

**WAGONER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

J. TIM ARBAUGH
Abstractor Registrar

May 2, 2006

TO THE CITIZENS OF
WAGONER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Wagoner County, Oklahoma, for the fiscal year ended June 30, 2004. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

**WAGONER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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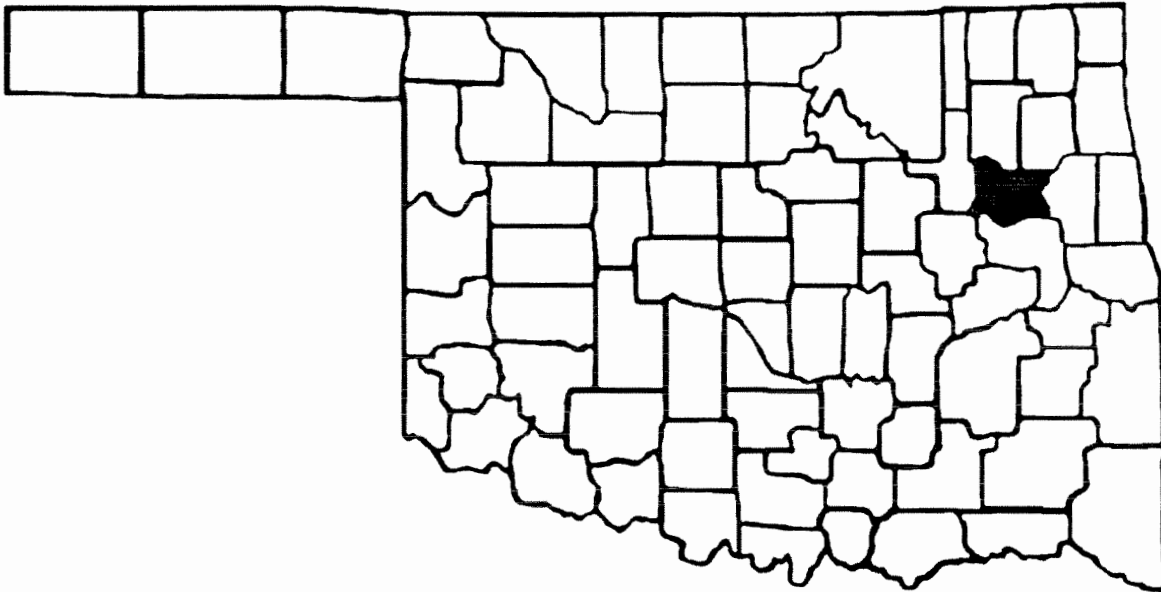
**WAGONER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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REPORT TO THE CITIZENS
OF
WAGONER COUNTY, OKLAHOMA



Created at statehood, Wagoner is named for its major city which is also the county seat. The main thoroughfare of the county was the Osage Trace, which became known as the Texas Road in 1826. During the Civil War this route was heavily traveled. In 1866 the Texas Road became known as the East Shawnee Trail, one of the first cattle trails to cross the area. In the early 1870s the Missouri, Kansas, and Texas (KATY) railroad extended into the county.

While Tulsa's industrial area and the Port of Catoosa provide employment for many Wagoner County citizens, agriculture remains a basic element in the economy, with grain and cattle being of major importance.

County Seat – Wagoner

Area – 563.1 Square Miles

County Population – 57,491
(2000 est.)

Farms – 973

Land in Farms – 240,660 Acres

Source: Oklahoma Almanac – 2003-2004

See independent auditor's report.

**WAGONER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

COUNTY ASSESSOR
Judie Thompson
(D) Wagoner

The County Assessor has the responsibility to appraise and assess the real and personal property within the county for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the county. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

COUNTY CLERK
Jerry Fields
(D) Wagoner

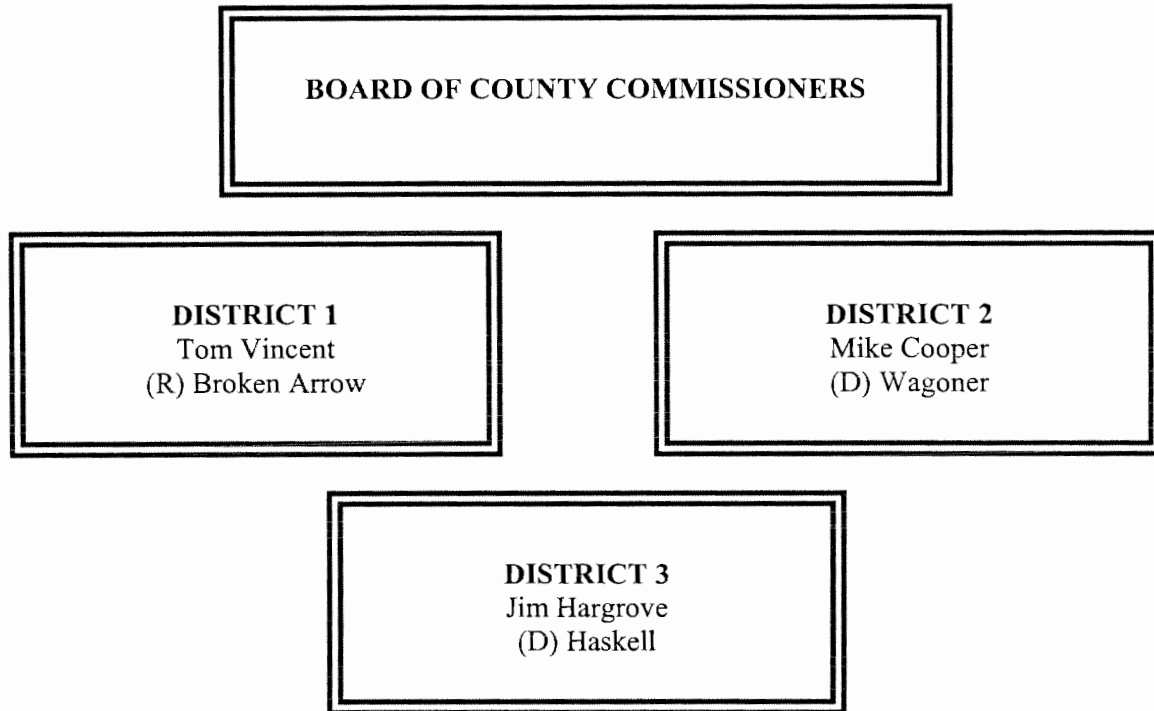
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as "open records." As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

**WAGONER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**



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

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

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

See independent auditor's report.

**WAGONER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

COUNTY SHERIFF

Rudy Briggs
(D) Coweta

The County Sheriff is responsible for preserving the peace and protecting life and property within the county's jurisdiction. As the county's chief law enforcement officer, the Sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the county jail.

The County Sheriff has the responsibility of serving warrants and processing papers ordered by the District Court.

COUNTY TREASURER

Mary Sue Tedder (to 3-31-04)
(D) Porter
Gloria Marshall (3-31-04 to present)
(D) Porter

All collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. The State Auditor and Inspector's Office prescribes all the forms used by the County Treasurer, and at least twice a year inspects the County Treasurer's accounts.

See independent auditor's report.

**WAGONER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

COURT CLERK
Sue Wells
(D) Wagoner

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government. Court Clerks use forms and follow procedures prescribed by the Court Administrator's Office, the Oklahoma Supreme Court, and the State Auditor and Inspector.

DISTRICT ATTORNEY
Richard H. Gray
(D) Wagoner

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

**WAGONER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

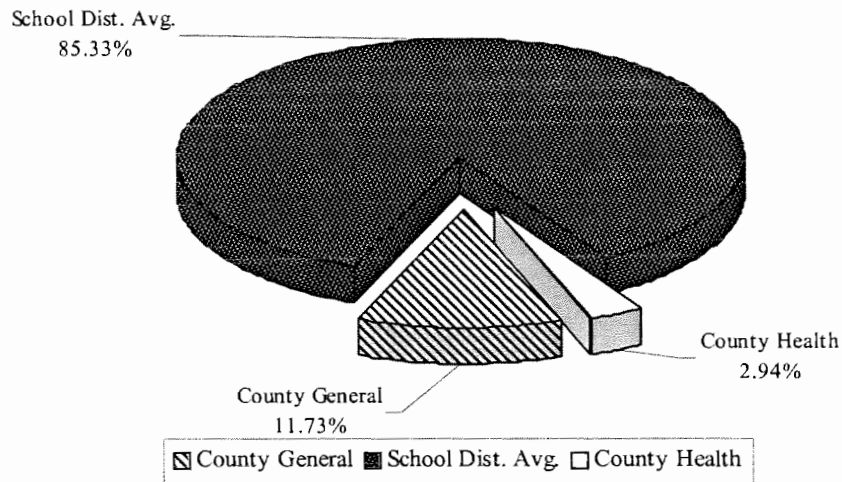
<p>ELECTION BOARD SECRETARY Jason Rousselot (D) Okay</p>

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

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

**WAGONER COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
Co. General	10.31								
County Health	2.58	Okay	I-1	36.17	5.17		10.14	4.13	55.61
		Coweta	I-17	36.19	5.17	19.43	10.14	4.13	75.06
		Wagoner	I-19	35.79	5.11	21.01	10.14	4.13	76.18
		Porter	I-365	36.77	5.25	11.34	10.14	4.13	67.63
		Muskogee	2	36.31	5.19	24.25	10.14	4.13	80.02
		Muskogee	3	35.51	5.07	13.17	10.14	4.13	68.02
		Rogers	2	35.84	5.12	17.89	13.21	4.13	76.19
		Rogers	5	37.15	5.31	29.49	10.36	4.13	86.44
		Mayes	17	38.84	5.55	17.85	10.36	4.13	76.73
		Mayes	32	36.07	5.15	10.50	10.36	4.13	66.21
		Tulsa	1	35.55	5.16	24.59	13.21	4.13	82.64
		Tulsa	3	36.15	5.16	30.26	13.21	4.13	88.91
		Cities and Towns							
Coweta	2.64								
Broken Arrow	12.89								
Bixby	13.61								

See independent auditor's report.

**WAGONER COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

Total net assessed value as of January 1, 2003		<u>\$ 267,759,733</u>
Debt limit - 5% of total assessed value		13,387,987
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 13,387,987</u>

See independent auditor's report.

**WAGONER COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

	2004
Estimated population	57,491
Net assessed value as of January 1, 2003	\$ 267,759,733
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**WAGONER COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2003	\$60,885,172	\$25,273,237	\$196,908,739	\$15,307,415	\$267,759,733	\$2,231,331,108

See independent auditor's report.

FINANCIAL SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

J. TIM ARBAUGH
Abstractor Registrar

TO THE OFFICERS OF
WAGONER COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Wagoner County, Oklahoma, as of and for the year ended June 30, 2004, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Wagoner County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

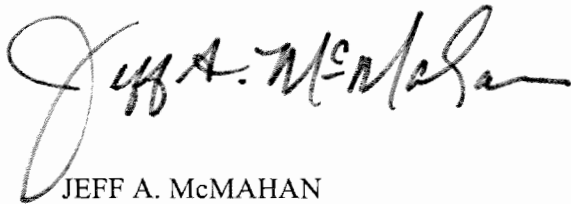
As described in Note 1, this financial statement was prepared using accounting practices prescribed by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory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

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Wagoner County as of June 30, 2004, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Wagoner County, for the year ended June 30, 2004, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2006, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jeff A. McMahán". The signature is fluid and cursive, with a large initial "J" and a long horizontal stroke at the end.

JEFF A. McMAHAN
State Auditor and Inspector

February 15, 2006

Basic Financial Statement

**WAGONER COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Combining Information:	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
General Fund	\$ 3,976,106	\$ 7,147,839	\$ 5,747,534	\$ 5,376,411
Highway Cash	1,456,709	3,227,479	3,311,659	1,372,529
County Health	398,213	723,333	513,480	608,066
Co. Clerk's Records Preservation	146,834	107,191	8,895	245,130
Treasurer's Mortgage Cert. Fee	141,195	30,805	1	171,999
Local Law Enforcement Grant	28,290	647		28,937
CDBG		150,408	150,408	
Drill Instructor	3,159	12,856	11,033	4,982
Courthouse Renovation	3,357,348	2,648,135	1,458,577	4,546,906
Community Sentencing	53,767	31,340	8,240	76,867
Resale Property	270,787	180,753	145,202	306,338
Law Enforcement	60,619	9,604	9,167	61,056
Home Detention	3,020	1,788	1,909	2,899
County Clerk Lien Fee	46,544	4,994	3,999	47,539
Sheriff Service Fee	136,722	167,383	162,812	141,293
Assessor's Revolving	12,610	14,562	14,559	12,613
Community Sentencing - DOC	31,887	72,036	77,427	26,496
REAP Grant	20,217	62,500	37,058	45,659
Sheriff VAWA	4,537	2,793		7,330
Sheriff Drug Education	5,927	23,696		29,623
Sheriff Contract	34,276	28,440	43,836	18,880
Combined Total--All County Funds	\$ 10,188,767	\$ 14,648,582	\$ 11,705,796	\$ 13,131,553

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, 2004**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

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

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

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

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

County Clerk's 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.

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

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Local Law Enforcement Grant – revenues are from a federal grant. Disbursements are for supplemental deputies.

CDBG – accounts for the collection and disbursement of Community Development Block Grant funds.

Drill Instructor – accounts for monies allocated from the general fund for juvenile rehabilitation.

Courthouse Renovation – accounts for sales tax collected for the renovation and remodeling of the Wagoner County Services Building.

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

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

Law Enforcement – accounts for the collection and disbursement of federal grant money for a local law enforcement grant.

Home Detention – accounts for the collection and disbursement of grant money for home detention.

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

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

Assessor's Revolving – revenues are from any and all fees collected by the County Assessor. Disbursements are to maintain electronic databases and geographic information systems in the Assessor's office.

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

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

Sheriff VAWA – accounts for grants to support the VAWA programs and services provided in Wagoner County.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Sheriff Drug Education – revenue is from monies seized and forfeited to the Sheriff’s office. Disbursements are for the maintenance and operation of the Sheriff’s Drug Task Force.

Sheriff Contract – revenues are from the Corps of Engineers. Disbursements are for the expenses of patrolling corps land.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, 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.

C. Basis of Accounting

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

D. Budget

Under current Oklahoma Statutes, the general fund and the 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 by fund, 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.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

E. Cash

The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County’s books. The balance in the pooled cash accounts is available to meet current operating requirements.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

F. Compensated Absences

Employees with service of 1 year earn 5 days per year. Employees with service of 2 to 10 years earn 10 days per year. Employees with service of 11 to 19 years earn 15 days per year. Employees with service of 20 years or more earn 20 days per year.

Sick leave benefits are accrued at the rate of 8 hours per month and employees may accumulate up to 130 days. Sick leave is not paid upon termination.

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2003, was approximately \$267,759,733.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.31 mills for general fund operations and 2.58 mills for county health department. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2004, were approximately 96.25 percent of the tax levy.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

3. Fuel Tax

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the county highway fund.

4. Risk Management

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

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

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$10,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. Settled

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

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

Management believes coverage is sufficient to preclude any significant uninsured losses to the County.

5. Long-term Obligations

Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all pieces of machinery subsequently acquired.

6. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2004, 2003, and 2002 were \$237,302, \$213,720, and \$207,618, respectively, equal to the required contributions for each year.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

7. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

8. Contingent Liabilities

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

9. Sales Tax

On March 21, 1988, Wagoner County voters approved a 1% sales tax to become effective on April 1, 1988. The proceeds of the tax are used as follows: 10% for general government, 10% for public safety, and 80% for roads and highways. The original duration of the tax was five years. Voters have subsequently voted to extend this tax for an additional five-year period each time it has expired. The current tax extension began on April 1, 2003, and is set to expire on March 30, 2008.

On October 12, 1999, Wagoner County voters approved a .85% sales tax designated for the improvement and expansion of the Wagoner County Courthouse, including, but not limited to, the Wagoner County Jail Facility. The effective date of this tax is January 1, 2000 through December 31, 2009.

OTHER 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, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 3,976,106	\$ 3,976,106	\$ 3,976,106	\$ -
Less: Prior Year Outstanding Warrants	(264,149)	(264,149)	(262,408)	1,741
Less: Prior Year Encumbrances	(188,838)	(188,838)	(146,782)	42,056
Beginning Cash Balances, Budgetary Basis	<u>3,523,119</u>	<u>3,523,119</u>	<u>3,566,916</u>	<u>43,797</u>
Receipts:				
Ad Valorem Taxes	2,508,387	2,508,387	2,731,284	222,897
Sales Tax	1,811,679	1,811,679	2,814,872	1,003,193
Charges for Services	240,000	240,000	637,279	397,279
Intergovernmental Revenues	237,800	237,000	709,635	472,635
Miscellaneous Revenues	35,000	37,129	254,769	217,640
Total Receipts, Budgetary Basis	<u>4,832,866</u>	<u>4,834,195</u>	<u>7,147,839</u>	<u>2,313,644</u>
Expenditures:				
County Sheriff	933,432	933,432	868,834	64,598
Capital Outlay	25,000	25,000	19,994	5,006
Total County Sheriff	<u>958,432</u>	<u>958,432</u>	<u>888,828</u>	<u>69,604</u>
County Treasurer	132,789	132,789	118,773	14,016
Total County Treasurer	<u>132,789</u>	<u>132,789</u>	<u>118,773</u>	<u>14,016</u>
County Commissioners	425,797	442,566	426,053	16,513
Total County Commissioners	<u>425,797</u>	<u>442,566</u>	<u>426,053</u>	<u>16,513</u>
OSU Extension	87,236	87,236	86,831	405
Capital Outlay	1,000	1,000	991	9
Total OSU Extension	<u>88,236</u>	<u>88,236</u>	<u>87,822</u>	<u>414</u>
County Clerk	287,639	299,639	287,522	12,117
Capital Outlay	30,000	18,000	3,937	14,063
Total County Clerk	<u>317,639</u>	<u>317,639</u>	<u>291,459</u>	<u>26,180</u>
Court Clerk	120,286	120,286	113,731	6,555
Total Court Clerk	<u>120,286</u>	<u>120,286</u>	<u>113,731</u>	<u>6,555</u>

continued on next page

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

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, 2004

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	203,996	203,996	202,859	1,137
Total County Assessor	203,996	203,996	202,859	1,137
Revaluation of Real Property	353,748	353,748	349,904	3,844
Capital Outlay	34,240	34,240	34,036	204
Total Revaluation of Real Property	387,988	387,988	383,940	4,048
General Government	674,166	618,904	363,800	255,104
Capital Outlay	144,000	144,000	21,897	122,103
Total General Government	818,166	762,904	385,697	377,207
Excise-Equalization Board	8,200	8,200	4,419	3,781
Total Excise-Equalization Board	8,200	8,200	4,419	3,781
County Election Board	150,082	154,323	151,124	3,199
Capital Outlay	2,100	2,100	2,055	45
Total County Election Board	152,182	156,423	153,179	3,244
Insurance	836,000	871,180	764,111	107,069
Total Insurance	836,000	871,180	764,111	107,069
Free Fair	17,500	17,500	17,500	
Total Free Fair	17,500	17,500	17,500	-
Purchasing Agent	34,882	34,882	33,695	1,187
Total Purchasing Agent	34,882	34,882	33,695	1,187
Welfare Agencies	1,500	1,500	1,268	232
Total Welfare Agencies	1,500	1,500	1,268	232
County Audit Budget Account	28,604	29,005	29,005	
Total County Audit Budget Account	28,604	29,005	29,005	-
Sales Tax - General	537,555	537,555	190,431	347,124
Total Sales Tax - General	537,555	537,555	190,431	347,124

continued on next page

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

**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, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Sales Tax - District 1	969,351	969,351	399,244	570,107
Total Sales Tax - District 1	<u>969,351</u>	<u>969,351</u>	<u>399,244</u>	<u>570,107</u>
Sales Tax - District 2	861,624	861,624	608,288	253,336
Total Sales Tax - District 2	<u>861,624</u>	<u>861,624</u>	<u>608,288</u>	<u>253,336</u>
Sales Tax - District 3	711,585	711,585	709,972	1,613
Total Sales Tax - District 3	<u>711,585</u>	<u>711,585</u>	<u>709,972</u>	<u>1,613</u>
Sales Tax - Sheriff	743,673	743,673	88,214	655,459
Total Sales Tax - Sheriff	<u>743,673</u>	<u>743,673</u>	<u>88,214</u>	<u>655,459</u>
 Total Expenditures, Budgetary Basis	 <u>8,355,985</u>	 <u>8,357,314</u>	 <u>5,898,488</u>	 <u>2,458,826</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 <u>\$ -</u>	 4,816,267	 <u>\$ 4,816,267</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			288,837	
Add: Current Year Outstanding Warrants			<u>271,307</u>	
Ending Cash Balance			<u>\$ 5,376,411</u>	

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

**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, 2004**

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 398,213	\$ 398,213	\$ 398,213	\$ -
Less: Prior Year Outstanding Warrants	(128)	(128)	(128)	
Less: Prior Year Encumbrances	(5,960)	(5,960)	(5,855)	105
Beginning Cash Balances, Budgetary Basis	<u>392,125</u>	<u>392,125</u>	<u>392,230</u>	<u>105</u>
Receipts:				
Ad Valorem Taxes	627,705	627,705	673,664	45,959
Miscellaneous Revenues		49,669	49,669	
Total Receipts, Budgetary Basis	<u>627,705</u>	<u>677,374</u>	<u>723,333</u>	<u>45,959</u>
Expenditures:				
Health and Welfare	701,621	701,621	479,857	221,764
Capital Outlay	318,209	367,878	63,500	304,378
Total Expenditures, Budgetary Basis	<u>1,019,830</u>	<u>1,069,499</u>	<u>543,357</u>	<u>526,142</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	572,206	<u>\$ 572,206</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Outstanding Warrants			13,286	
Add: Current Year Encumbrances			22,574	
Ending Cash Balance			<u>\$ 608,066</u>	

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

**WAGONER COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

J. TIM ARBAUGH
Abstractor Registrar

**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 the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Wagoner County, Oklahoma, as of and for the year ended June 30, 2004, which 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 February 15, 2006. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

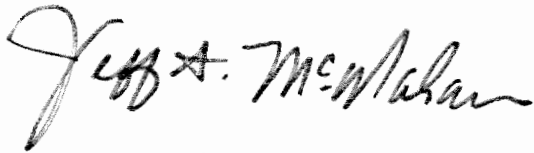
In planning and performing our audit, we considered Wagoner County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Wagoner County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying schedule of findings and responses as item 2002-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2002-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wagoner County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of the County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in black ink that reads "JEFF A. McMAHAN". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

February 15, 2006

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 2002-1 - Segregation of Duties (Repeat Finding)

Criteria: Demonstration of accountability and stewardship are goals used in evaluating management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

Condition: Based on inquiries of County personnel, it was noted that the duties of receiving, receipting, recording, and depositing collections were not adequately segregated. Payroll preparation, review, and distribution are not adequately segregated.

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

Recommendation: We recommend management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions: Management is aware of this condition. Management has knowledge of office operations and performs regular reviews of these operations.