



WAGONER COUNTY

Financial Audit

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**WAGONER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

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, 2018. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**WAGONER COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018**

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FINANCIAL SECTION



Cindy Byrd, CPA | State Auditor & Inspector

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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, 2018, 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, 2018, 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, 2018, 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.



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, 2018

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:						
County General	\$ 2,374,466	\$ 7,022,147	\$ 600,000	\$ 604,319	\$ 7,152,614	\$ 2,239,680
County Highway Unrestricted	2,290,180	2,713,651	-	-	2,810,763	2,193,068
Treasurer Mortgage Certification	391,627	17,430	-	4,167	14,659	390,231
Sheriff Community Service Sentencing Program	138,515	97,375	-	-	104,648	131,242
Health	2,696,992	1,516,050	-	-	1,259,524	2,953,518
Resale Property	626,122	406,025	-	32,384	547,989	451,774
FEMA	11,710	31,164	-	42,874	-	-
Lake Patrol	19,352	-	-	-	-	19,352
County Clerk Lien Fee	31,567	25,695	-	-	-	57,262
Sheriff Service Fee	455,425	616,242	-	-	435,365	636,302
JAG Recovery Grant	7,266	-	-	-	2,371	4,895
Assessor Visual Inspection	16	-	-	-	-	16
Assessor Revolving Fee	4,461	1,686	-	-	-	6,147
Road and Bridges-ST	-	4,176,083	4,327,163	-	3,192,593	5,310,653
County Clerk Records Management and Preservation	238,703	81,055	-	-	161,084	158,674
Safe Oklahoma - AG	-	32,925	-	-	32,626	299
County Bridge and Road Improvement	840,634	219,241	-	-	19,900	1,039,975
OHSO Grant	14,337	-	-	-	13,172	1,165
Sheriff Board of Prisoners	69,007	84,268	-	-	101,043	52,232
Rural Fire-ST	1,701,985	1,655,965	6,665	-	1,268,957	2,095,658
Rural Economic Action Plan (REAP) (OK)-Stone Bluff Hydrants	6,665	-	-	6,665	-	-
Sheriff Commissary	40,087	73,217	-	-	43,847	69,457
Planning and Zoning	258,629	246,260	-	-	205,241	299,648
Use Tax-ST	1,935,249	571,469	-	9,548	726,203	1,770,967
General Government-ST	5,390,769	899,095	-	4,632,871	790,775	866,218
Courthouse Maintenance-ST	4,222,757	2,795	600,000	623,959	109,884	4,091,709
STEP Program Cash Fund	1	-	-	1	-	-
County Donations	16,400	1,576	-	-	488	17,488
Juvenile Detention	1,817	843	1	-	957	1,704
Juvenile Drug Court	9,071	40,529	9,548	-	54,379	4,769
Adult Drug Court	70,709	120,480	-	-	116,493	74,696
Stone Bluff Senior Citizen Trust Authority	46	-	-	-	-	46
Stone Bluff East Central Electric Donation	289	-	-	-	-	289
Sheriff-ST	-	488,243	348,582	-	338,140	498,685
Local Emergency Planning Committee	27,157	11,110	-	36,716	-	1,551
911 Phone Fees	498,589	506,891	-	-	577,963	427,517
Rural Economic Action Plan (REAP) (OK)-Oak Grover Fire Station	-	49,354	-	-	49,354	-
Court Clerk Payroll	44,229	254,120	-	-	267,715	30,634
Emergency Management	-	12,891	36,592	-	35,126	14,357
Emergency Management Weather Radios	-	220	124	-	-	344
Trash Cop	-	24,564	-	-	15,904	8,660
Combined Total - All County Funds, as Restated	\$ 24,434,829	\$ 22,000,659	\$ 5,928,675	\$ 5,993,504	\$ 20,449,777	\$ 25,920,882

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, 2018**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

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

B. Fund Accounting

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

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

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

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

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

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

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Lake Patrol – accounts for the collections from the Corps of Engineers for the purpose to provide 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 Service Fee – revenues are from fees charged by the Sheriff for services. Disbursements are for any lawful expense for the Sheriff's office.

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

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

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

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

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

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

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

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

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

Rural Economic Action Plan (REAP) (OK)-Stone Bluff Hydrants – accounts for state grant monies collected for purchasing fire hydrants in the Stone Bluff Fire District.

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

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

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

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

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

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

County Donations – account for monies from the sale of a property in Wagoner County which was donated by the bank/property holder and any undesignated donations to the County.

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

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

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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.

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

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

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

Rural Economic Action Plan (REAP) (OK)-Oak Grove Fire Station – accounts for state grant funds for the benefit of the Oak Grove Fire Department.

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

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

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

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

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.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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).

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 \$4,742,828 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.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

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.

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.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

On February 13, 2007, Wagoner County voters approved a fifteen-hundredth of one percent (.15%) sales tax, which increases the current Wagoner County Fire Tax to thirty-hundredth of one percent (.30%). The purpose of the proceeds of this tax is to provide funding for the fire departments in the following communities: Wagoner, Taylor Ferry, Toppers, Tullahassee, Whitehorn, Coweta, Oak Grove, Rolling Hills, Flat Rock, Okay, Red Bird, Porter, Stone Bluff, and Broken Arrow. The proceeds are to be split as follows: ninety-five (95%) of the fifteen-hundredth of one percent (.15%) will be split evenly between the fourteen departments and five (5%) of the fifteen-hundredth of one percent (.15%) will be placed in a cash fund account to be used for such other fire protection services as may be deemed necessary by the Board of County

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 Rural Fire-ST 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 \$3,979 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2018.

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.

F. Interfund Transfers

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

- \$600,000 was transferred from the Courthouse Maintenance-ST fund to the County General fund to meet the requirements of appropriations in accordance with 68 O.S. § 3021.
- \$600,000 was transferred from the County General fund to the Courthouse Maintenance-ST fund for the repayment of the loan in accordance with 68 O.S. § 3021.
- \$4,319 was transferred from the County General fund due to a bond interest error in previous fiscal years.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- \$23,959 was transferred from the Courthouse Maintenance-ST fund due to an error made in bond interest in previous fiscal years.
- \$23,959 was transferred from the Resale Property fund due to an error made in bond interest.
- \$8,425 was returned to the Excess Resale Fund (a Trust & Agency Fund) from the Resale Property fund due to an error during the June Resale.
- \$9,548 was transferred from the Use Tax-ST fund to the Juvenile Drug Court fund to cover additional funding for salaries and OPERS benefits.
- \$31,164 was transferred from the FEMA fund to the Road and Bridges-ST fund for the reimbursement of grant expenditures.
- \$4,167 was transferred from the Treasurer Mortgage Certification fund due to a bond interest error.
- \$36,716 was transferred from the Local Emergency Planning Committee fund with \$36,592 going to the Emergency Management fund and \$124 going to the Emergency Management Weather Radios fund to correct an apportionment error during the chart of accounts conversion.

The following funds were consolidated as part of the County's conversion to a new framework for the systematic reporting and accounting of county government transactions (Chart of Accounts):

- \$4,284,289 was transferred from the General Government-ST fund to the Road and Bridges-ST fund.
- \$348,582 was transferred from the General Government-ST fund to the Sheriff-ST fund.
- \$11,710 was transferred from the FEMA fund to the Road and Bridges-ST fund.
- \$1 was transferred from the STEP Program Cash Fund to the Juvenile Detention fund.
- \$6,665 was transferred from the INCOG REAP Stone Bluff Hydrants fund to the Rural Fire-ST fund.
- \$906 June 30, 2017 ending balance of the Wagoner County Recreational Complex fund was added to the July 1, 2017 beginning balance of the County General fund.
- \$21,938 and \$116,577 June 30, 2017 ending balances of the Community Sentencing Council fund and Community Sentencing-DOC fund, respectively, were combined to

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

create the Sheriff Community Service Sentencing Program fund July 1, 2017 beginning balance.

- \$2,970 June 30, 2017 ending balance of the Fire Sales Tax Trust Authority Fund was added to the July 1, 2017 beginning balance Rural Fire-ST fund.
- \$1,556,095 Special Economic Development fund and \$379,154 County Commissioners Use Tax fund June 30, 2017 ending balances were combined to become July 1, 2017 beginning balance of the Use Tax-ST fund.
- \$16,200 and \$200 June 30, 2017 ending balances of the and the Proceeds from Sale and the Juvenile Offender Street and Juvenile Program Donations funds, respectively, were combined to become the County Donations fund July 1, 2017.
- \$13 and \$1,804 June 30, 2017 ending balances of the Youth Graduated Sanction (STEP Grant and Juvenile Offender Program funds, respectively, were added to the July 1, 2017 beginning balance of the Juvenile Detention fund.
- \$208 June 30, 2017 ending balance of Courthouse Renovation Sales Tax fund was added to the July 1, 2017 beginning balance of the Courthouse Maintenance-ST fund.

Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Juvenile Offender Street Fund was reclassified as a county fund. The fund was combined with the Juvenile Detention fund with expenditures for the operation of the juvenile detention. Juvenile Program Donations was reclassified as a county fund. It was combined with the County Donations Fund with expenditures for the purposes as designated by the Board of County Commissioners.

Prior year ending balance, as reported	\$24,434,629
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Funds reclassified to County Funds:

Juvenile Offender Street and Juvenile Program Donations	
Reclassified from Trust and Agency Fund to County Fund	<u>200</u>

Prior year ending balance, as restated	<u>\$24,434,829</u>
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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, 2018

General Fund			
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,373,560	\$ 2,374,466	\$ 906
Less: Prior Year Outstanding Warrants	(327,756)	(327,663)	93
Less: Prior Year Encumbrances	(115,339)	(74,256)	41,083
Beginning Cash Balances, Budgetary Basis	<u>1,930,465</u>	<u>1,972,547</u>	<u>42,082</u>
Total Receipts, Budgetary Basis	6,060,938	7,022,147	961,209
Total Expenditures, Budgetary Basis	8,282,343	7,181,862	1,100,481
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ (290,940)</u>	<u>1,812,832</u>	<u>\$ 2,103,772</u>
Operating Transfers:			
Operating Transfer In		600,000	
Operating Transfer Out		(604,319)	
Net Operating Transfers		(4,319)	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		1,910	
Add: Current Year Outstanding Warrants		294,464	
Add: Current Year Encumbrances		134,793	
Ending Cash Balance	<u>\$ 2,239,680</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, 2018

County Health Department Fund			
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,696,992	\$ 2,696,992	\$ -
Less: Prior Year Outstanding Warrants	(85,473)	(85,473)	-
Less: Prior Year Encumbrances	(206,182)	(141,076)	65,106
Beginning Cash Balances, Budgetary Basis	<u>2,405,337</u>	<u>2,470,443</u>	<u>65,106</u>
 Total Receipts, Budgetary Basis	 <u>1,407,454</u>	 <u>1,516,050</u>	 <u>108,596</u>
 Total Expenditures, Budgetary Basis	 <u>3,812,791</u>	 <u>1,206,675</u>	 <u>2,606,116</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 <u>2,779,818</u>	 <u>\$ 2,779,818</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances	47,994		
Add: Current Year Outstanding Warrants	125,706		
Ending Cash Balance	<u>\$ 2,953,518</u>		

WAGONER COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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



Cindy Byrd, CPA | State Auditor & Inspector

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**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, 2018, 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, 2018, 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: 2018-001.

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, 2018**

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 2018- 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, 2017-001)

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 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, 2018**

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 2018-008 – 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 County Commissioner District 1, Courthouse Maintenance, OSU Extension, County 911, Adult Drug court, and fire departments of Broken Arrow, Coweta, Flat Rock, Oak Grove, Okay, Porter, Rolling Hills, Stone Bluff, Taylor Ferry, Toppers, Tullahasse, Wagoner, and Whitehorn have not designed procedures to maintain and update inventory records and perform and document annual physical counts of all fixed assets and file with the County Clerk's office.

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

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 1: District one completes an annual inventory and files it with the office of the County Clerk. Additionally, with the implementation of the new web-based system for the Clerk's office, all inventory will be kept online, simplifying the inventory process and making it possible to simply print out the report review and sign annually.

Auditor Response: An inventory list was not located in the County Clerk's office.

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.

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.

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

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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."



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