

County Audit

Wagoner County, Oklahoma

For The Fiscal Year Ended
June 30, 2006



Office of the Oklahoma State Auditor and Inspector
Jeff A. McMahan, CFE

**WAGONER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

July 25, 2007

TO THE CITIZENS OF
WAGONER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Wagoner County, Oklahoma, for the fiscal year ended June 30, 2006. 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. McMahan". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

**WAGONER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Wagoner County	ii
County Officials and Responsibilities	iii
Ad Valorem Tax Distribution.....	viii
Computation of Legal Debt Margin	ix
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	x
Assessed Value of Property	xi

FINANCIAL SECTION

Report of State Auditor and Inspector.....	1
Basic Financial Statement:	
Combined Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information).....	3
Notes to the Financial Statement	4

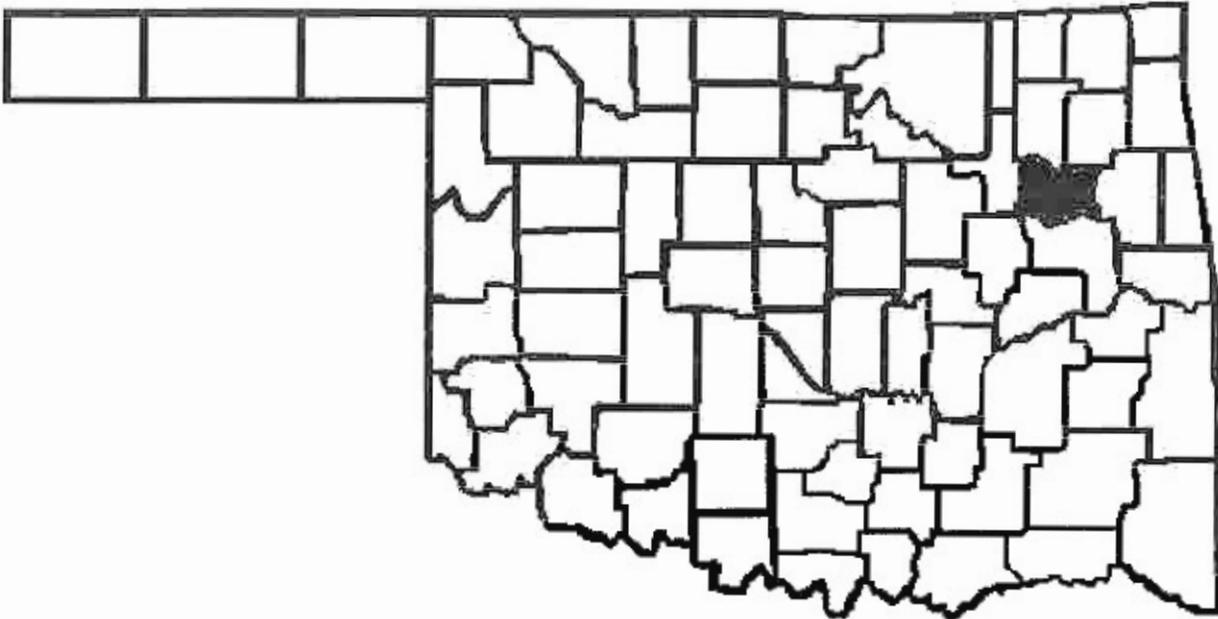
OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund	13
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund.....	16
Notes to Other Supplementary Information.....	17

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	18
Schedule of Findings and Responses.....	20

**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.

The Wagoner County Historical Society in Wagoner serves the area. For more information, call the county clerk's office at 918-485-2216.

County Seat – Wagoner

Area – 590.99 Square Miles

County Population – 63,054
(2004 est.)

Farms – 1,217

Land in Farms – 259,978 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

**WAGONER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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
Carolyn Kusler
(R) Broken Arrow

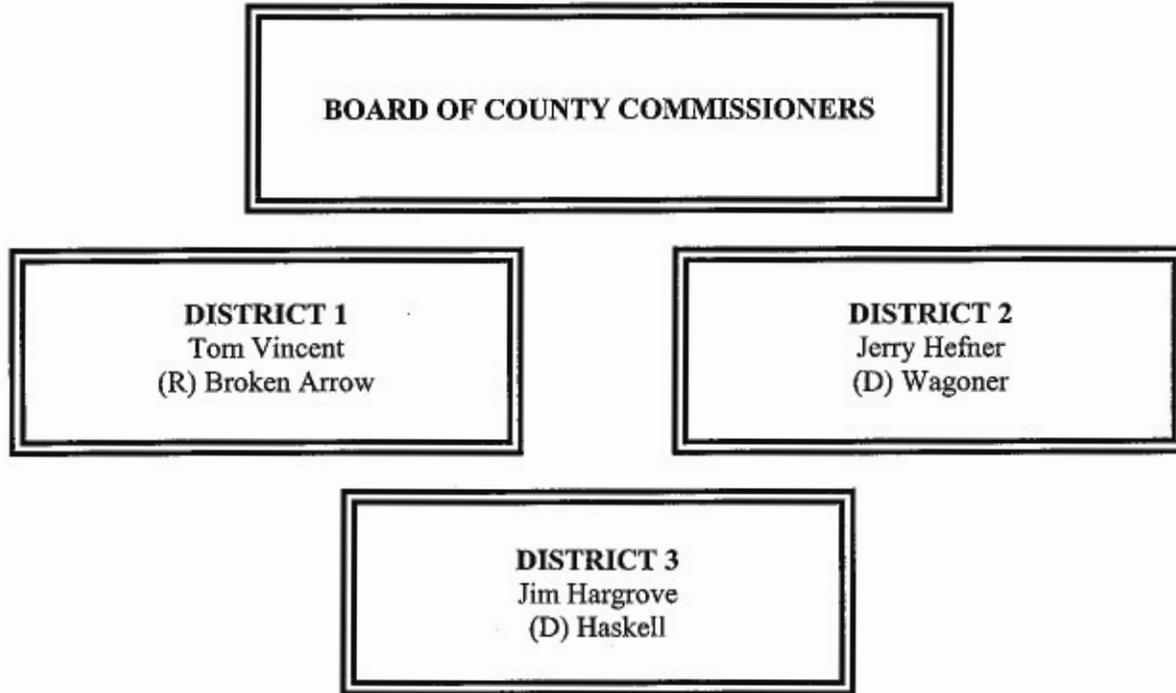
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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, 2006**



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, 2006**

COUNTY SHERIFF
Johnny Cannon
(D) Wagoner

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
Gloria Marshall
(D) Wagoner

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, 2006**

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 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, 2006**

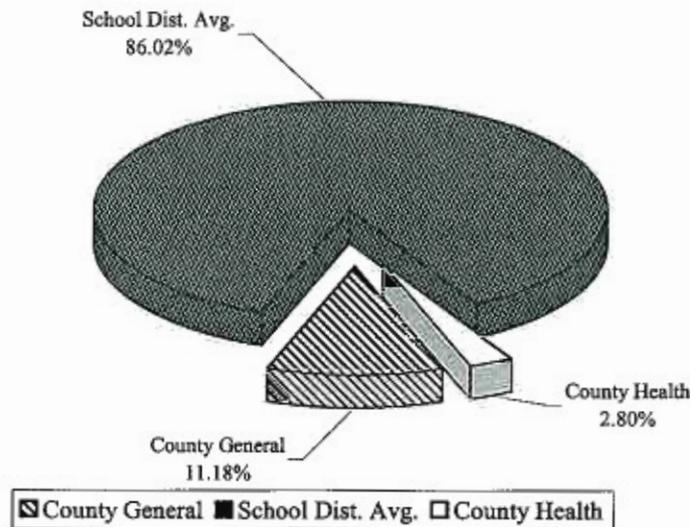
ELECTION BOARD SECRETARY
Wade Rousselot
(D) Okay

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, 2006**

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							
Co. General	10.31			Gen.	Bldg.	Skp.	Career Tech	Common	Total
County Health	2.58	Coweta	I-17	36.19	5.17	21.88	10.14	4.13	77.51
		Okay	I-17	36.17	5.17	1.05	10.14	4.13	56.66
		Wagoner	I-19	35.79	5.11	16.69	10.14	4.13	71.86
		Porter	I-365	36.77	5.25	9.59	10.14	4.13	65.88
		Muskogee	2	36.31	5.19	21.16	10.14	4.13	76.93
		Muskogee	3	35.51	5.07	12.64	10.14	4.13	67.49
		Rogers	2	35.84	5.12	12.33	13.21	4.13	70.63
		Rogers	5	37.15	5.31	26.29	11.36	4.13	84.24
		Mayes	17	38.84	5.55	28.70	11.36	4.13	88.58
		Mayes	32	36.07	5.15	6.82	11.36	4.13	63.53
		Tulsa	1	35.55	5.16	23.42	13.21	4.13	81.47
		Tulsa	3	36.15	5.16	27.56	13.21	4.13	86.21

See independent auditor's report.

**WAGONER COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

Total net assessed value as of January 1, 2005		<u>\$ 314,281,186</u>
Debt limit - 5% of total assessed value		15,714,059
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 15,714,059</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, 2006
 (UNAUDITED)**

	2006
Estimated population	63,054
Net assessed value as of January 1, 2005	\$ 314,281,186
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, 2006
(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>
1/1/2005	\$61,544,612	\$27,814,706	\$241,092,217	\$16,170,349	\$314,281,186	\$2,806,082,018

See independent auditor's report.

FINANCIAL SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
WAGONER COUNTY, OKLAHOMA

We have audited the 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, 2006, 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.

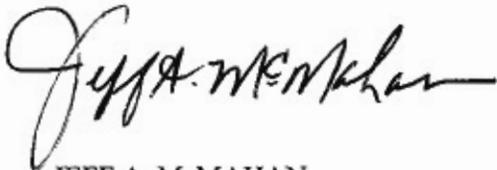
As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between 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, 2006, 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, 2006, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2007, 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.



JEFF A. McMAHAN
State Auditor and Inspector

July 11, 2007

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, 2006**

	Beginning Cash Balances July 1, 2005	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2006
Combining Information:				
County General Fund	\$ 6,246,264	\$ 8,649,844	\$ 9,022,366	\$ 5,873,742
T-Highway	1,028,443	3,067,675	2,477,206	1,618,912
County Health and Health Department	881,783	885,007	774,540	992,250
County Health Cash in Office	95			95
County Clerk Records Preservation Fee	288,285	98,811	164,891	222,205
Treasurer Mortgage Certification Fees	199,890	28,560		228,450
Local Law Enforcement Block	59	2		61
Courthouse Renovation Sales Tax	6,152,482	3,261,009	1,972,460	7,441,031
Community Service Sentencing Program	102,029	31,356	21,311	112,074
Resale Property	311,343	197,803	177,147	331,999
Storm Shelter Rebate	2,040			2,040
Law Enforcement/Corp of Engineers	55,382	12,461	12,171	55,672
Home Detention	3,179	3,315	4,316	2,178
County Clerk Lien Fee	36,302	25,716	14,840	47,178
Sheriff Fee Cash Fund	196,082	221,298	103,034	314,346
Sheriff "Trash" Cops	3,221	5,000	6,492	1,729
Assessor Visual Inspection Fee	16			16
Assessor Revolving Fund	12,930	8,852	2,017	19,765
Community Sentencing-DOC	43,946	40,339	69,475	14,810
REAP Grant	28,159	12,990	12,990	28,159
Sheriff VAWA	7,330			7,330
Sheriff Training Fund	946			946
Sheriff Drug Education	29,463			29,463
Sheriff Contract Prison	50,361	36,604	35,794	51,171
Fire Dist. Sales Tax	150,518	550,824	339,028	362,314
Special Economic Dev.	79,243	671,099	13,707	736,635
Sheriffs Commissary Fund		6,492		6,492
Combined Total--All County Funds	\$ 15,909,791	\$ 17,815,057	\$ 15,223,785	\$ 18,501,063

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, 2006**

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:

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

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

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

County Health Cash in Office - fees held many years ago to establish a change fund.

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

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

Local Law Enforcement Grant- accounts for the collection and disbursement of grant money supplied to the County by the Department of Justice for local law enforcement agencies.

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

Community Service Sentencing Program- 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 delinquent ad valorem tax collections. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Storm Shelter Rebate- accounts for federal grant funds received for the reimbursement of storm shelter installation.

Law Enforcement/Corp of Engineers- accounts for collections from the corp of engineers for the purpose of supplying additional lake patrol.

Home Detention- accounts for reimbursement from the Juvenile Bureau to the County Sheriff for the detention and supervision of juveniles.

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

Sheriff "Trash" Cops - accounts for grant funds received from the State of Oklahoma for the enforcement of trash and litter laws.

Assessor Visual Inspection Fee - revenues are from fees charged to all entities receiving ad valorem taxes. Disbursements are for the re-valuation of all county property for ad valorem purposes.

Assessor Revolving Fund - 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.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 grant money received under the Violence Against Women Act to pay a VAWA deputy's salary.

Sheriff Training Fund – accounts for money received by donation and used to defray the cost of attending law enforcement classes.

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 Prison – accounts for money received from the Department of Corrections for the housing and care of inmates.

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

Special Economic Development – revenues are from the monthly use tax allocations. Disbursements are for economic development within Wagoner County.

Sheriff Commissary Fund – revenues are from profits on commissary sales in the county jail. Disbursements are for jail improvements.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including fire districts, county or city-county health departments, 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.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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.

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. Investments

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may not be accumulated. 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, 2005, was approximately \$314,281,186.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.31 mills (the legal maximum) 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, 2006, were approximately 82.43 percent of the tax levy.

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

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed pool assets, the members would have surcharges assessed to pay the excess claims

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 \$25,000.00 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 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.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Commercial Insurance - The County obtains commercial insurance coverage to pay legitimate workers' compensation claims. 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.

OPEH&WP - The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. 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.

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 6.5% and 11.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 11.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2006, 2005, and 2004 were \$398,668, \$309,975, and \$282,425, respectively, equal to the required contributions for each year.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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.

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.

On August 24, 2004, Wagoner County voters approved a .15% sales tax. Of the proceeds, 95% is to be used to fund the operation of the various fire districts within Wagoner County. The remaining 5% is held in escrow to be used for fire protection services as deemed necessary.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

10. Restatement Prior Year Ending Balance

Due to the reclassification of funds for fiscal year ending June 30, 2005, the ending balance as reported is different than the June 30, 2006, beginning balance. The difference is due to two funds reported as county that should have been trust and agency, resulting in a reduction of \$57,182. Eight funds were reported as trust and agency that should have been county funds, resulting in an increase of \$236,079.

Prior Year Ending as Reported	\$ 15,730,894
Funds Moved to Trust and Agency	(57,182)
Funds Moved to County Funds	236,079
Prior Year Ending Balance as Restated	<u>\$ 15,909,791</u>

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, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 6,246,264	\$ 6,246,264	\$ 6,246,264	\$ -
Less: Prior Year Outstanding Warrants	(288,072)	(288,072)	(288,072)	
Less: Prior Year Encumbrances	(364,231)	(364,231)	(310,152)	54,079
Plus: Estopped Warrants			3,364	3,364
Beginning Cash Balances, Budgetary Basis	<u>5,593,961</u>	<u>5,593,961</u>	<u>5,644,676</u>	<u>50,715</u>
Receipts:				
Ad Valorem Taxes	2,945,672	2,959,813	3,233,474	273,661
Sales Tax	2,720,123	2,720,123	3,660,487	940,364
Charges for Services	372,000	372,000	660,896	288,896
Intergovernmental Revenues	394,480	394,480	676,535	282,055
Miscellaneous Revenues	155,668	155,668	418,452	262,784
Total Receipts, Budgetary Basis	<u>6,587,943</u>	<u>6,602,084</u>	<u>8,649,844</u>	<u>2,047,760</u>
Expenditures:				
County Sheriff	1,077,057	1,075,741	1,074,935	806
Capital Outlay	58,000	58,000	57,962	38
Total County Sheriff	<u>1,135,057</u>	<u>1,133,741</u>	<u>1,132,897</u>	<u>844</u>
County Treasurer	136,737	136,737	135,318	1,419
Total County Treasurer	<u>136,737</u>	<u>136,737</u>	<u>135,318</u>	<u>1,419</u>
County Commissioners	513,269	555,707	525,239	30,468
Capital Outlay	20,000	20,000		20,000
Total County Commissioners	<u>533,269</u>	<u>575,707</u>	<u>525,239</u>	<u>50,468</u>
OSU Extension	102,266	102,316	101,865	451
Capital Outlay	1,000	1,000	999	1
Total OSU Extension	<u>103,266</u>	<u>103,316</u>	<u>102,864</u>	<u>452</u>
County Clerk	330,291	343,184	341,443	1,741
Capital Outlay	50,000	41,200	40,078	1,122
Total County Clerk	<u>380,291</u>	<u>384,384</u>	<u>381,521</u>	<u>2,863</u>
Court Clerk	131,551	131,551	130,966	585
Total Court Clerk	<u>131,551</u>	<u>131,551</u>	<u>130,966</u>	<u>585</u>
County Assessor	216,095	216,399	215,570	829
Total County Assessor	<u>216,095</u>	<u>216,399</u>	<u>215,570</u>	<u>829</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, 2006

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	396,935	397,573	384,580	12,993
Capital Outlay	35,000	35,000	23,590	11,410
Total Revaluation of Real Property	<u>431,935</u>	<u>432,573</u>	<u>408,170</u>	<u>24,403</u>
Juvenile Shelter Bureau	40,000	43,600	21,274	22,326
Total Juvenile Shelter Bureau	<u>40,000</u>	<u>43,600</u>	<u>21,274</u>	<u>22,326</u>
General Government	1,604,732	1,543,266	918,061	625,205
Capital Outlay	150,000	150,000	24,203	125,797
Total General Government	<u>1,754,732</u>	<u>1,693,266</u>	<u>942,264</u>	<u>751,002</u>
Excise-Equalization Board	8,200	8,322	5,372	2,950
Total Excise-Equalization Board	<u>8,200</u>	<u>8,322</u>	<u>5,372</u>	<u>2,950</u>
County Election Board	169,048	192,000	188,916	3,084
Capital Outlay	2,100	2,100	1,750	350
Total County Election Board	<u>171,148</u>	<u>194,100</u>	<u>190,666</u>	<u>3,434</u>
Insurance	1,353,000	1,353,000	1,004,740	348,260
Total Insurance	<u>1,353,000</u>	<u>1,353,000</u>	<u>1,004,740</u>	<u>348,260</u>
County Purchasing Agent	43,027	40,580	40,055	525
Capital Outlay	6,200	5,000	4,918	82
Total County Purchasing Agent	<u>49,227</u>	<u>45,580</u>	<u>44,973</u>	<u>607</u>
Welfare Agency	1,500	1,500	382	1,118
Total Welfare Agency	<u>1,500</u>	<u>1,500</u>	<u>382</u>	<u>1,118</u>
County Sales Tax	5,638,642	5,645,015	4,739,885	905,130
Total County Sales Tax	<u>5,638,642</u>	<u>5,645,015</u>	<u>4,739,885</u>	<u>905,130</u>
Free Fair	40,000	40,000	39,888	112
Total Free Fair	<u>40,000</u>	<u>40,000</u>	<u>39,888</u>	<u>112</u>
County Audit Budget	57,254	57,254	54,164	3,090
Total County Audit Budget	<u>57,254</u>	<u>57,254</u>	<u>54,164</u>	<u>3,090</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, 2006

continued from previous page

Total Expenditures, Budgetary Basis	<u>12,181,904</u>	<u>12,196,045</u>	<u>10,076,153</u>	<u>2,119,892</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	4,225,095	<u>\$ 4,225,095</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			948,474	
Add: Current Year Outstanding Warrants			700,173	
Ending Cash Balance			<u>\$ 5,873,742</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, 2006

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 881,783	\$ 881,783	\$ 881,783	\$ -
Less: Prior Year Outstanding Warrants	(344)	(344)	(344)	
Less: Prior Year Encumbrances	(95,324)	(95,324)	(94,116)	1,208
Beginning Cash Balances, Budgetary Basis	<u>786,115</u>	<u>786,115</u>	<u>787,323</u>	<u>1,208</u>
Receipts:				
Ad Valorem Taxes	737,132	737,132	809,152	72,020
Miscellaneous Revenues		72,256	75,855	3,599
Total Receipts, Budgetary Basis	<u>737,132</u>	<u>809,388</u>	<u>885,007</u>	<u>75,619</u>
Expenditures:				
Health and Welfare	905,000	906,438	764,730	141,708
Capital Outlay	618,247	689,065	77,790	611,275
Total Expenditures, Budgetary Basis	<u>1,523,247</u>	<u>1,595,503</u>	<u>842,520</u>	<u>752,983</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	829,810	<u>\$ 829,810</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			92,401	
Add: Current Year Outstanding Warrants			70,039	
Ending Cash Balance			<u>\$ 992,250</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, 2006**

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.

INTERNAL CONTROL AND COMPLIANCE SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**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, 2006, 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 July 11, 2007. 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Wagoner County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings and responses as items 2002-1 and 2006-5.

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, of the reportable conditions described above, 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*.

However, we noted certain matters 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.

This report is intended solely for the information and use 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.



JEFF A. McMAHAN
State Auditor and Inspector

July 11, 2007

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 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 the condition and has taken steps to provide regular reviews to minimize the impact of the lack of adequate segregation of duties.

Finding 2006-5—Purchasing Procedures

Criteria: Title 19 O.S. § 1505.C.2 provides that encumbrances be made prior to the ordering or receiving of goods and services. Also, 19 O.S. § 1505.E.9 states that the invoice shall state the name and address of the vendor and must be sufficiently itemized to clearly describe each item purchased, the unit price when applicable, the number or volume of each item purchased, the total price, and the date of purchase.

Condition: During testwork of disbursements, we found that out of 63 purchase orders tested:

- 1) Seventeen purchase orders (P.O. #343, 733, 815, 1616, 2624, 2738, 3639, 3978, 4523, 6635, 1486, 6402, 2677, 1032, 2359, 436, and 2283) were not properly encumbered before goods were ordered.
 - 11 purchase orders noted from County General
 - 1 purchase order noted from Highway
 - 1 purchase order noted from Health
 - 1 purchase order noted from CSSP
 - 1 purchase order noted from Courthouse Renovation

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

- 1 purchase order noted from Sheriff Service Fee
 - 1 purchase order noted from Whitehorn Cove Fire Dept
- 2) Two purchase orders (P.O. #5302 and 177) did not contain proper supporting documentation attached to the purchase order.
- 1 purchase order noted from County General
 - 1 purchase order noted from Sheriff's Service Fee

Effect: The County runs the financial risk of possible misappropriation of funds.

Recommendation: We recommend that Wagoner County practice proper purchasing procedures. All purchases should be properly requisitioned, encumbered, approved, and received with proper supporting documentation attached.

Views of responsible officials and planned corrective actions: The County will emphasize to employers the importance of following proper purchasing procedures.

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 2006-1—Payroll and Timesheets

Criteria: The overall goal of effective internal controls as they relate to governmental entities is to demonstrate accountability and stewardship in the accounting of funds. Effective internal controls for salary and wages require proper documentation of hours worked, leave earned and used, and timesheet approval by a supervisor with knowledge of the employee's activities. Additionally, the Fair Labor Standards Act requires employers to keep accurate records of time worked, compensatory time earned, taken or paid.

Condition: While testing payroll we noted the following matters:

1. Time records are not always signed by an authorized person at Districts 1, 2 and 3.
2. Time records are not always signed by an authorized person at the Sheriff's office.
3. No time records could be located for the Civil Defense Coordinator.
4. A civil defense employee worked 1791 hours in a one-year period and did not receive OPERS benefits.
5. District 2 time records only document the time employees arrive for work; therefore, it cannot be determined if overtime is actually being earned by the employees since the time records do not properly reflect the hours worked.

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Effect: Inadequate documentation of the employee's time, which could result in the overpayment of county funds for payroll.

Recommendation: We strongly recommend all County officials have properly approved time records to support the monthly payroll. Each employee's time record should reflect the hours worked each day, the compensatory time earned, taken or paid, and be approved by the County officer or supervisor with knowledge of the hours the employee worked. Additionally, any employee who is not temporary or seasonal must receive benefits as required by the Oklahoma Public Employee's Retirement rules and regulations for participating employers.

Views of responsible officials and planned corrective actions: This situation will be addressed by County officers immediately

Finding 2006-2—Payroll

Criteria: Title 62 O.S. § 304.1 requires the County to prepare a statement and affidavit to be signed by the department head acknowledging that the services were received. The statement should set forth the hours worked, rate of pay, and dates of service for each employee of the respective offices. The overall goal of effective internal controls as they relate to governmental entities in evaluating management's accounting for funds is to demonstrate accountability and stewardship. To help ensure proper accounting of funds, effective payroll claims should be signed by an authorized official prior to payroll checks being issued.

Condition: During our test work of payroll, we noted that the following offices are submitting payroll claims without proper signatures/authorization:

- County Sheriff
- County Treasurer
- County Assessor
- Excise Board
- County Commissioners
 - District 1
 - District 2
 - Courthouse Office

Effect: Payroll checks could be issued for ghost employees or at pay rates that are not authorized.

Recommendation: We recommend that payroll only be issued off of signed/authorized payroll claims.

Views of responsible officials and planned corrective actions: All officers will begin signing the payroll affidavit monthly in order to document acknowledgement of services received.

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Finding 2006-3—Payroll Warrant Register

Criteria: The overall goal of effective internal controls as they relate to governmental entities in evaluating management's accounting for funds is to demonstrate accountability and stewardship. A demonstration of accountability would be the warrants register being signed by the elected official or designated employee picking up payroll checks.

Condition: While performing the audit we noted that no one is signing the warrant register when picking up payroll warrants from the County Clerk's payroll clerk.

Effect: The possible misappropriation of County monies.

Recommendation: We recommend that the warrant register be signed by the elected official or the designated employee when picking up payroll warrants, in order to properly account for the disposition of payroll checks.

Views of responsible officials and planned corrective actions: This has been corrected.

Finding 2006-4—Consumable Inventory

Criteria: Title 19 O.S. § 1502 requires the establishment of a uniform identification and inventory system for county supplies, materials and equipment.

Condition: From testwork performed during our fiscal year 2006 audit, we noted that consumable records do not accurately reflect the items on hand at the County barns.

Effect: The violation of state statute and the possible misappropriation of county assets.

Recommendation: We recommend that consumable records be updated to accurately reflect inventories on hand and that these records be maintained perpetually.

Views of responsible officials and planned corrective actions: This will be corrected immediately.

Finding 2006-6—Employee Flex Plan

Criteria: Article 10, § 15 states that credit of the State shall not be given, pledged or loaned to any individual, company, corporation, municipality, or political subdivision of the State.

Condition: During our fiscal year 2006 test work, we noted that Wagoner County started a Flex Plan Spending account in January of 2006, wherein employees pledge to invest a said amount of tax free money each month for the purpose of health and child care expenses. This money can be deducted from the account by an individual prior to the actual investment being made. In order to start up the program

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

the County loaned the Flex Plan Account (county employees) \$5,000.00. Additionally, to keep the Flex Plan Spending bank account from being overdrawn the County deposited additional sums of money into the account throughout the year.

Effect: The possible violation of Article 10, § 15 of the Constitution of the State of Oklahoma.

Recommendation: We recommend that the County remove all county funds from the Flex Plan Spending Account and notify the administrator of the Flex Plan Account that the County can no longer provide financial support for the account. Also, the bank account should be maintained by the company administering the plan and the County's name and employer identification number be removed from the account.

Views of responsible officials and planned corrective actions: This plan is conducted on a calendar year basis and therefore the situation can not be corrected until December 31, 2007.

SA&I response: The Flex Plan Spending Account should be supported by individual employee contributions only. We re-emphasize that the County shall not give, pledge or loan any public funds to any individual, company, corporation, or association in order to comply with Article 10, § 15 of the Constitution of the State of Oklahoma.

Finding 2006-7—Reconciliations by Treasurer and County Clerk Offices

Criteria: The overall goal of effective internal controls as they relate to governmental entities in evaluating management's accounting for funds is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds, a reconciliation should be performed monthly between the Treasurer's warrant register and the County Clerk's warrant register.

Condition: Based on test work procedures performed, it appears that reconciliations are not being performed and maintained between the Treasurer's warrant register and the County Clerk's warrant and appropriation ledger.

Effect: By failing to reconcile accounts on a timely manner the risk of misstatement or misappropriation to occur in those accounts increases. As a result, misstatements or misappropriation of funds would not be detected on a timely basis.

Recommendation: We recommend management take steps to ensure that reconciliations are performed on a monthly basis and that the reconciliation be approved/reviewed by someone other than the preparer.

Views of responsible officials and planned corrective actions: The Treasurer and County Clerk's Offices will begin reconciling monthly.

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Finding 2006-8—Ad Valorem Penalty and Interest

Criteria: Title 68 O.S. § 2913.F, states the county treasurer may waive penalties or interest where it is shown to the county treasurer that such penalties or interest were incurred through no fault of the taxpayer. The Office of State Auditor and Inspector shall audit each waiver of penalties or interest each year during the annual audit of the county offices.

Condition: During our review of interest and penalties waived by the County Treasurer we found the Wagoner County Treasurer's Office does not maintain documentation of such waived interest and penalties.

Effect: Waivers of penalties or interest could be improperly granted.

Recommendation: We recommend that Wagoner County maintain adequate documentation to support all waived penalties and interest.

Views of responsible officials and planned corrective actions: The Treasurer's office will begin maintaining documentation immediately.

Finding 2006-9—General Ledger

Criteria: Title 19 O.S. § 642 states in part, "The county treasurer shall keep a cash book, in which he shall enter an account of all money by him received..." To help ensure a proper accounting of funds, a reconciliation should be performed monthly of all bank accounts.

Condition: During testwork, we noted that the Wagoner County's electronic funds transfer (IRS) bank account and flex plan bank account were not shown on the general ledger. We also noted no reconciliations had been performed on these accounts.

Effect: All bank accounts maintained by the Treasurer are not on the County's general ledger.

Recommendation: We recommend that all bank accounts be noted on the general ledger and that those accounts be reconciled to the bank on a monthly basis, with all variances identified. Additionally, all reconciliations should be approved by someone other than the preparer.

Views of responsible officials and planned corrective actions: The flex plan account will be closed out at the end of the calendar year and the electronic funds (IRS) bank account will be added immediately.