strict criteria of the Bond Indenture. These investments are held in the Authority's name.

At June 30, 2002, investments recorded at cost which approximate market value were comprised of U.S. Treasury money market funds, held in the following fund accounts:

<u>Description</u>	<u>2002</u>
Bond Fund	\$ 52
Bond Proceeds Fund	12,524
Revenue Fund	<u>36,148</u>
TOTAL INVESTMENTS	<u>\$ 48,724</u>

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Component Unit Disclosures- Wagoner County Development Authority (continued)

Property and equipment are capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Investments purchased and sold during the year were of the same type as the investments held at the end of the year.

B. Fixed Assets

Changes in fixed assets for the year ending June 30, 2002, are as follows:

	Cost			Balance June 30, 2002
	Balance June 30, 2001	Additions	Removals	
Building	\$ 567,128	\$ -	\$ -	\$ 567,128
Building equipment	<u>5,613</u>	<u>-</u>	<u>-</u>	<u>5,613</u>
<b>Total</b>	<b><u>\$ 572,741</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 572,741</u></b>

	Accumulated Depreciation			Balance June 30, 2002
	Balance June 30, 2001	Additions	Removals	
<b>Total</b>	<b><u>\$ 14,813</u></b>	<b><u>\$ 14,813</u></b>	<b><u>-</u></b>	<b><u>\$ 29,626</u></b>

C. Bonds

Bonds were issued on, and bear interest from, December 16, 1999. Maturity dates as shown in the following schedule:

<u>December 1 of the Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2004	\$ 95,000	5.50%
2009	130,000	6.00%
2014	170,000	6.25%
2019	235,000	6.50%

Bonds maturing December 1, 2004, are subject to mandatory redemption, in part, at the principal amount thereof, on December 1, in each of the years described below in principal amounts as follows:

WAGONER COUNTY, OKLAHOMA  
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JUNE 30, 2002

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Component Unit Disclosures- Wagoner County Development Authority (continued)

<u>Maturity</u>	<u>Amount</u>
12-1-2000	\$ 15,000
12-1-2001	20,000
12-1-2002	20,000
12-1-2003	20,000
12-1-2004	20,000

Bonds maturing December 1, 2009, are subject to mandatory redemption, in part, at the principal amount thereof, on December 1, in each of the years described in principal amounts as follows:

<u>Maturity</u>	<u>Amount</u>
12-1-2005	\$ 25,000
12-1-2006	25,000
12-1-2007	25,000
12-1-2008	25,000
12-1-2009	30,000

Bonds maturing December 1, 2014, are subject to mandatory redemption, in part, at the principal amount thereof, on December 1, in each of the years described below in principal amounts as follows:

<u>Maturity</u>	<u>Amount</u>
12-1-2010	\$30,000
12-1-2011	30,000
12-1-2012	35,000
12-1-2013	35,000
12-1-2014	40,000

Bonds maturing December 1, 2019, are subject to mandatory redemption, in part, at principal amounts as follows:

<u>Maturity</u>	<u>Amount</u>
12-1-2015	\$40,000
12-1-2016	45,000
12-1-2017	45,000
12-1-2018	50,000
12-1-2019	55,000

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Component Unit Disclosures- Wagoner County Development Authority (continued)

The bonds are subject to redemption prior to the stated maturities, however, the bonds maturity on December 1, 2014, and those maturing on December 1, 2009, are not subject to this optional redemption. Should the Authority see fit to allow the bonds to mature without using this option then the bonds will be subject to mandatory redemption at the stated maturity dates first. The price of bonds redeemed prior to maturity and prior to November 30, 2014, will be 101% of the principle amount plus accrued interest. Bonds maturing on the maturity date will not be subject to any premiums.

The bonds are also subject to special redemption at the option of the Authority if such redemption is made from (a) insurance proceeds; (b) expropriation awards; (c) the proceeds of all or a part of the Facility being leased; or (d) payments received from the Authority pursuant to an event of default.

The Authority has secured repayment of the Bonds with a first mortgage on the leasehold interest on the land and improvements thereon which comprise the Facility, a pledge of lease rental payments, and an assignment of the lease between the Wagoner County Health Department and the Authority for the Facility.

Changes in the Bonds for the year ending June 30, 2002, are as follows:

Bonds Payable			
<u>Balance</u> <u>June 30, 2001</u>	<u>Bonds</u> <u>Issued</u>	<u>Paid</u>	<u>Balance</u> <u>June 30, 2002</u>
<u>\$ 615,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 595,000</u>
Bond Discount			
<u>Balance</u> <u>June 30, 2000</u>	<u>Discount</u> <u>Taken</u>	<u>Current</u> <u>Accretion</u>	<u>Balance</u> <u>June 30, 2002</u>
<u>\$ 17,467</u>	<u>\$ -</u>	<u>\$ 1,724</u>	<u>\$ 15,743</u>

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



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

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

TO THE OFFICERS OF  
WAGONER COUNTY, OKLAHOMA

We have audited the financial statements of Wagoner County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 18, 2002. We did not audit the financial statements of the enterprise funds. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion on the general-purpose financial statements, in so far as it relates to the amounts included for the enterprise funds, is based on the reports of the other auditors. 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. We qualified our opinion because the general fixed assets account group was not included in the general-purpose financial statements.

Compliance

As part of obtaining reasonable assurance about whether Wagoner County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wagoner County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described below.

#### Finding 98-1

**Criteria:** Accounting principles generally accepted in the United States of America for a governmental entity using governmental fund types require the presentation of the general fixed assets account group (GFAAG) in the financial statements.

**Condition:** Information is not available for reporting general fixed assets in accordance with accounting principles generally accepted in the United States of America for a government entity. The County does not maintain a summary listing with the required information for land, buildings, and improvements. The general fixed assets control account is not accurate.

**Effect:** This component of internal control is not effective. Accordingly, there is a greater risk that a fixed asset may not be properly accounted for and safeguarded against loss.

**Recommendation:** We recommend records include acquisition cost, a complete description, purchase date, location of such asset, and that a control total of the cost of these assets be maintained and reconciled annually.

#### Management's Corrective Action Plan -

Contact Person: Jerry Fields, County Clerk

Anticipated Completion Date: None

Corrective Action Planned: No planned corrective action is anticipated to obtain fixed assets records in such a manner that general fixed assets could be reported in accordance with accounting principles generally accepted in the United States of America.

#### Finding 02-1

**Criteria:** According to 19 O.S. § 1301, each county may develop and maintain a formal plan for vacation and sick leave for all regular employees. Any plan adopted by a county shall not extend benefits to any employee in excess of leave benefits available to a regular state employee in the classified service.

**Condition:** The County has not adopted a formal plan for vacation and sick leave.

**Effect:** This component of internal control is not effective. Accordingly, there is a greater risk that compensated leave balances may not be properly accounted for in the financial records.

**Recommendation:** We recommend that the County adopt a formal vacation and sick leave policy for all regular employees. This procedure will eliminate inconsistencies in granting vacation and sick leave and will provide the necessary records to resolve disputes.

#### Management's Corrective Action Plan -

Contact Person: Jerry Fields, County Clerk

Anticipated Completion Date: Upon receipt from the District Attorney's Office.

Corrective Action Planned and Management's Response: We have drafted a formal countywide personnel policy to include sick leave, vacation, and compensatory time. It is currently under review with the District Attorney's Office. We will implement the new policy upon receipt and approval.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 98-1 to be a material weakness.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report:

This report is intended solely for the information and use of the management of the County and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,



JEFF A. McMAHAN  
State Auditor and Inspector

November 18, 2002