



# WAGONER COUNTY

## Financial Audit

For the fiscal year ended June 30, 2017

**Cindy Byrd, CPA**  
State Auditor & Inspector

**WAGONER COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Cindy Byrd, CPA | State Auditor & Inspector

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September 8, 2020

TO THE CITIZENS OF  
WAGONER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Wagoner County, Oklahoma for the fiscal year ended June 30, 2017. 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". The signature is fluid and cursive, with the first and last names clearly legible.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



**WAGONER COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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 Hight

**District Attorney**

Brian Keuster

**WAGONER COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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## **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, 2017, 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, 2017, 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, 2017, 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 are 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 August 20, 2020, 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.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

August 20, 2020

## **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, 2017**

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
County General Fund	\$ 2,625,033	\$ 6,649,327	\$ 400,000	\$ 400,000	\$ 6,900,800	\$ 2,373,560
T-Highway	2,028,260	2,678,429	365,687	-	2,782,196	2,290,180
Treasurer Mortgage Certification	388,409	17,580	-	-	14,362	391,627
Community Service Sentencing Council	43,383	35,017	-	-	56,462	21,938
County Health	2,631,472	1,552,048	-	-	1,486,528	2,696,992
Resale Property	725,698	423,643	-	-	523,219	626,122
FEMA	106,355	205,134	-	299,779	-	11,710
Law Enforcement/Corps of Engineers	36,352	-	-	-	17,000	19,352
County Clerk Lien Fee	26,709	22,955	-	-	18,097	31,567
Sheriff Fee Cash Fund	462,153	436,588	-	-	443,316	455,425
Sheriff JAG Recovery Grant	11,205	-	-	-	3,939	7,266
Assessor Visual Inspection	16	-	-	-	-	16
Assessor Revolving	3,210	1,251	-	-	-	4,461
Community Sentencing-DOC	83,828	49,006	-	-	16,257	116,577
County Clerk Records Preservation	207,400	82,575	-	-	51,272	238,703
REAP Grant	7,807	-	-	7,807	-	-
County Bridge Road Improvement	668,514	331,460	-	-	159,340	840,634
OHSO Grant	15,627	-	-	-	1,290	14,337
Sheriff Contract Prison Fund	70,308	38,286	-	-	39,587	69,007
Fire District Sales Tax	2,056,998	1,565,318	-	-	1,923,301	1,699,015
INCOG REAP Stone Bluff Hydrants	6,665	-	-	-	-	6,665
Special Economic Development	1,354,630	390,771	-	-	189,306	1,556,095
Sheriff Commissary Fund	215,383	107,398	-	-	282,694	40,087
Planning and Zoning	231,883	248,013	-	-	221,267	258,629
Youth Graduated Sanction (STEP) Grant	60	-	-	-	47	13
County Commissioners Use Tax	420,350	362,942	-	14,582	389,556	379,154
One Cent Sales Tax	4,851,232	5,308,999	7,899	-	4,777,361	5,390,769
Courthouse Building and Maintenance	4,477,716	3,638	400,000	400,000	258,805	4,222,549
STEP Program Cash Fund	1	-	-	-	-	1
Okay Waterline EODD REAP	-	61,336	-	-	61,336	-
Proceeds from Sale	16,200	-	-	-	-	16,200
Juvenile Offender Program	1,285	1,667	-	-	1,148	1,804
Juvenile Drug Court	10,315	41,631	10,050	-	52,925	9,071
Adult Drug Court Revolving Fund	85,706	120,750	-	-	135,747	70,709
Stone Bluff Senior Citizen Trust Authority	46	-	-	-	-	46
Stone Bluff East Central Electric Donation	289	-	-	-	-	289
Wagoner County Recreational Complex	656	550	-	-	300	906
Civil Defense Cash Fund	34,357	31,070	4,532	-	42,802	27,157
911 Emergency Cash	488,177	494,589	-	-	484,177	498,589
Court Fund Payroll	64,486	247,838	-	-	268,095	44,229
Courthouse Renovation Sales Tax	-	208	-	-	-	208
Emergency Management Building Addition	-	66,000	-	66,000	-	-
Fire Sales Tax Trust Authority	-	2,970	-	-	-	2,970
<b>Combined Total - All County Funds</b>	<b>\$ 24,458,174</b>	<b>\$ 21,578,987</b>	<b>\$ 1,188,168</b>	<b>\$ 1,188,168</b>	<b>\$ 21,602,532</b>	<b>\$ 24,434,629</b>

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, 2017**

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**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 Fund – 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.

T-Highway – 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.

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

County 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

**WAGONER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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department. Disbursements are for the operation of the county health department. The balance of this fund also includes fees held many years ago to establish a change fund.

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.

Law Enforcement/Corps of Engineers – accounts for the collections from the Corps of Engineers for the purpose of providing additional lake patrol.

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

Sheriff Fee Cash Account – revenues are from fees charged by the Sheriff for services. Disbursements are for any lawful expense for the Sheriff's office.

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

Community Sentencing-DOC – accounts for the collection of funding through the Oklahoma Department of Corrections for the administrative expenses and supervision of offenders.

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

REAP Grant – accounts for state grant monies collected for road and highway improvements in Wagoner County.

County Bridge 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 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, 2017**

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Sheriff Contract Prison Fund – revenues are from the Department of Corrections for the housing and care of prisoners.

Fire District Sales Tax – accounts for sales tax collections received for operating and maintaining the various fire districts.

INCOG REAP Stone Bluff Hydrants – accounts for state grant monies collected for purchasing fire hydrants in the Stone Bluff Fire District.

Special Economic Development – revenues are from the monthly use tax allocations, federal grants, and state grant monies. Disbursements are for economic development within Wagoner County.

Sheriff Commissary Fund – 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.

Youth Graduated Sanction (STEP) Grant – revenues are from grants and fees collected from juvenile offenders who participate in the program. Disbursements are for drug testing of participants of the program and administrative costs of the program.

County Commissioners Use Tax – 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.

One Cent Sales Tax – revenues are from the one cent sales tax for the purpose of operational expenditures for the general government, sheriff's office, and the building and maintenance of County roads and highways.

Courthouse Building and Maintenance – revenues are from sales tax collected for voter approved renovations and improvements to the Courthouse and related structures.

STEP Program Cash Fund – accounts for state grants to provide funding for the Structured Transitional Education Program (STEP) to keep juveniles in school.

Okay Waterline EODD REAP – accounts for state grant monies collected for waterline replacement and repairs.

Proceeds from Sale – accounts for monies from the sale of a property in Wagoner County which was donated by the bank/property holder.

**WAGONER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Juvenile Offender Program – 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 Revolving Fund – 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.

Stone Bluff Senior Citizen Trust Authority – accounts for receipt of monies from Special Economic Development Authority for the citizen center expenditures.

Stone Bluff East Central Electric Donation – accounts for donations from East Central Electric for the purpose of purchasing appliances for the senior citizen center.

Wagoner County Recreational Complex – accounts for monies received from the rental of the recreational facility. Disbursements are for the reimbursement of deposits made for the rental of the facility.

Civil Defense Cash Fund – accounts for revenues from state and federal funds and disbursements are for civil defense.

911 Emergency Cash – 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 Fund Payroll – accounts for funds deposited to be used for payroll for the Court Clerk's office.

Courthouse Renovation Sales Tax – accounts for revenues from the sale of scrap metal. Disbursements to be expended at the discretion of the Board of County Commissioners for repairs of the Courthouse.

Emergency Management Building Addition – accounts for the collection of state grant funds. Disbursements are to be used for the building of an addition to the emergency management building.

Fire Sales Tax Trust Authority – accounts for reimbursement of expenditures. Disbursements are for fire protection services as deemed necessary by the Board of County Commissioners.

**WAGONER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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 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).



**WAGONER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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.

The County has investments with an original cost of \$10,317,299 with a financial institution that has invested the funds in Federal Home Loan Bank bonds, Federal National Mortgage Association bonds, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation which are not backed by the full faith and credit of the United States Government and are subject to interest rate risk and credit risk.

All investments, except for those investments noted in the preceding paragraph, are backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments, except for those investments noted in the preceding paragraph, as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

At June 30, 2017, the County's investments were under-collateralized in the amount of \$284,481.

**2. Ad Valorem Tax**

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

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.

**WAGONER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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.

**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 August 22, 2006, 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

**WAGONER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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to be until April 1, 2018 and eliminate the .85% sales tax pursuant to the county courthouse renovation as of September 1, 2006; effective date January 1, 2007. These funds are accounted for in the One Cent Sales Tax fund.

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 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 Fire District Sales Tax fund.

**E. Tax Abatements**

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$6,665 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2017.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

**WAGONER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**F. Interfund Transfers**

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

- \$400,000 was transferred from the Courthouse Building and Maintenance fund to the County General Fund to meet the requirements of appropriations in accordance with 68 O.S. § 3021.
- \$400,000 was transferred from the County General Fund to the Courthouse Building and Maintenance fund for the repayment of the loan in accordance with 68 O.S. § 3021.
- \$10,050 was transferred from the County Commissioners Use Tax fund to the Juvenile Drug Court fund to cover additional funding for salaries.
- \$4,532 was transferred from the County Commissioners Use Tax fund to the Civil Defense Cash Fund for the reimbursement of grant expenditures.
- \$291,880 was transferred from the FEMA fund to the T-Highway fund for the reimbursement of grant expenditures.
- \$7,899 was transferred from the FEMA fund to the One Cent Sales Tax fund for the reimbursement of grant expenditures.
- \$66,000 was transferred from the Emergency Management Building Addition fund to the T-Highway fund for the reimbursement of grant expenditures.
- \$7,807 was transferred from the REAP Grant fund to the T-Highway fund for the reimbursement of grant expenditures.

## **SUPPLEMENTARY INFORMATION**

**WAGONER COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,625,033	\$ 2,625,033	\$ -
Less: Prior Year Outstanding Warrants	(327,095)	(327,095)	-
Less: Prior Year Encumbrances	(39,581)	(28,806)	10,775
Beginning Cash Balances, Budgetary Basis	<u>2,258,357</u>	<u>2,269,132</u>	<u>10,775</u>
 Total Receipts, Budgetary Basis	 <u>5,872,189</u>	 <u>6,649,327</u>	 <u>777,138</u>
Total Expenditures, Budgetary Basis	<u>8,130,546</u>	<u>6,990,164</u>	<u>1,140,382</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 1,928,295	 <u>\$ 1,928,295</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		2,170	
Add: Current Year Outstanding Warrants		327,756	
Add: Current Year Encumbrances		115,339	
Ending Cash Balance		<u>\$ 2,373,560</u>	

**WAGONER COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**COUNTY HEALTH DEPARTMENT FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,631,172	\$ 2,631,472	\$ 300
Less: Prior Year Outstanding Warrants	(12,595)	(12,595)	-
Less: Prior Year Encumbrances	(214,240)	(206,471)	7,769
Beginning Cash Balances, Budgetary Basis	<u>2,404,337</u>	<u>2,412,406</u>	<u>8,069</u>
 Total Receipts, Budgetary Basis	 <u>1,429,135</u>	 <u>1,552,048</u>	 <u>122,913</u>
 Total Expenditures, Budgetary Basis	 <u>3,833,472</u>	 <u>1,559,117</u>	 <u>2,274,355</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 2,405,337	 <u>\$ 2,405,337</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		206,182	
Add: Current Year Outstanding Warrants		<u>85,473</u>	
Ending Cash Balance		<u>\$ 2,696,992</u>	

**WAGONER COUNTY, OKLAHOMA  
NOTE TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**1. Budgetary Schedules**

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the 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, 2017, 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 August 20, 2020.

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, 2017, 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 opinions 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness: 2017-001.

### **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.

### **Wagoner County's Response to Findings**

Wagoner County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Wagoner County's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

### **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

August 20, 2020

**WAGONER COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**Finding 2017- 001 – Lack of County–Wide Internal Controls (Repeat Finding - 2007-002, 2008-002, 2009-001, 2010-001, 2011-001, 2012-001, 2013-001, 2014-001, 2015-001, 2016-001)**

**Condition:** Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls regarding Risk Assessment and Monitoring have not been designed.

**Cause of Condition:** Policies and procedures have not been designed and implemented to address the risks of the County.

**Effect of Condition:** Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

**Recommendation:** The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design and implement monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

**Management Response:**

**Chairman of the Board of County Commissioners:** Since September of 2018, one member of the Board of County Commissioners, and the elected officials which operate from the Courthouse, the County Clerk, Court Clerk, Assessor, Treasurer and Sheriff, have held quarterly meetings. The purpose of which were to develop a framework and to compose a narrative for county policies and procedures from which areas of risk may be identified and controls in place to mitigate them. These meetings are ongoing and the resulting documentation is assessed and updated continuously. Minutes are kept of these meetings and are reviewed at subsequent meetings.

**County Clerk:** I currently have in place documented written internal controls for each area of my office assessing risk for financial, and safety risk as well as integrity of data. This is an ongoing process and we continue to identify additional areas to address and mitigate.

**County Treasurer:** Quarterly meetings are presently being held with the other elected officials in order to create written policies and procedures to address and resolve issues which may create risks. I have internal controls in place in my office.

**Criteria:** The United States Government Accountability Office’s Standards for *Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this

**WAGONER COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Section 1 – Fundamental Concepts of Internal Controls – OV1.01 states in part:

*Definition of Internal Controls*

Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

*Components, Principles, and Attributes*

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews

**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 2017-008 – Lack of Internal Controls Over Fixed Assets**

**Condition:** Upon inquiry of County personnel, observation, and review of documents regarding fixed asset inventories, the following was noted:

- The offices of the County Commissioner 2, County Treasurer, County Assessor, OSU Extension, County 911, Courthouse Maintenance, and fire departments of Broken Arrow, Coweta, Flat Rock, Oak Grove, Okay, Porter, Rolling Hills, Stone Bluff, Taylor Ferry, Toppers, Tullahasse, Wagoner, and Whitehorn did not file an annual fixed asset inventory with the County Clerk's office.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory count and maintaining the fixed asset inventory records with the County Clerk.

**WAGONER COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**Effect of Condition:** These conditions resulted in noncompliance with state statutes and could result in inaccurate, incorrect information or loss of assets.

**Recommendation:** OSAI recommends the County comply with 19 O.S. § 178.1 and 19 O.S. § 178.2 by performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process. OSAI also recommends that inventory records be maintained and updated in the County Clerk's office.

**Management Response:**

**Chairman of the Board of County Commissioners:** Obtaining current inventories, particularly from Wagoner County Fire Departments has been an ongoing struggle in spite of efforts to assist these departments in meeting the requirement. The office of the County Clerk has sent out a letter in November to remind departments of the statutory requirement to file their inventories prior to the end of the calendar year. This correspondence has been sent certified mail to stress the importance of this requirement to no avail. After the continued failure of the vast majority to file their inventories with the County Clerk, the District 27 office of the District Attorney sent a letter to each department instructing them of their statutory requirement to file their inventories with minimal success.

**County Commissioner District 2:** District 2 will perform and document a periodic inventory of fixed assets and update them every six months. The inventory will be done by someone other than the person who normally keeps the inventory. A copy of the fixed assets will be reported and filed with the Wagoner County Clerk.

**County Clerk:** With the recent implementation of new software in the County Clerk's office, all departments will have the ability to enter and revise their fixed asset inventories electronically. We are in the process of uploading the inventories we have been given and it is our hope that moving forward, it will make the process easier for all departments.

**County Treasurer:** My office maintains and reviews the office inventory yearly or as needed by purchase of fixed assets, we will ensure it is filed in the Clerk's office in the future.

**County Assessor:** This year's inventory review failure was due to my failure to reassign this task to a new staff member when the person performing this task changed to a different office. It has been assigned and will be updated and filed in the County Clerk's office.

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

*Physical control over vulnerable assets*

Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.

**WAGONER COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Title 19 O.S. § 178.1 states in part, “The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased or otherwise coming into the custody of the county or of any office, board, department, commission...”

Title 19 O.S. § 178.2 states in part, It shall be the duty and responsibility of each elected county official to create and maintain inventory records of said office. Such inventory shall be filed with the county clerk.”



Cindy Byrd, CPA | State Auditor & Inspector

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