

COUNTY AUDIT

CLEVELAND COUNTY

For the fiscal year ended June 30, 2008



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**CLEVELAND COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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Oklahoma State Auditor & Inspector

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April 28, 2011

TO THE CITIZENS OF
CLEVELAND COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cleveland County, Oklahoma for the fiscal year ended June 30, 2008. 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 blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

**CLEVELAND COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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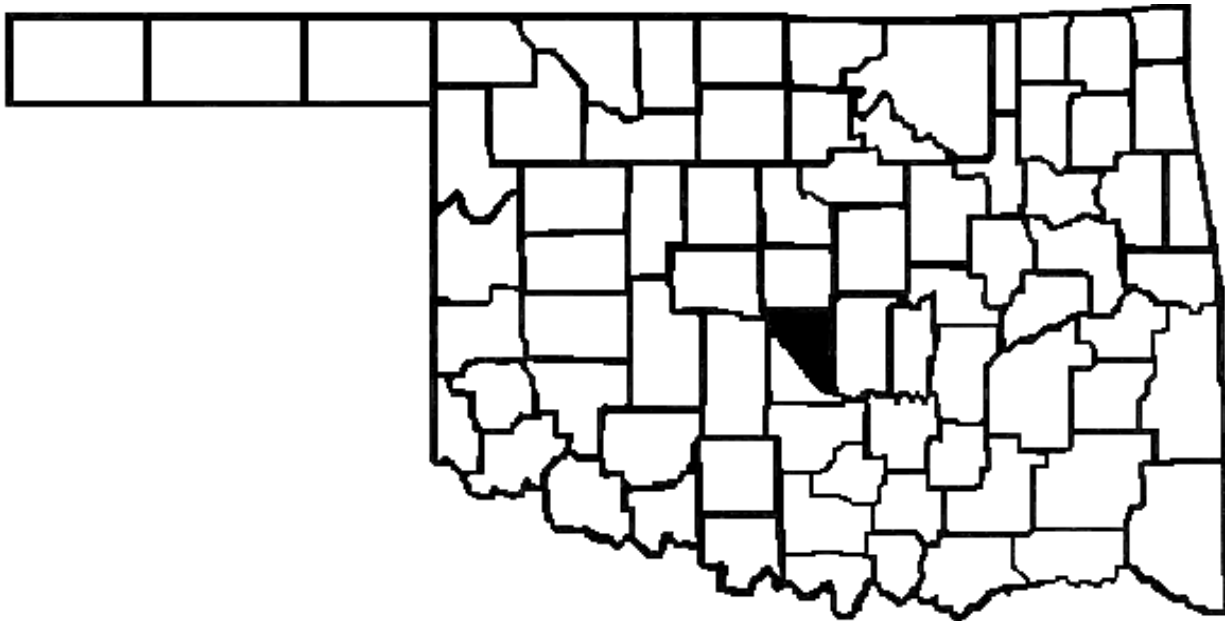
**CLEVELAND COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**REPORT TO THE CITIZENS
OF
CLEVELAND COUNTY, OKLAHOMA**



Opened to settlement in the Land Run of April 22, 1889, Cleveland was one of the seven counties organized as the Oklahoma Territory in 1890. Its first citizens named it for President Grover Cleveland.

Osage Indians had fought the Plains Tribes here where settlers built cities and broke the sod for farms. Explorers pushing westward had marveled at the Cross Timbers in the eastern part of the county and the vast prairies beyond. Colonel A. P. Chouteau established a trading post near Lexington, and Jesse Chisholm ran one of his cattle trails through the county. Washington Irving killed a buffalo in the vicinity of the present-day Moore and wrote about it in *A Tour on the Prairies*.

Cleveland County is the home of the state's largest comprehensive university, the University of Oklahoma in Norman. While other cities were battling to become the capital, Norman's mayor skillfully directed a bill through the Territorial Legislature designating Norman as the site for the first institution of higher learning.

Although Cleveland County is the eighth smallest Oklahoma county in area, it has the third largest population and two of the state's nine largest cities, Norman and Moore. Farming, oil production and horse breeding are important industries. For more information, call the county clerk's office at (405) 366-0240.

County Seat – Norman

Area – 558.34 Square Miles

County Population – 244,898
(2005 est.)

Farms – 1,294

Land in Farms – 165,483 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

**CLEVELAND COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

COUNTY ASSESSOR

Denise Heavner

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

Tammy Howard

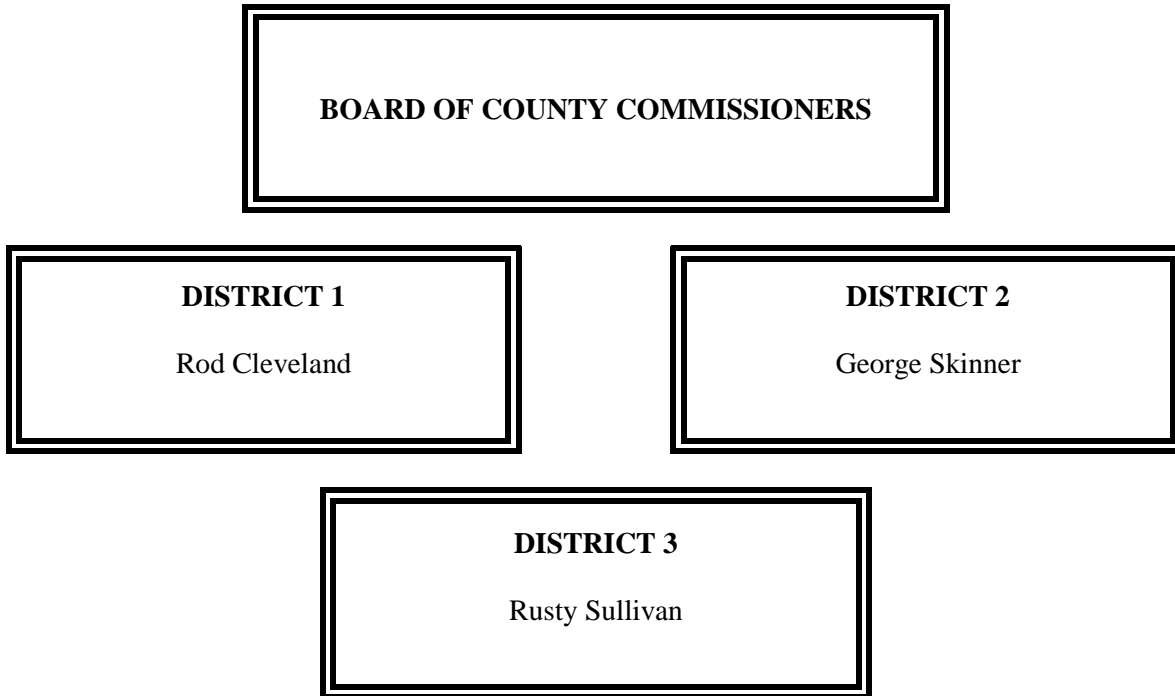
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**CLEVELAND COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**



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.

**CLEVELAND COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

COUNTY SHERIFF

DeWayne Beggs
Retired 4-30-08

Don P. Holyfield
5-1-08 through 12-31-08

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

Saundra DeSelms

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.

See independent auditor's report.

**CLEVELAND COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

COURT CLERK

Rhonda Hall

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.

DISTRICT ATTORNEY

Greg Mashburn

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.

**CLEVELAND COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

ELECTION BOARD SECRETARY

Paula Roberts

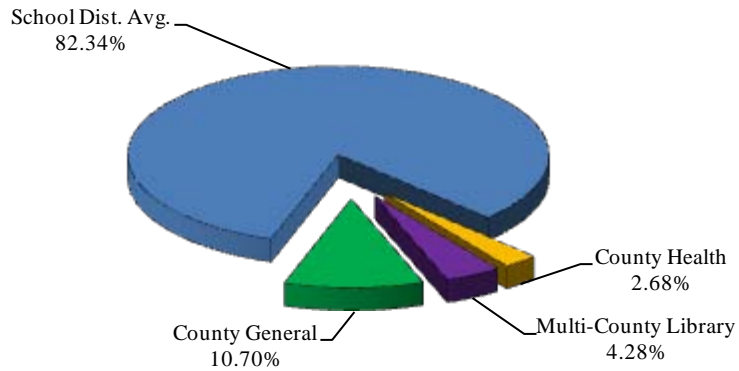
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

See independent auditor's report.

**CLEVELAND COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 |
| County General | 10.28 | | | | | | | |
| County Health | 2.57 | Moore | 36.07 | 5.15 | 26.97 | 14.38 | 4.11 | 86.68 |
| Multi-County Library | 4.11 | Robin Hill | 36.48 | 5.21 | 19.67 | | 4.11 | 65.47 |
| | | Norman | 35.88 | 5.12 | 26.08 | 14.38 | 4.11 | 85.57 |
| | | Noble | 35.85 | 5.12 | 25.36 | 11.25 | 4.11 | 81.69 |
| <u>Cities and Towns</u> | | Lexington | 36.55 | 5.22 | 40.15 | 11.25 | 4.11 | 97.28 |
| Norman | 5.51 | Little Axe | 35.69 | 5.10 | 16.52 | 11.25 | 4.11 | 72.67 |
| Moore | 7.96 | McCloud | 35.64 | 5.09 | 9.08 | 15.22 | 4.11 | 69.14 |
| Noble | 2.93 | Mid-Del | 36.04 | 5.14 | 23.01 | 17.61 | 4.11 | 85.91 |
| | | Mustang | 36.08 | 5.15 | 25.30 | 15.46 | 4.11 | 86.10 |
| <u>Other</u> | | | | | | | | |
| Noble Ambulance | 5.49 | | | | | | | |
| Little Axe Fire | 7.16 | | | | | | | |
| Cedar County Fire | 7.00 | | | | | | | |

See independent auditor's report.

**CLEVELAND COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

| | | |
|---|--------------|-------------------------|
| Total net assessed value as of January 1, 2007 | | <u>\$ 1,346,206,734</u> |
| Debt limit - 5% of total assessed value | | 67,310,337 |
| Total bonds outstanding | - | |
| Total judgments outstanding | - | |
| Less cash in sinking fund | <u>1,182</u> | |
| Legal debt margin | | <u>\$ 67,310,337</u> |

See independent auditor's report.

**CLEVELAND COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

| | 2008 |
|---|------------------|
| Estimated population | 244,898 |
| Net assessed value as of January 1, 2007 | \$ 1,346,206,734 |
| Gross bonded debt | - |
| Less available sinking fund cash balance | 1,182 |
| Net bonded debt | \$ - |
| Ratio of net bonded debt to assessed value | 0.00% |
| Net bonded debt per capita | \$ - |

See independent auditor's report.

**CLEVELAND COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

| Valuation Date | Personal | Public Service | Real Estate | Homestead Exemption | Net Value | Estimated Fair Market Value |
|-------------------|--------------|-------------------|-----------------|------------------------|-----------------|-----------------------------------|
| 1/1/2007 | \$92,759,008 | \$62,557,825 | \$1,242,219,851 | \$51,329,950 | \$1,346,206,734 | \$11,398,599,864 |

See independent auditor's report.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Independent Auditor's Report

TO THE OFFICERS OF CLEVELAND COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Cleveland County, Oklahoma, as of and for the year ended June 30, 2008, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Cleveland 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.

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 Cleveland County as of June 30, 2008, 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 Cleveland County for the year ended June 30, 2008, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2009, on our consideration of Cleveland 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 blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

October 22, 2009

Basic Financial Statement

**CLEVELAND COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | Beginning Cash Balances July 1, 2007 | Receipts Apportioned | Disbursements | Ending Cash Balances June 30, 2008 |
|--|--|-------------------------|---------------------|--|
| Combining Information: | | | | |
| General Fund | \$ 7,061,844 | \$ 17,654,545 | \$ 17,259,791 | \$ 7,456,598 |
| Highway Unrestricted | 4,754,517 | 5,232,527 | 4,956,447 | 5,030,597 |
| Highway Community Service | 5,170 | | | 5,170 |
| County Health | 2,812,806 | 4,003,952 | 4,158,767 | 2,657,991 |
| Resale Property | 939,154 | 742,281 | 644,946 | 1,036,489 |
| Sheriff Service Fee | 657,523 | 448,740 | 390,196 | 716,067 |
| Sheriff Revolving | 297,726 | 492,952 | 368,300 | 422,378 |
| Sheriff Drug Fund | 10,132 | 14,910 | 9,000 | 16,042 |
| Sheriff Training | 278 | | | 278 |
| Sheriff Environmental Award | 145 | | | 145 |
| Sheriff Jail Fund | 71,989 | 67,616 | 21,088 | 118,517 |
| Sheriff Commissary | 46,211 | 59,571 | 53,582 | 52,200 |
| Sheriff Federal Share Revenue | 82,857 | 49,204 | 12,363 | 119,698 |
| Sheriff Special DARE | 5,961 | 300 | 3,782 | 2,479 |
| Sheriff Donations | 5,703 | | 268 | 5,435 |
| Sheriff Property Forfeiture | 566 | | | 566 |
| County Commissioner Building Fund | 220,814 | 8,796 | | 229,610 |
| Treasurer Certification Fee | 206,953 | 69,770 | 24,490 | 252,233 |
| County Clerk Lien Fee | 297,096 | 60,145 | 96,578 | 260,663 |
| Assessor Revolving | 24,999 | 7,201 | 2,044 | 30,156 |
| Child Abuse Prevention | 4,002 | 1,277 | | 5,279 |
| Saferoom FEMA Grant | 4,360 | | | 4,360 |
| County Clerk Preservation | 1,262,942 | 367,090 | 291,656 | 1,338,376 |
| Sheriff Criminal Alien Assistance Grant | 1,532 | 9,861 | 2,169 | 9,224 |
| Local Emergency Planning Committee | 10,456 | 13,144 | 3,085 | 20,515 |
| County Fair Board | 60,775 | 125,002 | 110,135 | 75,642 |
| County Sinking | 1,046 | 136 | | 1,182 |
| Bridge Capital Improvement | 197,333 | 6,297 | | 203,630 |
| Workers' Compensation | 16 | | | 16 |
| Court Fund Remodeling | 4,430 | | | 4,430 |
| District Attorney Stop Violence | 6,219 | 39,860 | 36,923 | 9,156 |
| District Attorney Incarceration Costs | 5,588 | 3,749 | | 9,337 |
| District Attorney Witness Fee Reimbursement | 12,256 | | | 12,256 |
| County Sheriff Courthouse Security Service Fee | 7,545 | 27,202 | | 34,747 |
| Hazard Mitigation Grant | 4,840 | | | 4,840 |
| Combined Total - All County Funds | <u>\$ 19,085,784</u> | <u>\$ 29,506,128</u> | <u>\$28,445,610</u> | <u>\$ 20,146,302</u> |

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

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 Cleveland 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 - accounts for the general operations of the government.

Highway Unrestricted - accounts for state, local and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

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

County Health - accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

Resale Property - accounts for the collection of interest and penalties on delinquent taxes and the disposition of same as restricted by statute.

Sheriff Service Fee – accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Sheriff Revolving – accounts for the collections received for reimbursement of salaries and housing prisoners.

Sheriff Drug Fund – accounts for the collection of the Sheriff's percentage of drug forfeitures.

Sheriff Training – court approved fund accounts for unclaimed inmate money and disbursed for training purposes only.

Sheriff Environmental Award – accounts for grant monies received and fines collected.

Sheriff Jail Fund – accounts for the Jail Bond fees received from the Court Clerk and disbursed for the operation of the jail.

Sheriff Commissary – accounts for monies received from inmates for purchases from the County's commissary and disbursements as restricted by state statutes.

Sheriff Federal Share Revenue – accounts for the collection of a percentage of seized assets and disbursed for law enforcement purposes.

Sheriff Special DARE – accounts for donations received by the Sheriff's office to administer the DARE program.

Sheriff Donations – accounts for donations made to the Sheriff's office.

Sheriff Property Forfeiture – accounts for proceeds from property forfeitures and disbursements as restricted by state statutes.

County Commissioner Building Fund – accounts for proceeds from the sale of county-owned real estate and disbursements as restricted by state statutes.

Treasurer Certification Fee – accounts for the collection of fees by the County Treasurer for mortgage tax certificates and disbursements as restricted by statutes.

County Clerk Lien Fee – accounts for lien collections and disbursements as restricted by statutes.

Assessor Revolving – accounts for the collection of fees for copies restricted by state statutes.

Child Abuse Prevention – accounts for monies received from jury decisions to aid in the prevention of child abuse.

Saferoom FEMA Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

County Clerk Preservation – accounts for fees collected for instruments filed with the County Clerk as restricted by statute for preservation of records.

Sheriff Criminal Alien Assistance Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

Local Emergency Planning Committee – accounts for grant monies received and disbursed as restricted by the grant agreement.

County Fair Board – accounts for the collection of revenue generated from building rent, booth rental, and other fees.

County Sinking – accounts for the payment of interest and principal on the matured portion of long-term bonded debt and civil judgments.

Bridge Capital Improvement – accounts for state money received for the construction and/or improvements to bridges within the County.

Workers' Compensation – accounts for premiums paid into the County's self-insurance workers' compensation plan. The County no longer pays premiums into this fund.

Court Fund Remodeling – accounts for a special encumbrance from the Court Fund for the remodeling of the courts.

District Attorney Stop Violence – accounts for federal grant funds passed through the District Attorney's Council for the purpose of providing services to victims of domestic violence.

District Attorney Incarceration Costs – accounts for the collection of incarceration fees assessed as court costs by the Court Clerk.

District Attorney Witness Fee Reimbursement – accounts for monies received from the State to reimburse the County for witness expenses.

County Sheriff Courthouse Security Service Fee – accounts for fees received from the Court Clerk and disbursed for courthouse security.

Hazard Mitigation Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

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

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

no part in the County's operations. Any trust or agency funds maintained by the County are not included in the presentation.

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, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before May 31 of each year, each officer or department head submits an estimate of needs (budget) to the governing body. The budget is approved for the respective fund by office, or department and object. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or department and object.

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

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

- 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.

All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

G. Compensated Absences

All full-time employees shall be entitled to vacation leave that is accrued on a monthly basis in accordance with the schedule outlined below:

| <u>Years of Service</u> | <u>Vacation Leave</u> | <u>Accumulation Limits</u> |
|-------------------------|------------------------------|----------------------------|
| 0-5 years | 10 days (6.7 hrs per month) | 30 days |
| 6-10 years | 15 days (10 hrs per month) | 60 days |
| 11-15 years | 18 days (12 hrs per month) | 60 days |
| Over 15 years | 20 days (13.3 hrs per month) | 60 days |

Vacation must be earned before it is taken. Vacation leave will be accrued on a monthly basis and pro-rated, as appropriate, for less than full-time service. Earned vacation benefits are paid upon termination.

All full-time employees shall be entitled to sick leave with pay that is accrued on a monthly basis. Sick leave shall accumulate at the rate of eight hours for the first five years, and after five years leave accumulates at the rate of ten hours for each calendar month of service to the County. Sick leave is not paid upon termination.

The County does not record any liability for vacation or sick leave.

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

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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, 2007, was approximately \$1,346,206,734.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.28 mills for general fund operations, 2.57 mills for county health department, and 4.11 mills for multi-county library. In addition, the County collects the ad valorem taxes assessed by cities and towns, school districts, emergency medical districts, and fire 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.

Current year tax collections for the year ended June 30, 2008, were approximately 97.90 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 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:

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| 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 | | |

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 \$50,000 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 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, but have a one-time fee of 3% on all pieces of machinery 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

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 8.5% and 13.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 13.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2008, 2007, and 2006, were \$1,289,058, \$1,163,405 and 1,041,947, respectively, equal to the required contributions for each year.

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.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial conditions of the County; however, the outcome of any lawsuit would not be determinable.

OTHER SUPPLEMENTARY INFORMATION

CLEVELAND 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, 2008

| | General Fund | | | |
|--|-------------------|-------------------|-------------------|-----------------|
| | Original | Final | Actual | Variance |
| | Budget | Budget | | |
| Beginning Cash Balances: | \$ 7,061,844 | \$ 7,061,844 | \$ 7,061,844 | \$ - |
| Less: Prior Year Outstanding Warrants | (1,336,728) | (1,336,728) | (1,336,728) | |
| Less: Prior Year Encumbrances | (1,024,011) | (1,024,011) | (942,745) | (81,266) |
| Beginning Cash Balances, Budgetary Basis | <u>4,701,105</u> | <u>4,701,105</u> | <u>4,782,371</u> | <u>81,266</u> |
| Receipts: | | | | |
| Ad Valorem Taxes | 13,839,005 | 13,839,005 | 13,507,670 | 331,335 |
| Charges for Services | 936,511 | 936,511 | 851,618 | 84,893 |
| Intergovernmental Revenues | 1,859,212 | 1,859,212 | 1,893,526 | (34,314) |
| Miscellaneous Revenues | 959,327 | 1,065,699 | 1,401,731 | (336,032) |
| Total Receipts, Budgetary Basis | <u>17,594,055</u> | <u>17,700,427</u> | <u>17,654,545</u> | <u>(45,882)</u> |
| Expenditures: | | | | |
| District Attorney | 20,000 | 20,000 | 19,636 | 364 |
| Total District Attorney | <u>20,000</u> | <u>20,000</u> | <u>19,636</u> | <u>364</u> |
| County Sheriff | 4,709,000 | 4,878,281 | 4,852,026 | 26,255 |
| Capital Outlay | 291,000 | 369,642 | 368,533 | 1,109 |
| Total County Sheriff | <u>5,000,000</u> | <u>5,247,923</u> | <u>5,220,559</u> | <u>27,364</u> |
| County Treasurer | 1,125,000 | 1,129,746 | 1,128,831 | 915 |
| Capital Outlay | 30,000 | 25,254 | 25,254 | |
| Total County Treasurer | <u>1,155,000</u> | <u>1,155,000</u> | <u>1,154,085</u> | <u>915</u> |
| County Commissioners | 534,000 | 534,310 | 491,169 | 43,141 |
| Capital Outlay | 16,000 | 16,000 | 15,863 | 137 |
| Total County Commissioners | <u>550,000</u> | <u>550,310</u> | <u>507,032</u> | <u>43,278</u> |
| OSU Extension | 359,001 | 294,801 | 264,577 | 30,224 |
| Capital Outlay | 1 | 69,201 | 42,224 | 26,977 |
| Total OSU Extension | <u>359,002</u> | <u>364,002</u> | <u>306,801</u> | <u>57,201</u> |
| County Clerk | 1,225,000 | 1,141,500 | 982,519 | 158,981 |
| Capital Outlay | 15,000 | 98,500 | 33,459 | 65,041 |
| Total County Clerk | <u>1,240,000</u> | <u>1,240,000</u> | <u>1,015,978</u> | <u>224,022</u> |
| Court Clerk | 930,000 | 930,000 | 878,612 | 51,388 |
| Total Court Clerk | <u>930,000</u> | <u>930,000</u> | <u>878,612</u> | <u>51,388</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.

CLEVELAND 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, 2008

| | Original Budget | Final Budget | Actual | Variance |
|------------------------------------|--------------------|------------------|------------------|------------------|
| County Assessor | 940,000 | 940,075 | 914,741 | 25,334 |
| Capital Outlay | 20,000 | 20,000 | 19,705 | 295 |
| Total County Assessor | <u>960,000</u> | <u>960,075</u> | <u>934,446</u> | <u>25,629</u> |
| Revaluation of Real Property | 910,000 | 927,000 | 914,449 | 12,551 |
| Capital Outlay | 25,000 | 8,000 | 7,819 | 181 |
| Total Revaluation of Real Property | <u>935,000</u> | <u>935,000</u> | <u>922,268</u> | <u>12,732</u> |
| Juvenile Shelter Bureau | 214,500 | 215,000 | 214,138 | 862 |
| Capital Outlay | 500 | | | |
| Total Juvenile Shelter Bureau | <u>215,000</u> | <u>215,000</u> | <u>214,138</u> | <u>862</u> |
| District Court | 125,000 | 129,247 | 129,190 | 57 |
| Total District Court | <u>125,000</u> | <u>129,247</u> | <u>129,190</u> | <u>57</u> |
| General Government | 5,555,953 | 5,284,556 | 1,492,175 | 3,792,381 |
| Capital Outlay | 18,800 | 19,625 | 1,833 | 17,792 |
| Total General Government | <u>5,574,753</u> | <u>5,304,181</u> | <u>1,494,008</u> | <u>3,810,173</u> |
| Excise-Equalization Board | 7,500 | 7,500 | 4,287 | 3,213 |
| Capital Outlay | 500 | 500 | | 500 |
| Total Excise-Equalization Board | <u>8,000</u> | <u>8,000</u> | <u>4,287</u> | <u>3,713</u> |
| County Election Board | 444,000 | 511,498 | 509,658 | 1,840 |
| Capital Outlay | 16,000 | 17,891 | 17,891 | |
| Total County Election Board | <u>460,000</u> | <u>529,389</u> | <u>527,549</u> | <u>1,840</u> |
| County Purchasing Agent | 131,000 | 131,000 | 124,229 | 6,771 |
| Capital Outlay | 10,000 | 10,000 | 6,286 | 3,714 |
| Total County Purchasing Agent | <u>141,000</u> | <u>141,000</u> | <u>130,515</u> | <u>10,485</u> |
| Charity | 35,000 | 35,000 | 30,000 | 5,000 |
| Total Charity | <u>35,000</u> | <u>35,000</u> | <u>30,000</u> | <u>5,000</u> |
| Law Library | 32,000 | 32,000 | 28,950 | 3,050 |
| Total Law Library | <u>32,000</u> | <u>32,000</u> | <u>28,950</u> | <u>3,050</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.

CLEVELAND 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, 2008

| | Original Budget | Final Budget | Actual | Variance |
|---|--------------------|-----------------|---------------------|--------------|
| CASA, Inc. | 46,000 | 46,000 | 43,619 | 2,381 |
| Total CASA, Inc. | 46,000 | 46,000 | 43,619 | 2,381 |
| Building Security | 297,500 | 296,500 | 292,219 | 4,281 |
| Capital Outlay | 2,500 | 3,500 | 2,644 | 856 |
| Total Building Security | 300,000 | 300,000 | 294,863 | 5,137 |
| Highway Budget Account | 880,000 | 643,300 | 624,517 | 18,783 |
| Capital Outlay | 120,000 | 356,700 | 349,978 | 6,722 |
| Total Highway Budget Account | 1,000,000 | 1,000,000 | 974,495 | 25,505 |
| County Audit Budget | 250,000 | 250,000 | 124,852 | 125,148 |
| Total County Audit Budget | 250,000 | 250,000 | 124,852 | 125,148 |
| County Free Fair Account | 233,680 | 240,180 | 238,673 | 1,507 |
| Capital Outlay | 116,320 | 109,820 | 43,140 | 66,680 |
| Total County Free Fair Account | 350,000 | 350,000 | 281,813 | 68,187 |
| Building Maintenance Account | 821,000 | 871,000 | 818,284 | 52,716 |
| Capital Outlay | 29,000 | 29,000 | 23,060 | 5,940 |
| Total Building Maintenance Account | 850,000 | 900,000 | 841,344 | 58,656 |
| Other Uses | 1,759,405 | 1,759,405 | | 1,759,405 |
| Total Other Uses | 1,759,405 | 1,759,405 | - | 1,759,405 |
| Total Expenditures, Budgetary Basis | 22,295,160 | 22,401,532 | 16,079,040 | 6,322,492 |
| Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis | \$ - | \$ - | 6,357,876 | \$ 6,357,876 |
| Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances | | | | |
| Add: Current Year Encumbrances | | | 931,401 | |
| Add: Current Year Outstanding Warrants | | | 167,299 | |
| Warrants Estopped | | | 22 | |
| Ending Cash Balances | | | <u>\$ 7,456,598</u> | |

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

**CLEVELAND 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, 2008**

| | County Health Department | | | |
|---|--------------------------|------------------|---------------------|---------------------|
| | Original Budget | Final Budget | Actual | Variance |
| Beginning Cash Balances: | \$ 2,812,806 | \$ 2,812,806 | \$ 2,812,806 | \$ - |
| Less: Prior Year Outstanding Warrants | (8,619) | (8,619) | (8,619) | |
| Less: Prior Year Encumbrances | (812,746) | (812,746) | (798,027) | 14,719 |
| Beginning Cash Balances, Budgetary Basis | <u>1,991,441</u> | <u>1,991,441</u> | <u>2,006,160</u> | <u>14,719</u> |
| Receipts: | | | | |
| Ad Valorem Taxes | 3,461,828 | 3,461,828 | 3,481,110 | 19,282 |
| Charges for Services | | 459,837 | 459,854 | 17 |
| Intergovernmental | | | 165 | 165 |
| Miscellaneous Revenues | 108,324 | 108,324 | 62,823 | (45,501) |
| Total Receipts, Budgetary Basis | <u>3,570,152</u> | <u>4,029,989</u> | <u>4,003,952</u> | <u>(26,037)</u> |
| Expenditures: | | | | |
| Health and Welfare | 5,118,552 | 5,764,584 | 3,314,584 | 2,450,000 |
| Capital Outlay | 443,041 | 256,846 | 140,031 | 116,815 |
| Total Expenditures, Budgetary Basis | <u>5,561,593</u> | <u>6,021,430</u> | <u>3,454,615</u> | <u>2,566,815</u> |
| Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis | <u>\$ -</u> | <u>\$ -</u> | 2,555,497 | <u>\$ 2,555,497</u> |
| Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances | | | | |
| Add: Current Year Encumbrances | | | 86,276 | |
| Add: Current Year Outstanding Warrants | | | 16,215 | |
| Warrants Estopped | | | 3 | |
| Ending Cash Balance | | | <u>\$ 2,657,991</u> | |

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

**CLEVELAND COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | |
|------------------------|------------------------|
| Beginning Cash Balance | <u>\$ 1,046</u> |
| Receipts: | |
| Ad Valorem Tax | 92 |
| Miscellaneous | <u>44</u> |
| Total Receipts | <u>136</u> |
| Disbursements: | |
| Total Disbursements | <u>-</u> |
| Ending Cash Balance | <u><u>\$ 1,182</u></u> |

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

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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.

2. Sinking Fund Schedule

Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

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
CLEVELAND COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Cleveland County, Oklahoma, as of and for the year ended June 30, 2008, which comprises Cleveland County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 22, 2009. 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. 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 Cleveland County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2008-1, 2008-2, and 2008-3 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cleveland 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2008-1.

We noted certain matters that we reported to the management of Cleveland County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Cleveland County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Cleveland County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of Cleveland 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. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

October 22, 2009

**CLEVELAND COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 2008-1—Financial Statements (Repeat Finding)

Criteria: For counties who have adopted the County Budget Act per 19 O.S. § 1403, 19 O.S. § 1405 states in part:

The accounting records of each county shall be established and maintained and financial statements prepared therefrom in conformity with generally accepted accounting principles promulgated from time to time by authoritative bodies in the United States...

Condition: The County has voluntarily adopted the County Budget Act and established uniform and sound fiscal procedures for the preparation, adoption, execution, and control of the County budget by cooperation of all elected officials. However, the County does not prepare financial statements in conformity with generally accepted accounting principles as provided by the County Budget Act. The County does prepare financial records in conformity with those counties not having adopted the County Budget Act.

Effect: This condition results in the County not having financial statements and records prepared in conformity with requirements of the County Budget Act.

Recommendation: OSAI recommends the County prepare financial statements in conformity with generally accepted accounting principles.

Views of responsible officials and planned corrective actions: As stated in the "Condition" Cleveland County has adopted and maintains sound, established and uniform fiscal procedures and accounting methods which are consistent with state law and procedures for counties not having adopted the County Budget Act. Such procedures have been previously reviewed and resulted in no findings of mismanagement or other financial or management deficiencies. Although not in conformity with state law, such legal requirement places an undo financial burden of converting accounting procedures or having to revert back to non-budget board status and lose team cooperation on the sole basis of adopting budget board procedures.

Cleveland County has voluntarily taken the necessary steps to decentralize financial and management controls involving all elected officials in the financial operations of the County in a team effort. Cleveland County has been successful in its team efforts. State law as currently written is conflicting as it encourages such team practices by creation of a Budget Act yet defectively attempts to saddle the counties wanting to implement such decentralized control and encourage team work with an unreasonable expense to shift to a different style of accounting that is was not reasonably related to the functions of the Budget Act as it pertains to county government.

**CLEVELAND COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Cleveland County elected officials have decided to maintain the teamwork concepts and have declined at this time to force an unreasonably expensive accounting method upon its citizens, especially as current accounting methods have been more than sufficient to meet the needs of county government for many years.

Cleveland County will work to continue to build a cooperating team among the elected officials using the current cost effective and functional method of accounting while attempting to implement the required accounting method in an inexpensive manner. Cleveland County will comply with state law in all aspects if such accounting methods can become reasonable priced. Currently, the Auditor's office does not have any suggestions for an economical accounting system to replace the current system.

OSAI Response: Quite recently, the State Auditor sponsored a bill that alleviates the conflict between the advantages cited above to the Budget Act and the onerous accounting procedures required. The Oklahoma Legislature passed Senate Bill 130 and the Governor signed the bill on April 7, 2011. This new law makes such accounting optional for counties who have adopted the County Budget Act.

Finding 2008-2—Information Technology

Criteria: Information Technology is the cornerstone of almost all accounting and financial reporting systems. These systems are required to protect an organization's assets, use resources efficiently, maintain data security, maintain data integrity, and fulfill organizational objectives. General and application controls are necessary to achieve the required goals. Strong general controls are necessary to support all application controls.

Condition: During our system review of the County Clerk's independent computer network, several control issues became apparent:

1. On the general controls side, the same entity, Dimensional Concepts, handles the software development, testing, and database administration.
2. Physical access to the network servers is not restricted. They are segregated in a separate room, but the room is unlocked.
3. Some application controls are also defective:
 - The version updates are handled by the same entity that has access to the live data.
 - Log on reports are not reviewed.
 - Password lengths are inadequate.
 - The computers are not set to lock after inactivity.
 - Management abdicates the responsibility for the control environment to third party contractors.

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Effect: These conditions result in the County lacking data integrity and security and could also result in inefficient processes.

Recommendation: OSAI recommends the County Clerk's office use an independent database administrator. The database administrator should be independent of the software development, version control and patch functions. The database administrator should insure that data is migrated to the test environment. Access to live data should be restricted to the database administrator.

Views of responsible officials and planned corrective actions: This finding was improperly directed at the County Clerk as information technology is a county-wide issue. The current system has been in place since 1994 and the basic structure and controls have not been altered nor previously criticized in any county audit. The current system meets or exceeds the listed criteria.

The findings are unsupported, unspecified, and generalized and inapplicable to the various checks and balances that exist in the current system. The generalized recommendations will create an unreasonable expense upon county government and are not rationally related to the needs of the county.

1. The current county system that has passed regular audit standards for many years is a sole source program written specifically for the county with sufficient controls to protect county data. No indication exists that there has been any improper software development, testing, or data base administration by either the county or Dimensional Concepts. Additional checks and balances can always be created but at the unnecessary expense to county taxpayers. No legitimate explanation has been offered for the creation of such an expense.
2. This finding is contested as all computer systems are restricted from public access and are password protected from employee tampering. Physical location is adequate.
3. This finding is contested -bullet points first and last are just repeated except that the improper conclusion that management has abdicated responsibility to third party which is simple false and improper. Management has retained the services of experts in the field to insure that the county system is adequately protected and functioning properly. The audit suggests unnecessary additional expenses to hire experts to check the current experts.

-Any unauthorized logins would be detected and identified by the system administrator by either outside the county or by an unauthorized employee or source. No showing that any inaccuracies exist as to the current data in the system.

-Passwords are sufficient to protect the system and prevent random access to the system. Passwords can always be made more complex. Although this finding has been contested, the passwords were changed at the suggestion of the auditors during the audit although manpower expenses were incurred to make these changes.

-The computer hardware is physically located to prevent random public access where only employees have access. Although this finding is contested has been contested, the computers

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were changed during the audit at request and suggestion of the auditors to have an inactivity lock set in place, This suggestion required manpower expenses and continues to do so during the daily operations of the office.

The effect is purely speculative with no factual basis whatsoever and is contested as not reasonable related to the economical and efficient operations of county government.

The recommendations are not rationally related to the economical efficient operations of county government. Cleveland County prior to the audit had planned and approved the creation of an information technology department to assist the county during the current budget year removing any potential redundant systems and streamlining county administration of computer systems.

Finding 2008-3–Encumbrances

Criteria: Statutory control requirements have been established for county government for the timely encumbrance of purchases.

Title 19 O.S. § 1505.C states in part:

After selection of a vendor, the procedure for the purchase, lease-purchase, or rental of supplies, materials, and equipment used by a county shall be as follows: 1. The county purchasing agent shall prepare a purchase order in quadruplicate and submit it with a copy of the requisition to the county clerk; 2. The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order...

Condition: In the testing of 60 purchase orders, 5 instances were noted in which goods or services were received prior to funds being encumbered.

| Account Abbr. | PO Number | PO Date | Vendor Name | Invoice Number | Invoice Date | Warrant Date | Warrant Number | Amount |
|---------------|-----------|------------|--|-------------------|--------------|--------------|----------------|------------|
| CFC2 | 2008-3599 | 1/15/2008 | Concentra Medical Center | 252924105 | 1/10/2008 | 1/28/2008 | 7 | \$34.00 |
| CFBSCA2 | 2008-2634 | 11/6/2007 | Justice Benefits, Inc. | 200404002 | 10/26/2007 | 1/14/2008 | 2 | \$141.90 |
| T2B | 2008-2282 | 10/11/2007 | Caterpillar Financial Services Corporation | 10860022 | 9/26/2007 | 10/22/2007 | 604 | \$9,028.18 |
| T2B | 2008-3239 | 12/18/2007 | Empire Companies (111) | 0608073P 12/07 | 12/18/2007 | 12/26/2007 | 957 | \$895.00 |
| QSQ2 | 2008-1544 | 8/21/2007 | Oklahoma Electric Cooperative | 2913210002 | 8/10/2007 | 8/27/2007 | 580 | \$3,843.85 |

Effect: This condition could result in amounts being expended greater than that set forth by the budget.

Recommendation: OSAI recommends the County place an emphasis on encumbering funds prior to receiving goods or services.

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Views of responsible officials and planned corrective actions: Cleveland County has and continues to follow statutory controls for the timely encumbrances of purchases. This finding has been improperly addressed to the County Clerk. The County Clerk properly identified all purchases that were presented that appeared to be at variance with the statutes. The variances identified were found to be very minor and payment of a legitimate expenditure was approved.

The following were identified in order: \$34.00 payment for testing of new hire where employee should up for testing prior to processing of paper work. Difference was 3 workdays. PO was identified by County Clerk to be at variance but payment was authorized. Sheriff's grant of a supplemental award could not be projected and this finding is contested as inaccurate. Not possible to accurately predict grant award. County participation amount was \$141.90. PO was identified by County Clerk to be at variance but payment was authorized. Regular lease payment for equipment for District Commissioner PO was identified by County Clerk to be at variance but regular periodic payment was authorized. Regular lease payment for equipment for District Commissioner was identified by County Clerk to be at variance but regular periodic payment was authorized. Utility payments are incapable of prior accurate estimates and should not have been included as such are not at variance with statutory controls. Such payments have never been identified before as a variance and were properly not identified as such by the County Clerk. This finding is contested and should not have been included.

Sufficient budget controls exist to avoid any mismanagement of the budget or improper expenditures. The recommendation does not accurately reflect the substantial checks and balances in place or the reasonable efforts currently in place to identify variances prior to approval of expenditure. The County contests that there is a current lack of emphasis on encumbering funds, however, all county officials will be reminded of the need to avoid receiving goods or services prior to encumbering funds.

NOTE: Although this issue was identified as a variance it should be brought to attention that the county never received any form of estimate or other information regarding the period payment to the State Auditor for audit expenses except after receipt of the services. Such payments as requested by the State Auditor were not in compliance with the same statutory controls currently being criticized by the State Auditor.

OSAI Response: The issue noted above was not identified as a variance to Cleveland County. Cleveland County was given an engagement letter before starting the audit which mentioned billing and all other necessary information required to engage in an audit with the County. The engagement letter was signed by the Chairman of the Board of County Commissioners, the County Treasurer, and the County Clerk.

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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 2008-4—Reconciling the Sheriff’s Inmate Trust Account (Repeat Finding)

Criteria: Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets.

Failure to perform tasks that are part of internal controls, such as preparing timely reconciliations and having the reconciliations reviewed and approved, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis, be performed timely, and be reviewed and approved by an independent reviewer.

Condition: During our test work we noted the following:

- We were unable to obtain supporting documentation to support the reconciliation of the Inmate Trust Account for one month out of seven selected.
- Seven out of seven reconciliations selected were not approved by someone other than the person who performed the reconciliations.

Effect: By failing to properly prepare and approve reconciliations, the risk of misstatements and misappropriations and the timely detection thereof increases.

Recommendation: OSAI recommends the Sheriff’s office retain the supporting documentation when reconciling the Inmate Trust Account and implement procedures that include having an independent person review and approve the Inmate Trust bank reconciliations.

Views of responsible officials and planned corrective actions:

Board of County Commissioners –

Briefly these repeat findings are consistent throughout the county sheriff's departments and related to safeguard controls of having two people reconcile inmate trust accounts. This issue arose prior to the current Sheriff taking office and is not related to his supervision. However, the costs of control could in this instance outweigh the benefits. The amount of money involved is relatively small and other controls present identify potential abuse issues.

The Sheriff upon entering office has implemented a procedure with the detention clerk that handles inmate trust account. In the future, after the detention clerk reconciles the Inmate Trust Account, a second person will review, verify, sign and date the account.

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It should be noted that there have been no discrepancies found in the handling of the inmate trust accounts or the reconciliations. An independent reviewer will cost the county extra man-hours. This issue appears common in most if not all sheriffs' departments.

Current Sheriff –

We concur with your findings and have taken the following appropriate actions to correct this problem:

We have implemented a procedure with the detention clerk that handles the inmate trust account. In the future, after the detention clerk reconciles the Inmate Trust Account, a second person will review, verify, sign, and date the account.

Finding 2008-5—Sheriff - Boarding of Prisoners

Criteria: Title 57 O.S. § 38 states in part:

...Effective January 1, 2007, the Department of Corrections shall reimburse any county, which is required to retain an inmate pursuant to paragraph 2 of Section 37 of this title, in an amount not to exceed Twenty-seven Dollars (\$27.00) per day for each inmate during such period of retention...

Condition: During our testing of the Sheriff's Board of Prisoners' revenue, we noted that the Sheriff's office billed the Department of Corrections \$24.00 per day for inmate housing instead of \$27.00 per day. We noted a total of 12 incorrect billings, resulting in an under-reimbursement of \$591.00.

Effect: This condition results in the County not receiving boarding reimbursement that is due to them.

Recommendation: OSAI recommends the Sheriff's office ensure that the proper amount is adequately billed.

Views of responsible officials and planned corrective actions:

Board of County Commissioners –

After review of the past administration's records it was discovered that the billing to the Community Sentencing Division was \$24.00 per day from October 2007 through March 2008. No billing was done to the Community sentencing between April 2008 and September 2008. On the October 2008 invoice to the Community Sentencing Division, the billing had been corrected to \$27.00 per day.

Base upon state statute as noted by the State Auditor it is surprising the Department of Corrections failed to notify Cleveland County of the potential error to take advantage of the county. Review of the statute also reveals that the amount is the maximum that is listed. Although the county did not bill the maximum it is being criticized for saving the state money. This matter should be referred to the Department of Corrections for review or other investigatory agency. Based upon the recommendations of the State Auditor the county will seek maximum reimbursement from the Department of Corrections.

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Current Sheriff –

After review of the past administration's records it was discovered that the billing to the Community Sentencing Division was \$24.00 per day from October 2007 through March 2008. No billing was done to the Community Sentencing between April 2008 and September 2008. On the October 2008 invoice to the Community Sentencing Division, the billing had been corrected to \$27.00 per day.

Finding 2008-6 – Consumables District 2

Criteria: Title 19 O.S. §1502 prescribes the procedures to be used to account for supplies and materials used in the construction and maintenance of roads and bridges.

Condition: We were unable to perform an inventory audit on the consumable items at District 2. This includes fuel. We determined that consumable inventory records have not been updated since October 2008. We also noted that not all load tickets and fuel logs have been filled out on a regular basis. Therefore, there was no way to accurately reconcile from the last completed inventory to a correct current inventory balance.

Effect: This condition could result in the misappropriation of county inventories.

Recommendation: OSAI recommends consumable records be updated to accurately reflect inventories on hand, these records be maintained perpetually, and perform periodic inventory counts.

Views of responsible officials and planned corrective actions: The data was available to perform an audit although not in an easy format. Subsequently to the identification of missing summaries, the summary reports have been updated and there is not any evidence of any misappropriation of or variance for county inventories. This discrepancy has been remedied and was a clerical error. However, any reconciliation may have been a bit time consuming but it was ultimately accurate. The other discrepancy was still having a VCR on inventory for safety briefings but which was broken to be junked. There was a delay in obtaining a new fuel computerized system to more accurately account for fuel although there is not any evidence a discrepancy.

Cleveland County strives to improve all operations and administration of the county while being mindful of excessive expenditures that become a burden upon the taxpayers. County officials welcome constructive suggestions about improving county government and will continue to work with the State Auditor's office for the implementation of reasonable methods for administration. The Cleveland County officials believe that the State Auditors is supposed to be part of the team concept to assist the officials in identifying issues seeking reasonable solutions to potential problem areas always mindful of the costs to the taxpayer.



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