

COUNTY AUDIT

CLEVELAND COUNTY

For the fiscal year ended June 30, 2011



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



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

**CLEVELAND COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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

January 9, 2013

TO THE CITIZENS OF
CLEVELAND COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cleveland County, Oklahoma for the fiscal year ended June 30, 2011. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

**CLEVELAND COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Statistical Information.....	iii
County Officials.....	iv
Ad Valorem Tax Distribution	v
Assessed Value of Property Trend Analysis.....	vi
County Payroll Expenditures Analysis	vii
County General Fund Analysis	viii
County Highway Fund Analysis	ix

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information)—Major Funds.....	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.....	9
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	10
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds	11
Notes to Other Supplementary Information	12

**CLEVELAND COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

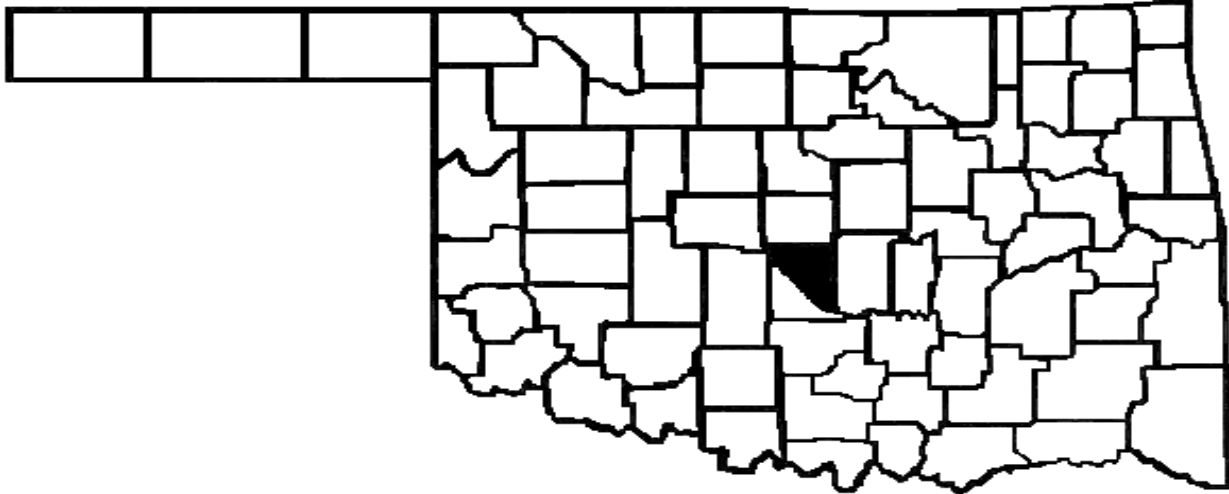
INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards..... 15

Schedule of Findings and Responses..... 17

**INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES iii -ix
PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**CLEVELAND COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**



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

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

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

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

County Seat – Norman

Area – 558.34 Square Miles

County Population – 244,589
(2009 est.)

Farms – 1,327

Land in Farms – 159,816 Acres

Primary Source: Oklahoma Almanac 2011-2012

**CLEVELAND COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Board of County Commissioners

District 1 – Rod Cleveland
District 2 – George Skinner
District 3 – Rusty Sullivan

County Assessor

David Tinsley

County Clerk

Tammy Howard

County Sheriff

Joe Lester

County Treasurer

Jim Reynolds

Court Clerk

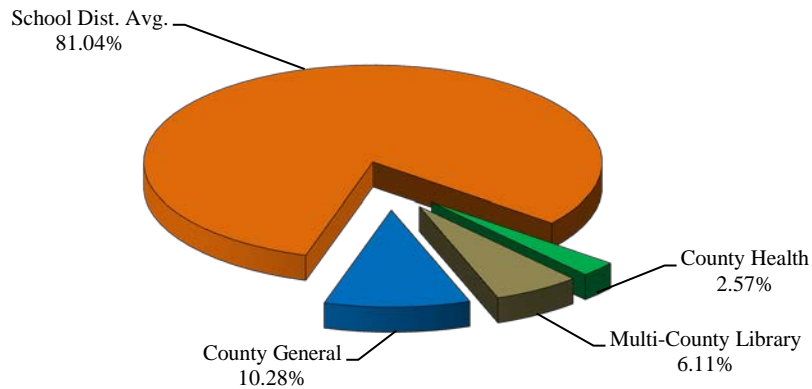
Rhonda Hall

District Attorney

Greg Mashburn

**CLEVELAND COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

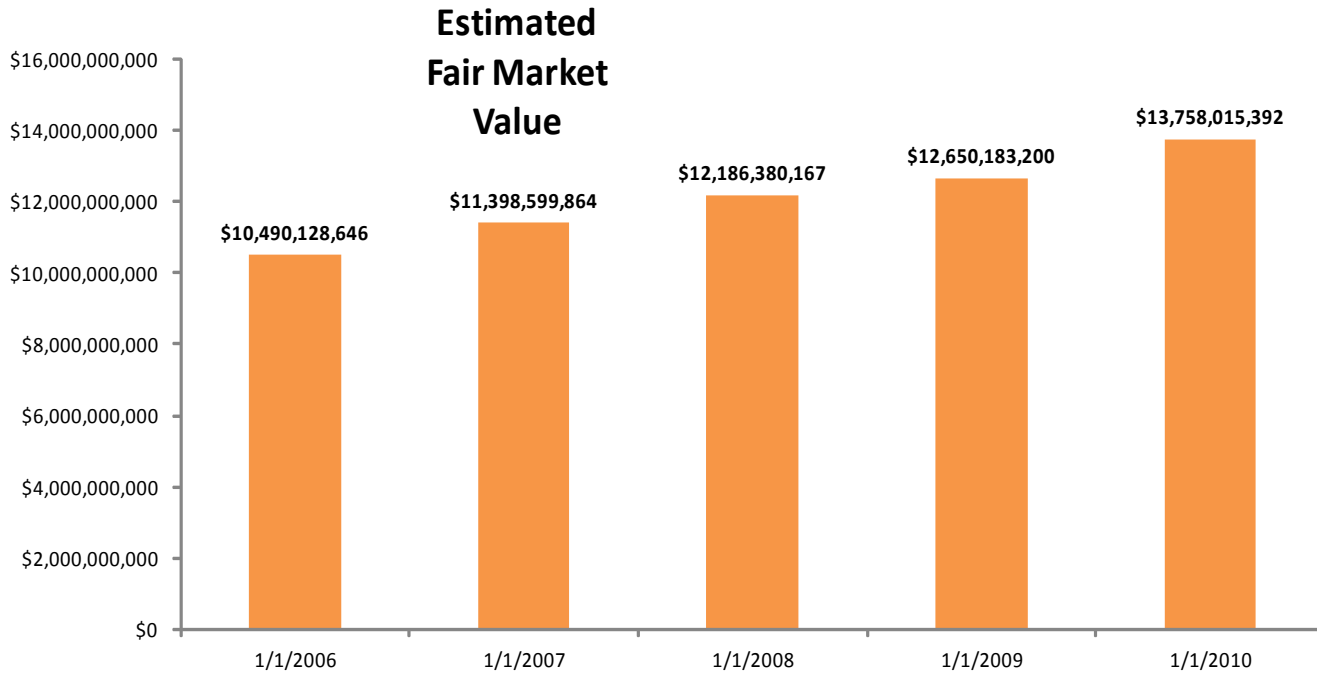
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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
County General	10.28							
County Health	2.57	Moore	36.07	5.15	25.02	14.38	4.11	84.73
Multi-County Library	6.11	Robin Hill	36.48	5.21	11.09	14.38	4.11	71.27
		Norman	35.88	5.12	25.15	14.38	4.11	84.64
		Noble	35.85	5.12	23.23	11.25	4.11	79.56
<u>Cities and Towns</u>		Lexington	36.55	5.22	36.45	11.25	4.11	93.58
Norman	9.49	Little Axe	35.69	5.10	23.36	11.25	4.11	79.51
Moore	13.68	McCloud	35.64	5.09	6.94	15.22	4.11	67.00
Noble	-	Mid-Del	36.04	5.14	24.30	17.26	4.11	86.85
		Mustang	36.08	5.15	23.70	15.91	4.11	84.95
<u>Other</u>								
Noble Ambulance	3.08							
Little Axe Fire	7.16							
Cedar County Fire	7.00							

**CLEVELAND COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

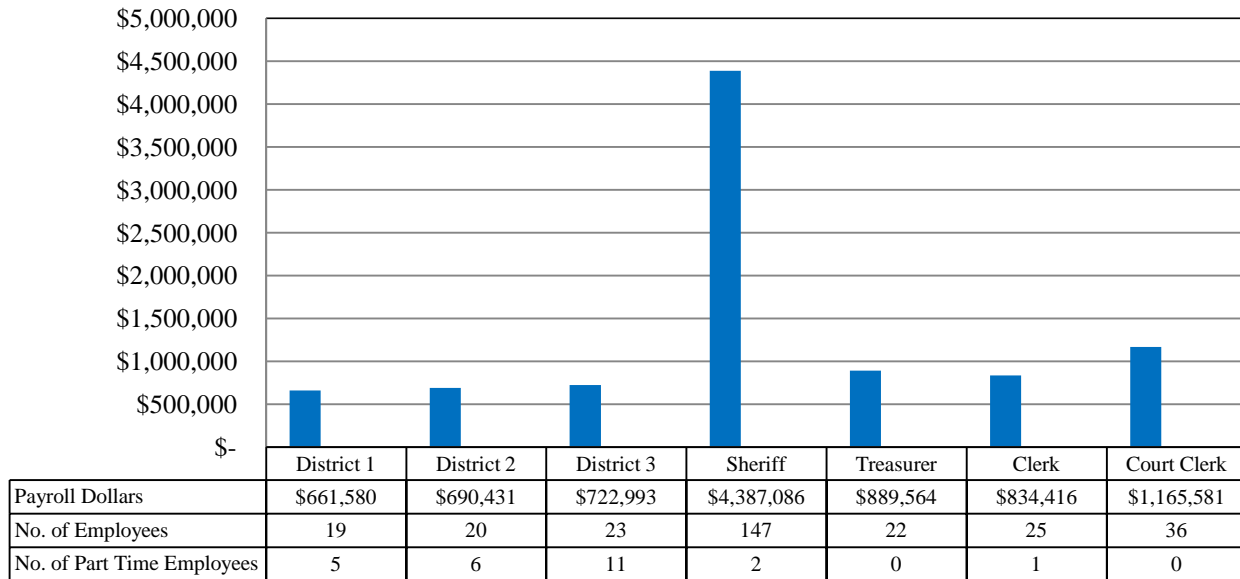
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2010	\$119,355,091	\$69,287,553	\$1,462,319,203	\$58,416,894	\$1,592,544,953	\$13,758,015,392
1/1/2009	\$108,745,159	\$65,047,729	\$1,400,023,379	\$55,794,283	\$1,518,021,984	\$12,650,183,200
1/1/2008	\$102,615,440	\$61,786,095	\$1,351,406,952	\$53,442,817	\$1,462,365,670	\$12,186,380,167
1/1/2007	\$92,759,008	\$62,557,825	\$1,242,219,851	\$51,329,950	\$1,346,206,734	\$11,398,599,864
1/1/2006	\$87,183,553	\$65,837,428	\$1,137,056,430	\$49,618,122	\$1,240,459,289	\$10,490,128,646



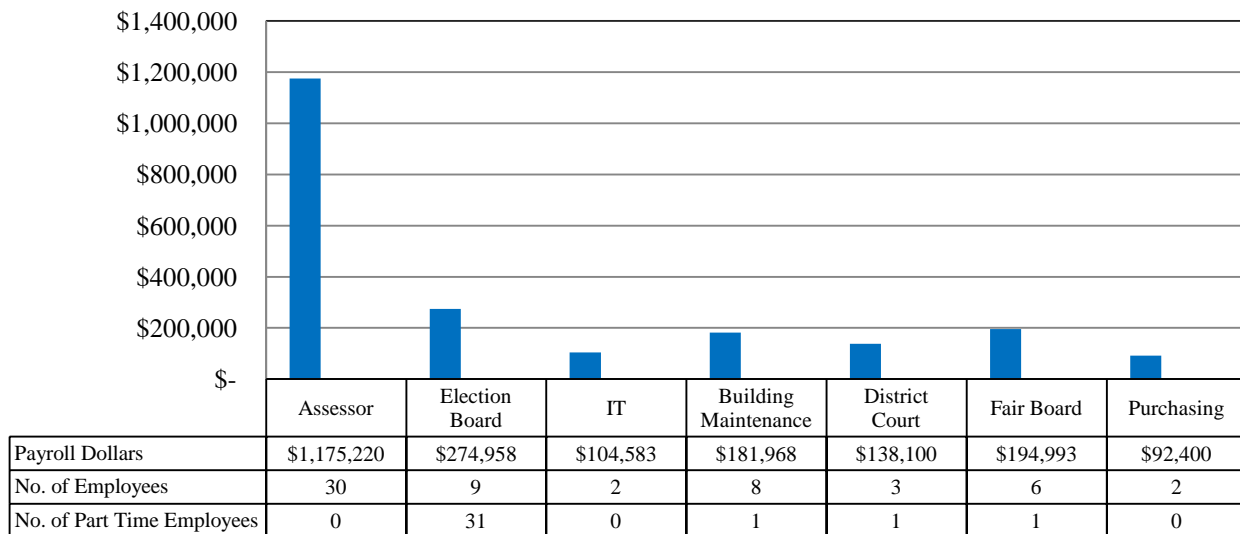
**CLEVELAND COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2011.

Payroll Expenditures by Department



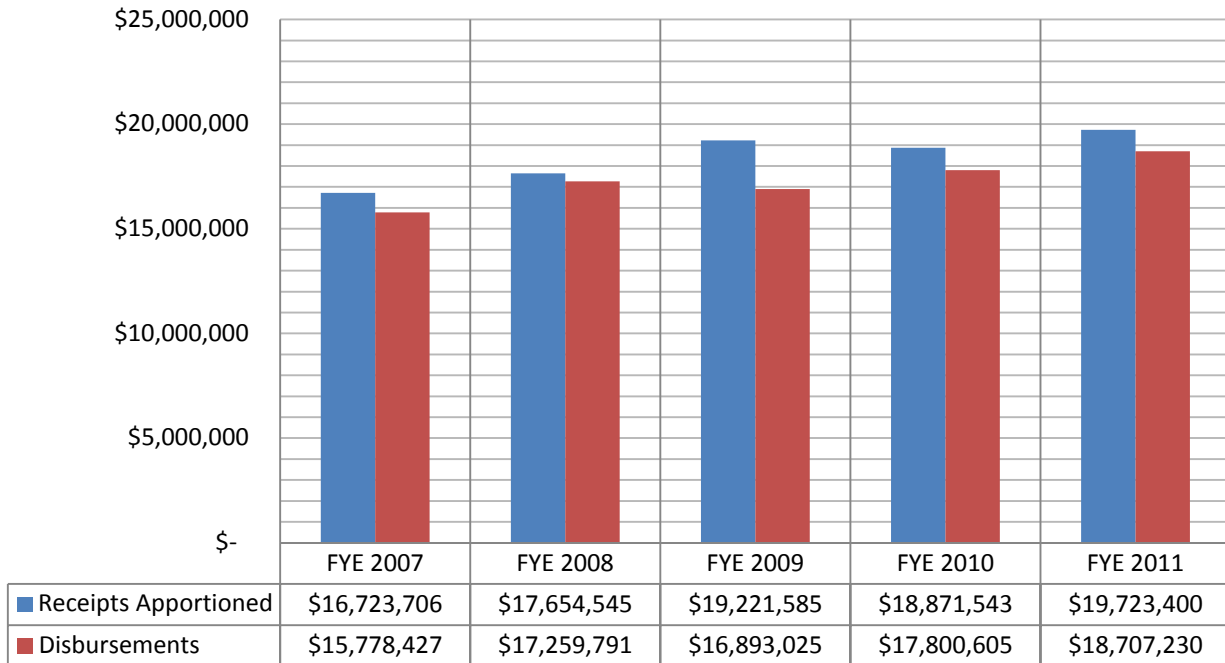
Payroll Expenditures by Department



**CLEVELAND COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County General Fund

The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the County's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the County's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.



**CLEVELAND COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County Highway Fund

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. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
CLEVELAND COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Cleveland County, Oklahoma, as of and for the year ended June 30, 2011, listed in the table of contents as the financial statement. This financial statement is the responsibility of Cleveland County's management. Our responsibility is to express an opinion on the combined total—all county funds 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 differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects 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, 2011, 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 balances for all county funds of Cleveland County, for the year ended June 30, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2013, 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 county funds on the financial statement. 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 financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

January 7, 2013

REGULATORY BASIS FINANCIAL STATEMENT

**CLEVELAND COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2011
Combining Information:				
Major Funds:				
County General Fund	\$ 10,823,727	\$ 19,723,400	\$ 18,707,230	\$ 11,839,897
County Highway Fund	5,497,431	7,236,233	6,256,623	6,477,041
County Health	4,364,606	4,714,013	3,451,516	5,627,103
Resale Property	1,520,994	1,232,577	355,936	2,397,635
Sheriff Service Fee	190,357	564,324	490,911	263,770
Sheriff Revolving	633,374	590,095	325,079	898,390
Treasurer Certification Fee	309,882	55,840	2,872	362,850
County Clerk Lien Fee	197,450	38,367	-	235,817
County Clerk Preservation	1,477,542	285,671	206,434	1,556,779
Bridge Capital Improvement	207,147	917	-	208,064
County Road and Bridge Improvement Fund	-	2,057,811	1,184,622	873,189
Sales Tax	581,130	7,151,027	7,128,815	603,342
Second Chance Act Prisoner Re-Entry Initiative Grant 2010	-	235,004	90,019	144,985
County Sheriff Courthouse Security Service Fee	115,687	46,134	507	161,314
Remaining Aggregate Funds	576,379	755,402	682,861	648,920
Combined Total - All County Funds	\$ 26,495,706	\$ 44,686,815	\$ 38,883,425	\$ 32,299,096

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, 2011**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Cleveland County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. 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, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

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

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 county funds included as combining information within the financial statement:

County General Fund – accounts for the general operations of the government.

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

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.

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

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

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

County Road and Bridge Improvement Fund – accounts for monies collected by the state to improve county roads and bridges.

Sales Tax – accounts for the collections of county sales tax to be disbursed as outlined by the sales tax agreement.

Second Chance Act Prisoner Re-Entry Initiative Grant 2010 – accounts for grant monies received and disbursed as restricted by the grant agreement.

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

C. Basis of Accounting

The 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 regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement on a regulatory basis. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

D. Budget

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

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

approved for the respective fund by office, or department and object. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or department and object.

E. Cash and Investments

For the purposes of financial reporting, "Ending Cash Balances, June 30" includes cash and cash equivalents and investments as allowed by statutes. 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).

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

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."

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.

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

3. Other Information

A. 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.

B. 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.

C. 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.

D. Sales Tax

The voters of Cleveland County approved a sales tax for providing funds for Cleveland County, Oklahoma; levying a one fourth of one cent sales tax on gross receipts or proceeds on certain sales, to terminate at twenty (20) years from the effective date of the tax or at the date of retirement of any debt incurred related thereto, whichever occurs earlier; such tax to be used for

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

design, construction, financing, furnishings, capital facilities and improvements, equipment, fixtures, site preparation, street improvements, and continuing maintenance and operation expenses for a new Cleveland County Detention Facility to be located in Cleveland County; authorizing the pledging of the sales tax for debt service; fixing an effective date; making provisions severable; and declaring an emergency.

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, 2011

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 10,823,727	\$ 10,823,727	\$ -
Less: Prior Year Outstanding Warrants	(143,255)	(143,255)	-
Less: Prior Year Encumbrances	(1,181,930)	(1,181,930)	-
Beginning Cash Balances, Budgetary Basis	<u>9,498,542</u>	<u>9,498,542</u>	<u>-</u>
Receipts:			
Ad Valorem Taxes	16,829,301	16,506,792	(322,509)
Charges for Services	770,490	739,272	(31,218)
Intergovernmental Revenues	1,761,697	1,844,080	82,383
Miscellaneous Revenues	593,248	633,256	40,008
Total Receipts, Budgetary Basis	<u>19,954,736</u>	<u>19,723,400</u>	<u>(231,336)</u>
Expenditures:			
District Attorney	30,000	23,707	6,293
County Sheriff	6,762,719	6,761,069	1,650
County Treasurer	1,396,000	1,243,432	152,568
County Commissioners	583,000	536,245	46,755
County Commissioners OSU Extension	376,000	291,430	84,570
County Clerk	1,324,000	1,277,373	46,627
Court Clerk	1,365,000	1,245,870	119,130
County Assessor	999,000	989,076	9,924
Revaluation of Real Property	1,008,238	965,475	42,763
Juvenile Shelter Bureau	175,050	175,048	2
District Court	219,440	206,339	13,101
General Government	8,630,727	1,582,181	7,048,546
Excise-Equalization Board	4,400	4,251	149
County Election Board	478,383	471,227	7,156
County Purchasing Agent	149,000	146,875	2,125
Juvenile Resources Board	177,000	159,278	17,722
Charity	10,000	10,000	-
Building Security	750,000	739,521	10,479
IT Department	262,600	225,459	37,141
Highway Budget Account	1,092,655	1,033,843	58,812
County Audit Budget Account	800,000	12,716	787,284
Free Fair Budget Account	344,580	343,727	853
Building Maintenance Account	529,982	418,153	111,829
Other Use	1,985,504	107	1,985,397
Total Expenditures, Budgetary Basis	<u>29,453,278</u>	<u>18,862,402</u>	<u>10,590,876</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	10,359,540	<u>\$ 10,359,540</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		410	
Add: Current Year Outstanding Warrants		43,925	
Add: Current Year Encumbrances		<u>1,436,022</u>	
Ending Cash Balance		<u>\$ 11,839,897</u>	

**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, 2011**

County Health Department Fund			
	Budget	Actual	Variance
Beginning Cash Balances	\$ 4,364,606	\$ 4,364,606	\$ -
Less: Prior Year Outstanding Warrants	(217,628)	(217,628)	-
Less: Prior Year Encumbrances	(381,046)	(381,046)	-
Beginning Cash Balances, Budgetary Basis	3,765,932	3,765,932	-
Receipts:			
Ad Valorem Taxes	4,207,325	4,223,385	16,060
Charges for Services	-	472,718	472,718
Intergovernmental Revenue	-	119	119
Miscellaneous Revenues	541,610	17,791	(523,819)
Total Receipts, Budgetary Basis	4,748,935	4,714,013	(34,922)
Expenditures:			
County Health Budget Account	8,086,090	3,266,507	4,819,583
Other Uses	428,777	-	428,777
Total Expenditures, Budgetary Basis	8,514,867	3,266,507	5,248,360
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	5,213,438	\$ 5,213,438
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		10,444	
Add: Current Year Outstanding Warrants		403,221	
Ending Cash Balance		\$ 5,627,103	

**CLEVELAND COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2011
Remaining Aggregate Funds:				
Highway Community Service	\$ 5,170	\$ -	\$ -	\$ 5,170
Sheriff Drug Fund	6,319	-	4,000	2,319
Sheriff Training	278	-	-	278
Sheriff Environmental Award	5,786	100	-	5,886
Sheriff Jail Fund	18,459	95,011	85,526	27,944
Sheriff Commissary	73,717	48,583	31,864	90,436
Sheriff Federal Share Revenue	42,798	83,902	14,420	112,280
Sheriff Special DARE	1	-	-	1
Sheriff Donations	2,000	-	-	2,000
Sheriff Justice Assistance Grant	1	4,388	4,388	1
Sheriff Property Forfeiture	64,015	9,142	21,332	51,825
County Commissioner Building Fund	108,337	259	-	108,596
Assessor Revolving	28,412	7,707	21,364	14,755
Child Abuse Prevention	6,712	1,001	-	7,713
Saferoom FEMA Grant	4,360	-	-	4,360
Sheriff Criminal Alien Assistance Grant	6,023	4,672	1,028	9,667
Local Emergency Planning Committee	18,952	5,991	2,041	22,902
County Fair Board	141,581	180,107	215,234	106,454
County Sinking	1,268	19	-	1,287
Cleveland County Anna McBride Court	27,078	48,675	56,493	19,260
First Choice Recovery	500	2,700	988	2,212
S.T.O.P. Violence Against Women	7,620	35,600	40,604	2,616
County Detention Transition Account	-	220,101	181,839	38,262
Cleveland County Access To Recovery	462	-	-	462
District Attorney Incarceration Costs	1,690	7,444	-	9,134
Hazard Mitigation Grant	4,840	-	1,740	3,100
Combined Total - Remaining Aggregate Funds	\$ 576,379	\$ 755,402	\$ 682,861	\$ 648,920

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

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

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 statute.

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 for funding of the DARE program.

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

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

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

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.

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.

Cleveland County Anna McBride Court – accounts for grant monies received and disbursed as restricted by the grant agreement.

First Choice Recovery – accounts for grant monies received and disbursed as restricted by the grant agreement.

S.T.O.P. Violence Against Women – accounts for federal grant funds passed through the District Attorney's Council for the purpose of providing services to victims of domestic violence.

County Detention Transition Account – funds from the Cleveland County Justice Authority for the transition team.

Cleveland County Access to Recovery – accounts for grant monies received and disbursed as restricted by the grant agreement.

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
CLEVELAND COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Cleveland County, Oklahoma, as of and for the year ended June 30, 2011, 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 January 7, 2013. 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. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2011, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cleveland County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cleveland County's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to

be significant deficiencies in internal control over financial reporting. 2011-1. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. 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, appearing to read "Gary A. Jones".

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

January 7, 2013

**CLEVELAND COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 2011-1 - Accumulated Leave Balances

Condition: During the examination of internal controls over leave balances (annual, sick, and compensatory time off) in the County Clerk's office, we noted the following weaknesses:

- We were unable to obtain leave balance records for the FY 2011.
- Leave balance amounts are not included on the employees' pay stubs.
- Leave balances are not recalculated by the payroll department to ensure accuracy.

Cause of Condition: Procedures have not been designed to record and maintain leave balances in the County Clerk's office.

Effect of Condition: This condition could result in unrecorded transactions, misstated payroll records, or undetected errors.

Recommendation: OSAI recommends the Cleveland County Clerk's Office implement internal controls that will ensure that all leave balance calculations and/or transactions are submitted to the payroll department to be verified for accuracy, completeness, and authorization. Our recommendation includes the use of an automated, integrated payroll system.

Management Response: There are manual records of employee leave balances. Employees are informed of their leave balances. Employees are given leave balance information and any discrepancies are resolved. Measurements to correct issue are implemented.

Criteria: A component objective of an effective internal control system is to provide accurate and reliable information. Internal controls are designed to analyze and check accuracy, completeness, and authorization of leave balance calculations and/or transactions.

SECTION 2—This section contains a certain matter not required to be reported in accordance with *Government Auditing Standards*. However, we believe this matter is significant enough to bring to management's attention. We recommend that management consider this matter and take appropriate corrective action.

Finding 2011-2 - Inmate Trust Account Reconciliations

Condition: Reconciliations were not performed for the Inmate Trust Account for the fiscal year ending June 30, 2011.

**CLEVELAND COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Cause of Condition: The County Sheriff does not have procedures in place to perform bank reconciliations.

Effect of Condition: By failing to properly prepare reconciliations, the risk of misstatements and misappropriations to be detected in a timely manner, thereof increases.

Recommendation: OSAI recommends the Sheriff's office perform monthly bank reconciliations and retain the supporting documentation. Further, procedures should be implemented that consist of a person independent of the reconciliation, performing a review and approval of the Inmate Trust bank reconciliations.

Management Response: On June 13, 2012, in response to a similar audit finding for the 2009/2010, the Chief Deputy of the Cleveland County Detention Center issued a divisional directive causing a reconciliation of the Inmate Trust Bank Account to be performed on the first day of each calendar month, for the previous calendar month. This directive instructs the Inmate Trust Bank reconciliation to be reviewed by the Executive Assistant and Major of the Detention Division. This will provide assurance that the reconciliation is completed, and properly reviewed and approved by two separate supervisory personnel. This directive should resolve the discussion item listed above.

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

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



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV