

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

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan  
State Auditor and Inspector

July 6, 2007

TO THE CITIZENS OF  
CLEVELAND COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cleveland County, Oklahoma, for the fiscal year ended June 30, 2006. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN  
State Auditor and Inspector

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

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

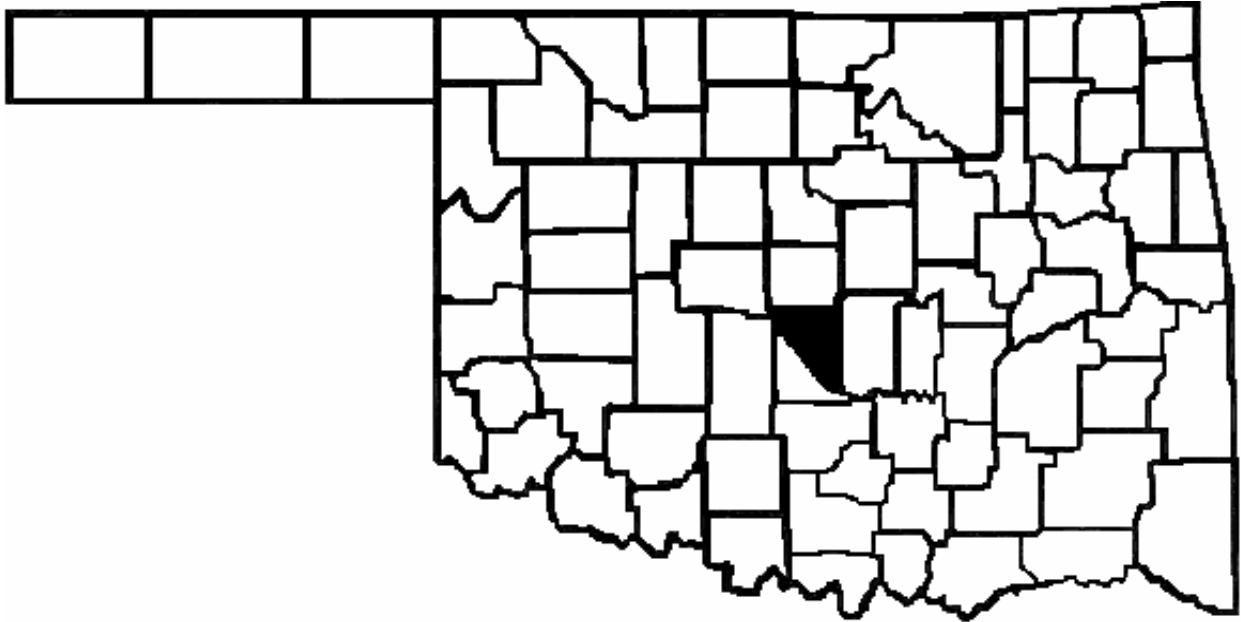
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**REPORT TO THE CITIZENS  
OF  
CLEVELAND COUNTY, OKLAHOMA**

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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 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 – 222,074  
(2004 est.)

Farms – 1,294

Land in Farms – 165,483 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

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

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**COUNTY ASSESSOR**

Denise Heavner  
(D) Norman

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**

Dorinda Harvey  
(R) Norman

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.

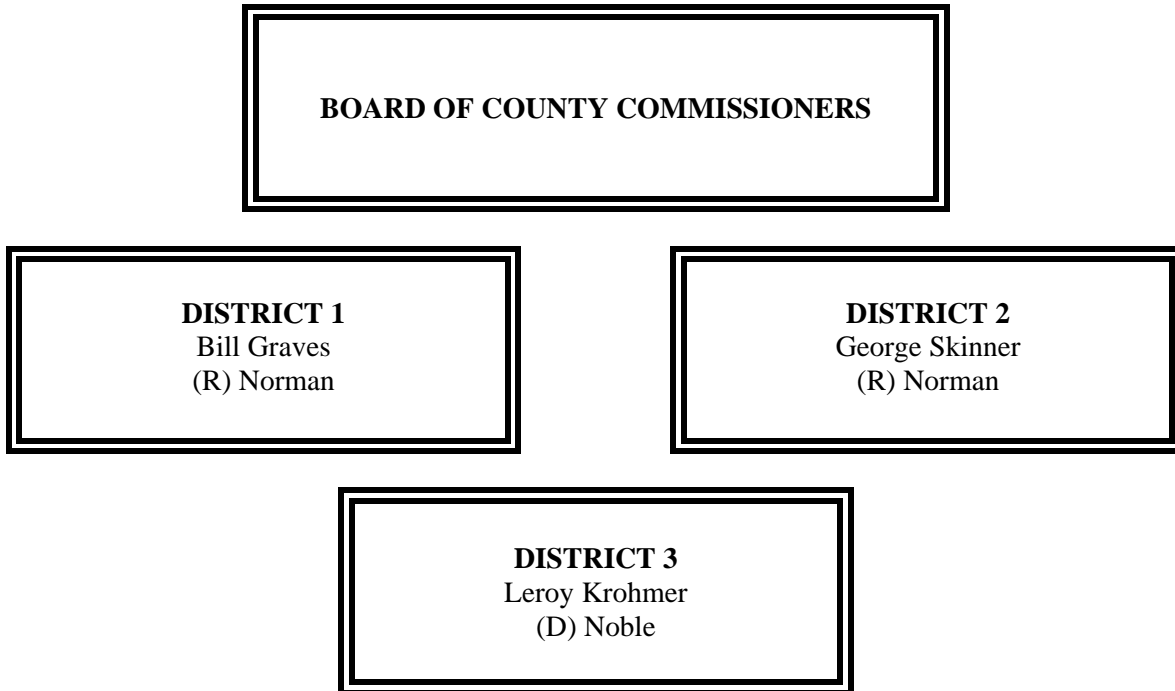
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. 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, 2006**

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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, 2006**

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**COUNTY SHERIFF**  
DeWayne Beggs  
(R) Norman

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  
(D) Norman

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

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

See independent auditor's report.



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

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**COURT CLERK**  
Rhonda Hall  
(D) Moore

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

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

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

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

**DISTRICT ATTORNEY**  
Tim Kuykendall  
(R) Norman

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, 2006**

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**ELECTION BOARD SECRETARY**

Paula Roberts  
(D) Norman

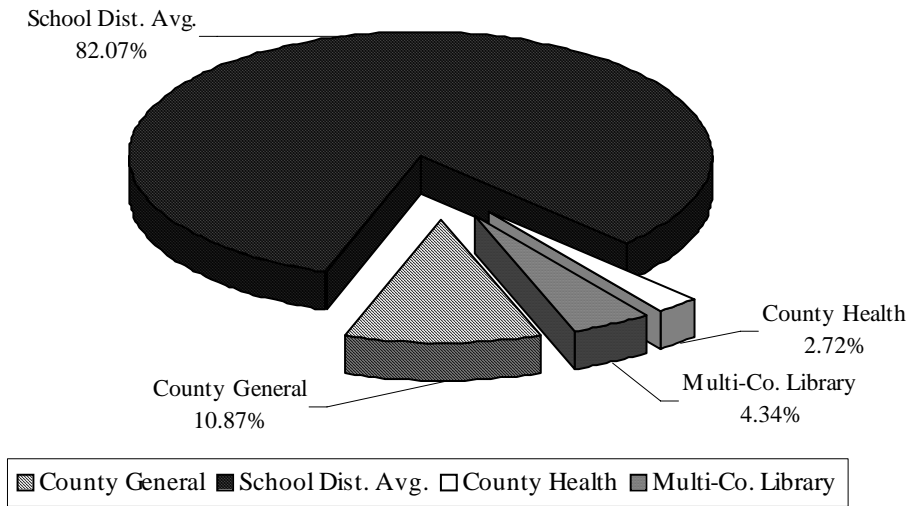
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within 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, 2006**

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



County-Wide Millages		School District Millages						
			Career					
		Gen.	Bldg.	Skg.	Tech	Common	Total	
Co. General	10.28	McLoud	35.64	5.09	10.96	15.22	4.11	71.02
County Health	2.57	Moore	36.07	5.15	19.61	14.38	4.11	79.32
Multi-County Library	4.11	Robin Hill	36.48	5.21	23.84		4.11	69.64
<u>Cities and Towns:</u>		Norman	35.88	5.12	21.03	14.38	4.11	80.52
		Noble	35.85	5.12	25.29	11.25	4.11	81.62
Norman	3.96	Mid-Del	36.04	5.14	18.66	16.29	4.11	80.24
Moore	10.89	Lexington	36.55	5.22	25.75	11.25	4.11	82.88
Noble	4.17	Mustang	36.08	5.15	17.08	15.46	4.11	77.88
Oklahoma City	12.53	Little Axe	35.69	5.10	19.39	11.25	4.11	75.54
<u>Other:</u>								
Noble Ambulance	3.08							
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, 2006  
(UNAUDITED)**

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Total net assessed value as of January 1, 2005		<u>\$ 1,134,384,923</u>
Debt limit - 5% of total assessed value		56,719,246
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>911</u>	<u>-</u>
Legal debt margin		<u>\$ 56,719,246</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, 2006  
(UNAUDITED)**

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	2006
Estimated population	222,074
Net assessed value as of January 1, 2005	\$ 1,134,384,923
Gross bonded debt	-
Less available sinking fund cash balance	911
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, 2006  
(UNAUDITED)**

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<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2005	\$79,705,003	\$64,488,796	\$1,033,012,307	\$42,821,183	\$1,134,384,923	\$9,554,870,928

See independent auditor's report.

**FINANCIAL SECTION**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan  
State Auditor and Inspector

**Independent Auditor's Report**

TO THE OFFICERS OF  
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, 2006, 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. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

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

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Cleveland County as of June 30, 2006, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Cleveland County, for the year ended June 30, 2006, on the basis of accounting described in Note 1.



In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2007, 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.



JEFF A. McMAHAN  
State Auditor and Inspector

June 27, 2007

## **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, 2006**

	Beginning Cash Balances July 1, 2005	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2006
Combining Information:				
General Fund	\$ 5,191,642	\$ 16,560,346	\$ 15,635,423	\$ 6,116,565
Highway Unrestricted	3,305,586	5,350,148	4,950,872	3,704,862
Highway Community Service	9,558			9,558
County Health	3,378,584	3,295,112	4,126,154	2,547,542
Resale Property	753,451	477,210	651,710	578,951
Sheriff Service Fee	524,061	424,834	407,414	541,481
Sheriff Revolving	223,917	335,142	389,013	170,046
Sheriff Drug Fund	14,102	2,711	5,000	11,813
Sheriff Training	278			278
Sheriff Environmental Award	145			145
Sheriff Jail Fund	13,085	45,414	20,676	37,823
Sheriff Commissary	30,315	71,247	63,876	37,686
Sheriff Federal Share Revenue	60,652	43,519	13,233	90,938
Sheriff Special DARE	5,937	3,500	2,988	6,449
Sheriff Donations	2,290	1,000	563	2,727
Sheriff Property Forfeiture		565		565
County Commissioner Building Fund	202,277	8,219		210,496
Treasurer Certification Fee	296,166	93,135	110,309	278,992
County Clerk Lien Fee	200,887	118,708	44,426	275,169
Assessor Revolving	24,351	12,090	16,401	20,040
Child Abuse Prevention	1,587	790		2,377
Saferoom FEMA Grant	4,135	15,139	14,914	4,360
County Clerk Preservation	1,106,234	394,505	173,952	1,326,787
Health GASP Grant Fund	128		127	1
Sheriff Criminal Alien Assistance Grant	100	3,744	1,127	2,717
Local Emergency Planning Committee	9,375	2,400	721	11,054
County Fair Board	62,291	108,760	115,294	55,757
County Sinking	720	191		911
Bridge Capital Improvement	823,503	14,571		838,074
Workers' Compensation	16			16
Court Fund Remodeling	4,430			4,430
District Attorney Stop Violence		65,330	45,792	19,538
District Attorney Incarceration Costs	9,612	2,024	8,722	2,914
District Attorney Witness Fee Reimbursement	12,181	5,480	5,405	12,256
<b>Combined Total--All County Funds</b>	<b>\$ 16,271,596</b>	<b>\$ 27,455,834</b>	<b>\$ 26,804,112</b>	<b>\$ 16,923,318</b>

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, 2006**

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**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, 2006**

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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, 2006**

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

Health GASP Grant Fund – accounts for grant monies received and disbursed as restricted by the grant agreement.

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 worker's 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.

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

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

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**C. Basis of Accounting**

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

**D. Budget**

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. On or before May 31 of each year, each officer or department head submits an estimate of needs (budget) to the governing body. The budget is approved by fund, 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
- 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

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

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- 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 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	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.

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.

The County does not record any liability for 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 property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

The assessed property value as of January 1, 2005, was approximately \$1,134,384,923.



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

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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 and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2006, were approximately 98.06 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:

<b>Types of Loss</b>	<b>Method of Management</b>	<b>Risk of Loss Retained</b>
General Liability <ul style="list-style-type: none"> <li>• Torts</li> <li>• Errors and Omissions</li> <li>• Law Enforcement Officers Liability</li> <li>• Vehicle</li> </ul>	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"> <li>• Theft</li> <li>• Damage to Assets</li> <li>• Natural Disasters</li> </ul>		

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

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<b>Types of Loss</b>	<b>Method of Management</b>	<b>Risk of Loss Retained</b>
Workers' Compensation <ul style="list-style-type: none"> <li>• Employees' Injuries</li> </ul>	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee <ul style="list-style-type: none"> <li>• Medical</li> <li>• Disability</li> <li>• Dental</li> <li>• Life</li> </ul>	The County carries commercial insurance.	None

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$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.

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

**5. Long-term Obligations**

**Capital Leases**

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

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

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**6. Pension Plan**

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 6.5% and 11.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 11.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2006, 2005, and 2004 were \$1,041,947, \$833,857, and \$859,881, 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.

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

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

**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, 2006**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 5,191,642	\$ 5,191,642	\$ 5,191,642	\$ -
Less: Prior Year Outstanding Warrants	(522,248)	(522,248)	(522,248)	
Less: Prior Year Encumbrances	(354,632)	(354,632)	(305,589)	49,043
Beginning Cash Balances, Budgetary Basis	<u>4,314,762</u>	<u>4,314,762</u>	<u>4,363,805</u>	<u>49,043</u>
Receipts:				
Ad Valorem Taxes	11,661,477	11,661,477	11,601,755	(59,722)
Charges for Services	1,026,224	1,026,224	989,370	(36,854)
Intergovernmental Revenues	1,758,397	1,758,397	1,864,001	105,604
Miscellaneous Revenues	2,383,668	2,453,028	2,105,220	(347,808)
Total Receipts, Budgetary Basis	<u>16,829,766</u>	<u>16,899,126</u>	<u>16,560,346</u>	<u>(338,780)</u>
Expenditures:				
District Attorney	12,000	12,000	11,900	100
Total District Attorney	<u>12,000</u>	<u>12,000</u>	<u>11,900</u>	<u>100</u>
County Sheriff	4,054,948	4,054,948	4,041,907	13,041
Capital Outlay	148,324	148,324	145,943	2,381
Total County Sheriff	<u>4,203,272</u>	<u>4,203,272</u>	<u>4,187,850</u>	<u>15,422</u>
County Treasurer	850,000	850,000	847,560	2,440
Capital Outlay	21,500	21,500	21,500	
Total County Treasurer	<u>871,500</u>	<u>871,500</u>	<u>869,060</u>	<u>2,440</u>
County Commissioners	490,000	490,000	471,366	18,634
Capital Outlay	10,300	10,300	8,214	2,086
Total County Commissioners	<u>500,300</u>	<u>500,300</u>	<u>479,580</u>	<u>20,720</u>
OSU Extension	296,416	296,416	296,295	121
Capital Outlay	5,235	5,235	5,235	
Total OSU Extension	<u>301,651</u>	<u>301,651</u>	<u>301,530</u>	<u>121</u>
County Clerk	1,153,633	1,153,633	1,116,786	36,847
Capital Outlay	16,835	16,835	14,074	2,761
Total County Clerk	<u>1,170,468</u>	<u>1,170,468</u>	<u>1,130,860</u>	<u>39,608</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, 2006**

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continued from previous page

	Original Budget	Final Budget	Actual	Variance
Court Clerk	824,092	824,092	788,669	35,423
Total Court Clerk	<u>824,092</u>	<u>824,092</u>	<u>788,669</u>	<u>35,423</u>
County Assessor	823,954	823,954	796,975	26,979
Capital Outlay	37,000	37,000	36,665	335
Total County Assessor	<u>860,954</u>	<u>860,954</u>	<u>833,640</u>	<u>27,314</u>
Revaluation of Real Property	815,818	815,818	803,921	11,897
Capital Outlay	85,000	85,000	81,670	3,330
Total Revaluation of Real Property	<u>900,818</u>	<u>900,818</u>	<u>885,591</u>	<u>15,227</u>
Juvenile Shelter Bureau	200,000	200,000	199,890	110
Total Juvenile Shelter Bureau	<u>200,000</u>	<u>200,000</u>	<u>199,890</u>	<u>110</u>
District Court	114,000	114,000	101,739	12,261
Total District Court	<u>114,000</u>	<u>114,000</u>	<u>101,739</u>	<u>12,261</u>
General Government	6,646,239	6,715,599	3,579,554	3,136,045
Capital Outlay	800	800	800	800
Total General Government	<u>6,647,039</u>	<u>6,716,399</u>	<u>3,579,554</u>	<u>3,136,845</u>
Excise-Equalization Board	7,500	7,500	3,610	3 890
Capital Outlay	500	500	500	500
Total Excise-Equalization Board	<u>8,000</u>	<u>8,000</u>	<u>3,610</u>	<u>4,390</u>
County Election Expense	442,067	442,067	438,522	3,545
Capital Outlay	23,800	23,800	22,878	922
Total County Election Expense	<u>465,867</u>	<u>465,867</u>	<u>461,400</u>	<u>4,467</u>
County Purchasing Agent	125,500	125,500	118,560	6,940
Capital Outlay	10,000	10,000	9,957	43
Total County Purchasing Agent	<u>135,500</u>	<u>135,500</u>	<u>128,517</u>	<u>6,983</u>
Charity	10,000	10,000	10,000	-
Total Charity	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</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, 2006**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Law Library	31,000	31,000	28,375	2,625
Total Law Library	<u>31,000</u>	<u>31,000</u>	<u>28,375</u>	<u>2,625</u>
CASA	42,000	42,000	41,142	858
Total CASA	<u>42,000</u>	<u>42,000</u>	<u>41,142</u>	<u>858</u>
Buildings Security	136,983	136,983	116,451	20,532
Capital Outlay	1,000	1,000		1,000
Total Buildings Security	<u>137,983</u>	<u>137,983</u>	<u>116,451</u>	<u>21,532</u>
Highway Budget Account	680,000	680,000	668,473	11,527
Capital Outlay	249,277	249,277	245,706	3,571
Total Highway Budget Account	<u>929,277</u>	<u>929,277</u>	<u>914,179</u>	<u>15,098</u>
County Audit Budget Account	163,075	163,075	73,521	89,554
Total County Audit Budget Account	<u>163,075</u>	<u>163,075</u>	<u>73,521</u>	<u>89,554</u>
Free Fair Budget Account	210,826	210,826	210,573	253
Capital Outlay	4,523	4,523	4,465	58
Total Free Fair Budget Account	<u>215,349</u>	<u>215,349</u>	<u>215,038</u>	<u>311</u>
Building Maintenance	692,406	692,406	667,063	25,343
Capital Outlay	25,000	25,000	20,525	4,475
Total Building Maintenance	<u>717,406</u>	<u>717,406</u>	<u>687,588</u>	<u>29,818</u>
Reserve for Courthouse Improvement	1,682,977	1,682,977		1,682,977
Total Reserve for Courthouse Improvement	<u>1,682,977</u>	<u>1,682,977</u>	-	<u>1,682,977</u>
Total Expenditures, Budgetary Basis	<u>21,144,528</u>	<u>21,213,888</u>	<u>16,049,684</u>	<u>5,164,204</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	4,874,467	<u>\$ 4,874,467</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			1,037,372	
Add: Current Year Outstanding Warrants			204,726	
Ending Cash Balance			<u>\$ 6,116,565</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, 2006**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 3,378,584	\$ 3,378,584	\$ 3,378,584	\$ -
Less: Prior Year Outstanding Warrants	(16,617)	(16,617)	(16,617)	
Less: Prior Year Encumbrances	(432,580)	(432,580)	(413,355)	19,225
Beginning Cash Balances, Budgetary Basis	<u>2,929,387</u>	<u>2,929,387</u>	<u>2,948,612</u>	<u>19,225</u>
Receipts:				
Ad Valorem Taxes	2,915,369	2,915,369	2,861,681	(53,688)
Charges for Services		344,332	335,285	(9,047)
Intergovernmental			140	140
Miscellaneous Revenues	97,768	97,768	98,006	238
Total Receipts, Budgetary Basis	<u>3,013,137</u>	<u>3,357,469</u>	<u>3,295,112</u>	<u>(62,357)</u>
Expenditures:				
Health and Welfare	3,549,429	3,884,714	2,925,474	959,240
Capital Outlay	2,393,095	2,402,142	1,010,178	1,391,964
Total Expenditures, Budgetary Basis	<u>5,942,524</u>	<u>6,286,856</u>	<u>3,935,652</u>	<u>2,351,204</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	2,308,072	<u>\$ 2,308,072</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			235,160	
Add: Current Year Outstanding Warrants			4,310	
Ending Cash Balance			<u>\$ 2,547,542</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, 2006**

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Beginning Cash Balance	<u>\$ 720</u>
Receipts:	
Ad Valorem	151
Miscellaneous	<u>40</u>
Total Receipts	<u>191</u>
Disbursements:	
Total Disbursements	<u>-</u>
Ending Cash Balance	<u>\$ 911</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, 2006**

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**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**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan  
State Auditor and Inspector

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

TO THE OFFICERS OF  
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, 2006, 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 June 27, 2007. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cleveland County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Cleveland County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings and responses as items 2006-2, 2006-3, 2006-4, and 2006-5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2006-3 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 2006-1.

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

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



JEFF A. McMAHAN  
State Auditor and Inspector

June 27, 2007

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

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**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 2006-1—Financial Statements (Repeat Finding)**

Criteria: For counties who have adopted the County Budget Act per 19 O.S. § 1403, 19 O.S. § 1405 states, “The accounting records of each county shall be established and maintained and financial statements prepared therefore in conformity with generally accepted accounting principles promulgated from time to time by authoritative bodies of the United States...”

Condition: The County has adopted the County Budget Act, however, does not prepare financial statements in conformity with generally accepted accounting principles as provided by that Act.

Recommendation: We recommend the County prepare financial statements in conformity with generally accepted accounting principles as required by counties who have adopted the County Budget Act.

Views of responsible officials and planned corrective actions: Management is aware of this situation; however, due to financial situations we are unable to comply with this situation at this time. We are currently in the process of correcting this situation to comply with state statutes.

**Finding 2006-2—Timesheets and Accumulated Leave Balances**

Criteria: Effective internal controls include timesheets being prepared, reviewed for accuracy, and filed with payroll department prior to payroll checks being issued. The County’s Personnel Policy Handbook and the Fair Labor Standards Act require employees to keep accurate records of actual time worked by employees, including sick, vacation, and compensatory time earned, taken, or paid.

Condition: During a review of timesheets for an employee at Cleveland County District 1, the following was noted:

- The vacation, sick, and compensatory time used as noted on the leave balance sheets do not agree to the timesheets.
- The June 30, 2006, ending balance for vacation and sick leave were negative 224.42 and negative 15.75 hours, respectively.
- Full leave accruals were received despite not having worked a complete month and having negative vacation and compensatory balances.

Recommendation: We recommend that all timesheets be properly calculated and completed and be approved/signed by the employee and the county official for each pay period. We further recommend employees’ pay be reduced for time off when leave balances have been exhausted.

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

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Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We have started the process of implementing procedures for the accountability of employee time records.

**Finding 2006-3—Segregation of Duties – County Sheriff**

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation is an important element of effective internal control over government assets and resources.

Condition: During our review of the County Sheriff's official depository accounts and Inmate Trust Fund, we noted a lack of segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation.

Recommendation: We recommend management be aware of this condition 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 knowledge of office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. Management does have knowledge of office operations and will perform a periodic review of these operations.

**Finding 2006-4—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 reconciliations not prepared or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Condition: The Sheriff's Inmate Trust Account was not properly reconciled with the bank statement at June 30, 2006.

Recommendation: We recommend that a reconciliation of the Sheriff's Inmate Trust Account containing documentation of reconciling items and balances be performed monthly.

Views of responsible officials and planned corrective actions: We concur with the auditor's findings. Management has implemented procedures to correct this issue.



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

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**Finding 2006-5—County Sheriff Inmate Trust Account (Repeat Finding)**

Criteria: Effective accounting procedures are necessary to ensure stewardship and accountability of public funds. Further, 19 O.S. § 531 states in part that the county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into the Inmate Trust Fund Checking Account. In addition, 28 O.S. § 9 states, “Every officer charging fees shall give a receipt therefore.”

Condition: While performing cash compositions for the Sheriff’s Inmate Trust Account, the following deposits could not be traced to receipts:

1. Check in the amount \$50.00 noted on deposit dated July 6, 2005.
2. Cash in the amount \$12.70 noted on deposit dated August 10, 2005.
3. Cash in the amount \$77.66 noted on deposit dated September 7, 2005.
4. Check in the amount \$1.11 noted on deposit dated September 7, 2005.
5. Cash in the amount \$8.00 noted on deposit dated January 18, 2006.
6. Check in the amount \$120.04 noted on deposit dated January 18, 2006.

Recommendation: We recommend that all monies collected under the color of office be receipted and deposited daily. We further recommend to enhance effective accounting procedures, the County Sheriff’s office list a receipt number or inmate’s name on the deposit slip for all cash deposited.

Views of responsible officials and planned corrective actions: We concur with the auditor’s findings. Management has implemented procedures to correct this issue.

**SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standard*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2006-6—Consumable Inventory Records**

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: It was noted during our examination of consumable inventory items that variances existed between consumable inventory stock cards and physical counts. The variances are as follows:

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

<u>District</u>	<u>Item</u>	<u>On Inventory</u>	<u>On Hand</u>	<u>Variance Long (Short)</u>
3	Stop Sign	16	17	1
3	Stop Ahead Sign	15	25	10
3	Bridge Out Sign 30" to 36"	42	12	(30)
3	Left Curve Sign 30"	1	2	1
3	High Water Sign 30"	45	40	(5)
3	Loose Gravel Sign	33	23	(10)
3	Speed Limit 25 Sign	14	16	2
3	Speed Limit 40 Sign	8	1	(7)
3	School Bus Stop Ahead Sign	6	9	3
3	Dead End Sign	12	8	(4)
3	Weight Limit 3 Tons Sign	6	2	(4)
3	Weight Limit 5 Tons Sign	18	14	(4)
3	Weight Limit 9 Tons Sign	4	0	(4)
3	Yield Sign	14	7	(7)
3	Do Not Pass Sign	19	4	(15)
3	T Sign 24"	14	38	24
3	Road Construction Ahead Sign	46	12	(34)
3	Farm Machinery Sign	17	13	(4)
3	Left Turn Sign	5	0	(5)
3	Uneven Surface Sign	13	7	(6)
3	Truck Route Sign	2	6	4
3	No Thru Traffic Sign	5	0	(5)
3	One Lane Road Ahead Sign	1	2	1
3	Detour-Left Arrow Sign	7	3	(4)
3	Detour-Right Arrow Sign	8	1	(7)
3	Flagman Sign	7	4	(3)
3	Mowing Ahead Sign	23	4	(19)
3	Tow Away Zone Sign	3	0	(3)
3	School Sign	1	10	9
3	25 MPH Sign	48	19	(29)
3	Dangerous Bridge Sign	6	2	(4)
3	One Lane Road Ahead Sign	7	0	(7)
3	Bridge Work Ahead Sign	4	0	(4)
3	Detour Right Sign	2	1	(1)
3	Be Prepared To Stop Sign	78	13	(65)
3	Road Construction 500 Ft. Sign	6	1	(5)
3	Low Shoulder Sign	10	3	(7)
3	Slow Moving Vehicle Sign	21	0	(21)
3	Farm Machinery Sign (yellow & black)	10	0	(10)
3	Road Closed To Thru Traffic Sign	54	1	(53)
3	Cattle Crossing Sign	4	2	(2)
3	Motor Grader Ahead Sign	19	0	(19)

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

<u>District</u>	<u>Item</u>	<u>On Inventory</u>	<u>On Hand</u>	<u>Variance Long (Short)</u>
3	Weight Limit 18 Tons Sign	4	11	7
3	Tinhorn 15''X20'	3.25	9.75	6.5
3	Tinhorn 18''X20'	24	26	2
3	Tinhorn 24''X20'	16.75	20.75	4
3	Tinhorn Band 24''	19	17	(2)
3	Gasoline	5,553.96 gal	5,079.98 gal	(473.98)
3	Diesel	4,140.50 gal	4,574.84 gal	434.34
1	Gasoline	3,278.70 gal	3,287.12 gal	8.42
1	Diesel	6,894 gal	6,931.59 gal	37.59

Recommendation: We recommend that the County Commissioners investigate the discrepancies between the consumable records and the physical inventory of consumable items and make appropriate adjustments. We also recommend that a physical count of consumable inventory items be periodically conducted to ensure the necessary accountability of inventories.

Views of responsible officials and planned corrective actions: The newly elected County Commissioner is aware of these discrepancies and will investigate and update consumable inventory records.