

COUNTY AUDIT

CHEROKEE COUNTY

For the fiscal year ended June 30, 2007



*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

**CHEROKEE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Oklahoma State Auditor & Inspector

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January 24, 2011

TO THE CITIZENS OF
CHEROKEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cherokee County, Oklahoma for the fiscal year ended June 30, 2007. 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".

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

**CHEROKEE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Cherokee 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

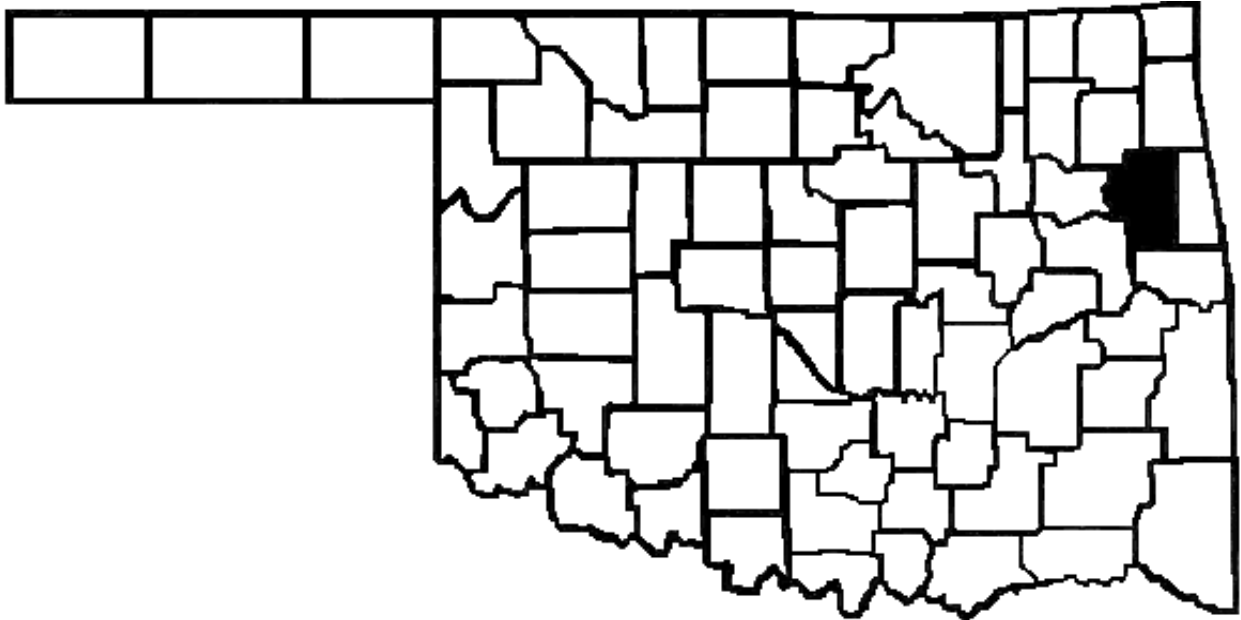
OTHER SUPPLEMENTARY INFORMATION

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	15
Notes to Other Supplementary Information	16

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>	17
Schedule of Findings and Responses	19

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



Cherokee County, created at statehood and named for the Cherokee Nation, is part of the area settled by the Cherokee Indians after the Trail of Tears.

Tahlequah, the county seat, was established as the capital of the Cherokee Nation in 1839. It is the site of the Cherokee Heritage Center; Tsa-La-Gi Ancient Cherokee Village, an authentic replica of a Cherokee community during the 1600s; and the Cherokee National Museum. The Cookson Hills, surrounding Tahlequah, were noted as hiding places for outlaws and bandits, including the James Brothers and Belle Starr, around the turn of the century. Lake Tenkiller and the Tenkiller Wildlife Management Area, as well as the Illinois River, provide additional recreational opportunities in Cherokee County.

Northeastern State University in Tahlequah provides a source of higher education in the area. The University's beginning dates back to 1846 when the Cherokee National Council authorized the creation of a National Male Seminary and a National Female Seminary. In 1909, the Oklahoma Legislature authorized the purchase of the building, land, and equipment of the Cherokee Female Seminary to form the Northeastern State Normal School at Tahlequah.

For more county information, call the county clerk's office at 918-456-3171.

County Seat – Tahlequah

Area- 776.40 Square Miles

County Population – 44,671 (2005 est.)

Farms – 1,221

Land in Farms – 220,739 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

**CHEROKEE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COUNTY ASSESSOR
Erlene Luper

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
Marshel Bennett

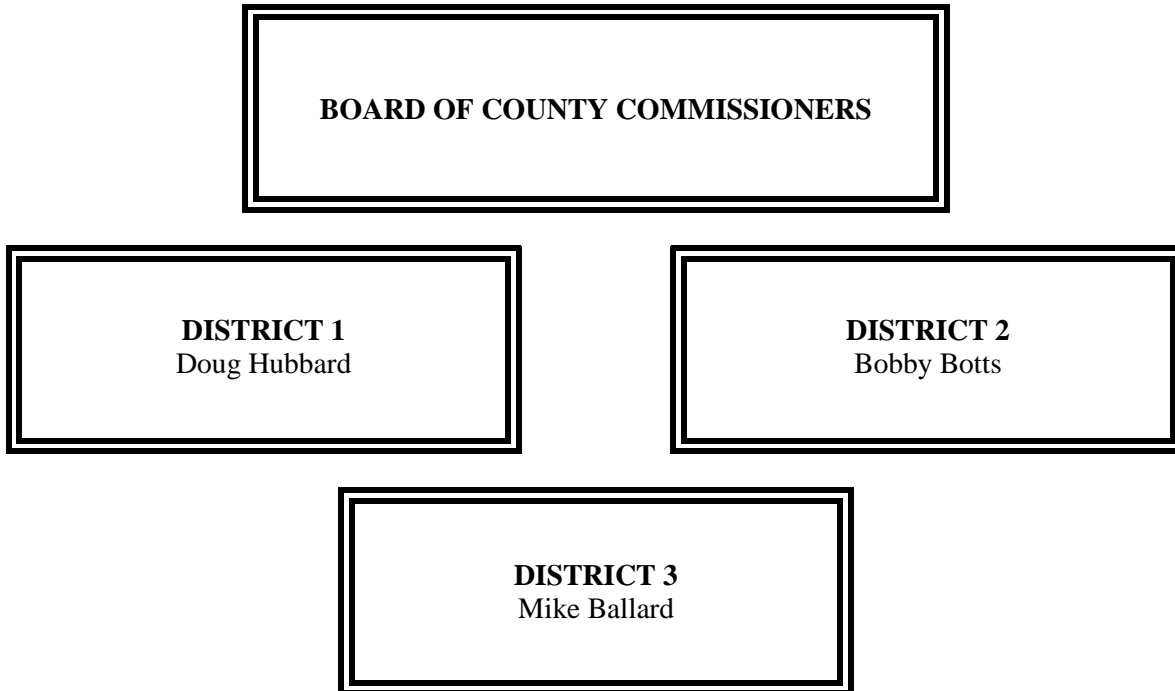
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**CHEROKEE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**



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.

**CHEROKEE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COUNTY SHERIFF
Norman Fisher

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
Inez Peace

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.

**CHEROKEE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COURT CLERK
Shirley Glory

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
Jerry Moore

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.

**CHEROKEE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

ELECTION BOARD SECRETARY
Connie Parnell

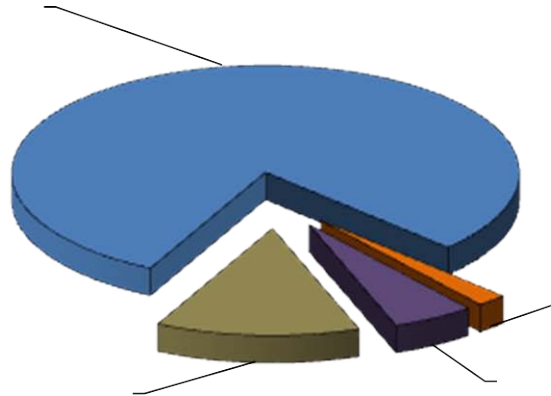
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

**CHEROKEE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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	10.00	Keys	D-6	35.00	5.00	15.09	10.00	4.00	69.09
County Health	1.50	Lowrey	D-10	35.00	5.00	7.04	10.00	4.00	61.04
Multi-County Library	4.00	Norwood	D-14	35.00	5.00		10.00	4.00	54.00
		Hulbert	I-16	35.00	5.00	7.52	10.00	4.00	61.52
		Lost City	D-17	35.00	5.00		10.00	4.00	54.00
		Woodall	D-21	35.00	5.00		10.00	4.00	54.00
		Shady Grove	D-26	35.00	5.00		10.00	4.00	54.00
		Peggs	D-31	35.00	5.00		10.00	4.00	54.00
		Grandview	D-34	35.00	5.00	6.07	10.00	4.00	60.07
		Briggs	D-44	35.00	5.00		10.00	4.00	54.00
		Tenkiller	D-66	35.00	5.00		10.00	4.00	54.00
		Tahlequah	I-35	35.00	5.00	26.58	10.00	4.00	80.58
		Little Kansas	I-35	35.00	5.00	21.10	11.00	4.00	76.10
		Oaks	I-5	35.00	5.00		11.00	4.00	55.00
		Ft. Gibson	I-3M	35.00	5.00	12.21	10.00	4.00	66.21
		Skelly	D-A1	35.00	5.00		10.00	4.00	54.00
		Locust Grove	I-17	35.00	5.00	27.33	11.00	4.00	82.33
		Norwood	I-14	35.00	5.00	6.46	10.00	4.00	60.46

See independent auditor's report.

**CHEROKEE COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Total net assessed value as of January 1, 2006		<u>\$ 133,280,248</u>
Debt limit - 5% of total assessed value		6,664,012
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 6,664,012</u>

See independent auditor's report.

**CHEROKEE COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

	2007
Estimated population	44,671
Net assessed value as of January 1, 2006	\$ 133,280,248
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.

**CHEROKEE COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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>
1/1/2006	\$15,958,840	\$11,311,859	\$115,132,396	\$9,122,847	\$133,280,248	\$1,211,638,618

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
CHEROKEE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Cherokee County, Oklahoma, as of and for the year ended June 30, 2007, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Cherokee 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 Cherokee County as of June 30, 2007, 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 Cherokee County, for the year ended June 30, 2007, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2010, on our consideration of Cherokee 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.



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

November 3, 2010

Basic Financial Statement

**CHEROKEE COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Beginning Cash Balances July 1, 2006	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2007
Combining Information:						
County General Fund	\$ 721,804	\$ 3,456,759	\$ 280,000	\$ 280,000	\$ 3,095,320	\$ 1,083,243
Highway	1,354,714	2,944,092			2,834,479	1,464,327
Sales Tax	1,001,456	2,564,464	180,000	180,000	2,139,303	1,426,617
County Health	124,166	223,481			133,319	214,328
Assessor Visual Inspection	40					40
Resale Property	87,957	191,710			191,537	88,130
Sheriff Service Fees	100,002	251,284			229,825	121,461
Community Service Sentencing Program	82					82
County Assessor Revolving Fund	7,083	5,582			8,324	4,341
Treasurer Mortgage Certification Fee	22,093	12,260			18,391	15,962
County Clerk Lien Fees (CCL)	14,769	12,927			9,724	17,972
County Clerk Lien Fees Account	12,258	9,391				21,649
Sheriff Training Fund	27					27
County Treasurer Cash	500					500
Sheriff Drug Forfeiture	261	10,142			1,000	9,403
Corp of Engineers	21,939	13,680			17,074	18,545
Community Building Fund	2,168	7,380			8,113	1,435
Juvenile Detention	641					641
Use Tax	239,275	283,685	100,000	100,000	117,753	405,207
Help in Crisis		86,096			69,132	16,964
Community Service	19,420	9,925			12,985	16,360
Court Clerk Revolving Fund	64,710	65,355			29,357	100,708
CDBG		250,000			250,000	
Truancy Fund	3,329				2,522	807
Department of Corrections	65,539	71,452			68,434	68,557
Fairgrounds	1,009	3,917			3,647	1,279
Eastern Oklahoma Development		24,000			24,000	
Preservation Fund	53,489	55,095			71,013	37,571
Court House Security	7,881	51,422			47,809	11,494
Trash Cop Revolving Fund	1,345					1,345
Solid Waste Fund	45,183	229,866			213,808	61,241
Cherokee County Flood Plain	1,813	1,480			30	3,263
Boot Camp Fund	9,517	39,941			37,809	11,649
GBA/EFTPS Interest		18				18
Combined Total--All County Funds	\$ 3,984,470	\$ 10,875,404	\$ 560,000	\$ 560,000	\$ 9,634,708	\$ 5,225,166

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

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 Cherokee County, Oklahoma. The financial statement referred to includes only the primary government of Cherokee County, Oklahoma, and does not include financial information for any of the primary government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. 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, sales tax, interest earnings and miscellaneous collections of the County. Disbursements are for the general operations of the County.

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

Sales Tax – revenues are from county sales tax. Disbursements are described in footnote 9.

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

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Assessor Visual Inspection – 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.

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

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

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

County 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.

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

County Clerk Lien Fees (CCL) – revenues are from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the Clerk’s office.

County Clerk Lien Fees Account – revenues are from a fee charged by the County Clerk for copies. Disbursements are for any lawful expense of the Clerk’s office.

Sheriff Training Fund – revenues are from the sale of property forfeited in drug cases. Disbursements are for officer training, equipment, and crime prevention.

County Treasurer Cash – accounts for monies maintained in the cash drawer by the Treasurer.

Sheriff Drug Forfeiture – 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 for the enforcement of controlled dangerous substance laws.

Corp of Engineers – revenues are from the Corp of Engineers. Disbursements are for the expense of a Sheriff’s patrol on Corp land and area lakes.

Community Building Fund – revenues are from rentals of the Community Building. Disbursements are for maintenance and operation of the building.

Juvenile Detention – revenues are from the State of Oklahoma for transporting prisoners. Disbursements are for expenses relating to transporting juveniles.

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Use Tax – accounts for the use tax remitted to the County by the Oklahoma Tax Commission. Disbursements are for courthouse maintenance and operation.

Help in Crisis – revenues are from a federal grant. Disbursements are to the Help in Crisis center, which is a home for battered women.

Community Service – revenues are from monies paid by the state for community service.

Court Clerk Revolving Fund – accounts for the charge of \$5 for each warrant. Money is disbursed in the same manner as the court fund.

CDBG – revenues are from a Community Block grant. Disbursements are for water district improvements.

Truancy Fund – revenues are from local schools. Disbursements are for one Sheriff's deputy to assist in reducing school truancy.

Department of Corrections – receipts are from the State Department of Corrections for having state inmates. Disbursements are for feeding and housing prisoners.

Fairgrounds – revenues are from rentals of the fairgrounds. Disbursements are for maintenance and operation of the fairgrounds.

Eastern Oklahoma Development – revenues are from the Eastern Oklahoma Development District. Disbursements are used for the fairgrounds.

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

Court House Security – revenue is received from the County Court Clerk for payroll for a Court House Security Guard.

Trash Cop Revolving Fund – accounts for grant funds received from the State of Oklahoma for the enforcement of trash and litter laws.

Solid Waste Fund – revenues received are from solid waste fees from three transfer stations. Disbursements are used to pay refuse fees and employee payroll.

Cherokee County Flood Plain – revenues received are from monies paid to the County Clerk when a piece of property sells and a \$5.00 fee must be paid for maps to determine if the property is in a flood plain.

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Boot Camp Fund – A portion of the monies are received from the public schools and a portion of the monies are provided by the County through a federal grant. Disbursements are used to pay for court-sentenced juveniles to go to Boot Camp.

GBA/EFTPS Interest - to account for interest earned on employee payroll taxes to be sent to the I.R.S.

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

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 the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

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.

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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.

G. Compensated Absences

All full-time Cherokee County employees shall be entitled to annual leave that is accrued on an annual basis in accordance with the schedule outlined below:

<u>Years of Service</u>	<u>Annual Leave</u>
After 1 full year	5 days
After Year 2	10 days
After Year 5	15 days
After Year 10	20 days

Employees must work one full year prior to accruing annual leave. Vacation must be earned before it is taken. No vacation will be longer than ten consecutive working days without permission of the appropriate elected official. Vacation schedules are subject to the elected official approval. Employees may not carry-over annual leave from one year to the next. Annual leave is paid upon the employee's separation of employment with the County.

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

All full-time Cherokee County employees shall be entitled to sick leave with pay that is accrued on a monthly basis. Sick leave shall accumulate at the rate of 1 day for each full calendar month of service to the County. Sick leave may be accrued up to a maximum of 130 days. Accrued sick leave is not paid upon employee's separation of employment with the County.

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, 2006, was approximately \$133,280,248.

The County levied 10.00 mills (the legal maximum) for general fund operations, 1.5 mills for county health department, and 4 mills for multi-county library. 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, 2007, were approximately 95.03 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.

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 		
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 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.

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.

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 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 7.5% and 12.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 12.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2007, 2006, and 2005, were \$554,195, \$442,286, and \$376,326, respectively, equal to the required contributions for each year.

2.5% Step-Up. Members had a one-time option in 2004 to elect to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service.

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.

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 condition of the County; however, the outcome of any lawsuit would not be determinable.

9. Sales Tax

In 1984, Cherokee County voters approved a 1% sales tax to become effective for a period of five years. The proceeds of the tax are used as follows: 50% for county roads, 15% for law enforcement, and 25% for general county operations, including extension and 4-H clubs, and 10% for grant matching funds. The original duration of the tax was five years. Voters have subsequently voted to extend this tax for additional five-year periods. The current tax is set to expire January 31, 2009.

On September 15, 1998, Cherokee County voters approved a one-quarter percent (.25%) sales tax designated for the purpose of providing funding for fire protection to the 14 different fire departments in and throughout the County. There is no expiration date on this sales tax.

On February 24, 2004, Cherokee County voters approved a sales tax of three-fourth of one percent (3/4%) to be used solely to pay for acquiring, constructing, equipping, operating, and maintaining new county jail facilities and parking facilities on behalf of the County by the Cherokee County Governmental Building Authority, providing one-half of one percent (1/2%) shall be levied until repealed by a majority of the voters of Cherokee County and providing that the remaining one-fourth percent (1/4%) for the indebtedness of the Cherokee County Governmental Building Authority. This one-fourth of one percent (1/4%) shall expire when the indebtedness is paid or by June 30, 2014, whichever comes first.

10. Interfund Transactions

Operating transfers consisting of \$100,000 transferred from County Use Tax and \$180,000 transferred from County Sales Tax both to County General. These transfers were temporary, and were transferred back by June 30, 2007.

OTHER SUPPLEMENTARY INFORMATION

CHEROKEE 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, 2007

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 721,804	\$ 721,804	\$ 721,804	\$ -
Less: Prior Year Outstanding Warrants	(125,280)	(125,280)	(121,149)	4,131
Less: Prior Year Encumbrances	(61,543)	(61,543)	(61,543)	
Beginning Cash Balances, Budgetary Basis	<u>534,981</u>	<u>534,981</u>	<u>539,112</u>	<u>4,131</u>
Receipts:				
Ad Valorem Taxes	1,211,693	1,284,182	1,284,182	
Charges for Services	231,208	231,208	254,124	22,916
Intergovernmental Revenues	1,020,008	1,020,008	1,208,355	188,347
Miscellaneous Revenues	99,833	99,833	710,098	610,265
Total Receipts, Budgetary Basis	<u>2,562,742</u>	<u>2,635,231</u>	<u>3,456,759</u>	<u>821,528</u>
Expenditures:				
County Sheriff	428,500	411,792	411,039	753
Total County Sheriff	<u>428,500</u>	<u>411,792</u>	<u>411,039</u>	<u>753</u>
County Treasurer	180,329	178,749	178,481	268
Total County Treasurer	<u>180,329</u>	<u>178,749</u>	<u>178,481</u>	<u>268</u>
County Commissioners	238,312	239,426	239,322	104
Total County Commissioners	<u>238,312</u>	<u>239,426</u>	<u>239,322</u>	<u>104</u>
OSU Extension	104,042	104,042	98,205	5,837
Total OSU Extension	<u>104,042</u>	<u>104,042</u>	<u>98,205</u>	<u>5,837</u>
County Clerk	308,649	336,002	335,558	444
Total County Clerk	<u>308,649</u>	<u>336,002</u>	<u>335,558</u>	<u>444</u>
Court Clerk	158,477	491,375	471,176	20,199
Total Court Clerk	<u>158,477</u>	<u>491,375</u>	<u>471,176</u>	<u>20,199</u>
County Assessor	123,424	122,119	114,719	7,400
Total County Assessor	<u>123,424</u>	<u>122,119</u>	<u>114,719</u>	<u>7,400</u>
Revaluation of Real Property	267,692	266,534	251,706	14,828
Capital Outlay	3,500	3,500	3,169	331
Total Revaluation of Real Property	<u>271,192</u>	<u>270,034</u>	<u>254,875</u>	<u>15,159</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.

CHEROKEE 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, 2007

General Government	540,720	708,233	441,410	266,823
Capital Outlay	372,640	371,840	193,041	178,799
Total General Government	<u>913,360</u>	<u>1,080,073</u>	<u>634,451</u>	<u>445,622</u>
Excise-Equalization Board	14,000	14,000	11,623	2,377
Total Excise-Equalization Board	<u>14,000</u>	<u>14,000</u>	<u>11,623</u>	<u>2,377</u>
County Election Board	139,974	149,106	147,462	1,644
Capital Outlay	1,000	1,000	1,000	
Total County Election Board	<u>140,974</u>	<u>150,106</u>	<u>148,462</u>	<u>1,644</u>
Jail Fund	30,000	47,500	47,498	2
Total Jail Fund	<u>30,000</u>	<u>47,500</u>	<u>47,498</u>	<u>2</u>
Hope House	34,804	34,633	33,388	1,245
Total Hope House	<u>34,804</u>	<u>34,633</u>	<u>33,388</u>	<u>1,245</u>
County Audit Budget	13,329	13,329		13,329
Total County Audit Budget	<u>13,329</u>	<u>13,329</u>	<u>-</u>	<u>13,329</u>
Free Fair Budget	14,000	14,000	13,153	847
Total Free Fair Budget	<u>14,000</u>	<u>14,000</u>	<u>13,153</u>	<u>847</u>
Solid Waste	100,000	87,220	87,080	140
Total Solid Waste	<u>100,000</u>	<u>87,220</u>	<u>87,080</u>	<u>140</u>
Emergency Management	19,751	20,951	16,719	4,232
Total Emergency Management	<u>19,751</u>	<u>20,951</u>	<u>16,719</u>	<u>4,232</u>
Provision for Interest on Warrants	5,000	5,000	-	5,000
Total Expenditures, Budgetary Basis	<u>3,098,143</u>	<u>3,620,351</u>	<u>3,095,749</u>	<u>524,603</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ (420)</u>	<u>\$ (450,139)</u>	900,122	<u>\$ 1,350,261</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			59,870	
Add: Current Year Outstanding Warrants			123,174	
Uncorrected Audit Adjustment			77	
Ending Cash Balance			<u>\$ 1,083,243</u>	

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

CHEROKEE 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, 2007

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 124,166	\$ 124,166	\$ 124,166	\$ -
Less: Prior Year Outstanding Warrants	(1,817)	(1,817)		1,817
Less: Prior Year Encumbrances	(10,464)	(10,464)	(9,634)	830
Beginning Cash Balances, Budgetary Basis	<u>111,885</u>	<u>111,885</u>	<u>114,532</u>	<u>2,647</u>
Receipts:				
Ad Valorem Taxes	181,754	181,754	192,113	10,359
Charges for Services		30,412	31,368	956
Total Receipts, Budgetary Basis	<u>181,754</u>	<u>212,166</u>	<u>223,481</u>	<u>11,315</u>
Expenditures:				
Health and Welfare	273,639	304,051	217,994	86,057
Capital Outlay	20,000	20,000	4,345	15,655
Total Expenditures, Budgetary Basis	<u>293,639</u>	<u>324,051</u>	<u>222,339</u>	<u>101,712</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	115,674	<u>\$ 115,674</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			89,706	
Add: Current Year Outstanding Warrants			8,948	
Ending Cash Balance			<u>\$ 214,328</u>	

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

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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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
CHEROKEE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Cherokee County, Oklahoma, as of and for the year ended June 30, 2007, which comprises Cherokee County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 3, 2010. 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 Cherokee 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 2007-2, 2007-5, 2007-9, and 2007-11 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 2007-9 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cherokee 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*.

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

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

This report is intended solely for the information and use of management of Cherokee 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 the first name "Gary" being the most prominent.

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

November 3, 2010

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 2007-2 – Backup Tapes & Disaster Recovery Plans (Repeat Finding)

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support 4), information services function management should ensure that a written disaster recovery plan is documented and contains the following:

- Guidelines on how to use the recovery plan;
- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution;
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc. and a source and alternative source defined;
- Training and/or awareness of individual and group roles in continuity plan;
- Listing of contracted service providers;
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation;
- Current names, addresses, telephone/pager numbers of key personnel;
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

Condition: Through inquiry and observation, there is not a formal Disaster Recovery Plan for the County Clerk's office. Backup tapes are stored in a fireproof cabinet in the office and land records are stored in a fireproof safe off the premises. However, there does not appear to be a formal method of testing the backup data to verify if the backup data is reliable and working.

Effect: The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. Storing backup tapes in several locations in the event of a disaster could cause significant problems in ensuring county business could continue uninterrupted. Also storing backup tapes at someone's home may cause County information to not be stored in a safe and secure environment. Storing backup tapes on site could also lead to a problem if a disaster occurred at the work place, which would destroy both the system and the backup tapes.

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Recommendation: OSAI recommends the County develop a current Disaster Recovery Plan. The County should study and act on different proposals to ensure that backup tapes of all records in the County are stored in a safe, secure and remote location, off the premises from the courthouse, where information could be easily retrieved by authorized personnel in the event of a disaster. OSAI further recommends that prior to storage, all backup data be tested to determine the data is reliable and working.

Views of responsible officials and planned corrective actions: Management did not respond.

Finding 2007-5 – OPERS (Repeat Finding)

Criteria: Title 74 O.S. § 925 states:

All employees of participating employers who are eligible or may hereafter become eligible to be members of the system as provided by this act shall, as a condition of continuing employment or as a condition of obtaining employment with a participating employer, become members of the system.

Also, 74 O.S. § 902(14) states in part:

"Employee" means any officer or employee of a participating employer, whose employment is not seasonal or temporary and whose employment requires at least one thousand (1,000) hours of work per year and whose salary or wage is equal to the hourly rate of the monthly minimum wage for state employees...

Condition: From test work performed, OSAI noted five employees classified as part-time who worked more than 1,000 hours in a one-year period based on the employee's anniversary date. The employees worked 1,529.5 hours, 1,164 hours, 1,217.25 hours, 1,382 hours, and 1,238 hours, respectively, and did not participate in OPERS retirement benefits.

Effect: All eligible employees may not have been participating in the pension plan.

Recommendation: OSAI recommends the County contact OPERS regarding the status of benefits applicable for these employees.

Views of responsible officials and planned corrective actions: Management did not respond.

Finding 2007-9 – Segregation of Duties – Payroll (Repeat Finding)

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Condition: Based on inquiries of County personnel, it was noted a deputy in the County Clerk's office collects all the payroll information from the officers, enters that information into the payroll system, prints the payroll warrants, takes the payroll warrants to the Treasurer, and distributes payroll warrants. This deputy also is in charge of entering new hires into the payroll system and has access to all the personnel files.

Effect: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Views of responsible officials and planned corrective actions: Management did not respond.

Finding 2007-11 – General Ledger Fund Balance

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of calculations and/or transactions. To help ensure a proper accounting of funds, a monthly reconciliation should be performed for all county funds.

Condition: During test work, OSAI noted the County Clerk MML account did not agree to the bank statements. After further analysis, OSAI found a voucher that was issued in August 2006 was not recorded on the general ledger until February 2008.

Effect: This condition results in inaccurate reporting, undetected errors, and could result in misappropriation of funds.

Recommendation: OSAI recommends a monthly reconciliation be performed and then reviewed by someone other than the preparer. This would help management to properly account for all activity in the account.

Views of responsible officials and planned corrective actions:

Inez Peace, Cherokee County Treasurer –

The general ledger balance of the MML fund has been corrected as you stated. Your recommendation on this matter will be followed in the future.

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 2007-3 – Computer Usage Policies (Repeat Finding)

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support) DS11.6 Security Requirements for Data Management, management should define and implement policies and procedures to identify and apply security requirements applicable to the receipt, processing, storage and output of data to meet business objectives, the organization's security policy and regulatory requirements.

Condition: A policy concerning acceptable usage of the computer and internet has not been established.

Effect: Without an IT security policy in place, the County is at risk of a loss of financial and taxpayer data as well as a risk for misappropriation of county funds.

Recommendation: OSAI recommends management establish and implement a computer and internet policy that describes acceptable computer and internet usage by county employees.

Views of responsible officials and planned corrective actions:

Inez Peace, Cherokee County Treasurer –

Concerning findings #2006-3 and 2007-3 (computer and internet usage policies), we do not have a written procedure; however, we have the internet usage only on one computer in our office, and our staff is aware that this is to be for county business.

Finding 2007-6 – Estimate of Needs (Repeat Finding)

Criteria: The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent. Effective internal controls as they relate to government entities financial reporting should assist in fulfilling government’s duty to be publicly accountable and should enable users access to that accountability by demonstrating whether resources were obtained and used in accordance with the entity’s adopted budget.

Title 19 O.S. § 1413.C. states:

The adopted budgets shall be in effect on and after the first day of the fiscal year to which they apply. The budgets as adopted and filed with the excise board shall constitute an appropriation for each fund, subject to final approval of the county excise board as provided in this act, and the appropriation thus made shall not be used for any other purpose except as provided by law.

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Title 19 O.S. § 1414.B. states:

At the time required by law, the county excise board shall compute the appropriations and levy the taxes necessary for the county for the budget year in accordance with this act and Section 3017 of Title 68 of the Oklahoma Statutes.

Condition: During our examination of the Estimate of Needs, it was noted that estimated expenditures exceeded the revenues by \$420 and \$450,139 for the Original Budget and Final Budget, respectively. Also for the Actual column, the expenditures and ending cash balance did not match the actual supporting records.

Effect: This condition results in monies being appropriated in excess of funds available.

Recommendation: OSAI recommends the County review the Estimate of Needs prior to approval to ensure that all funds are accurately presented and a balanced budget is adopted.

Views of responsible officials and planned corrective actions:

Douglas G. Hubbard, District 1 Commissioner –

We have reviewed our documents concerning your findings in the draft audit for FY 2006 and FY 2007. The error reported on said documents will be corrected.



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