

# CLEVELAND COUNTY

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2007

# COUNTY AUDIT



Oklahoma State Auditor  
& Inspector

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

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# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



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November 18, 2008

TO THE CITIZENS OF  
CLEVELAND COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cleveland County, Oklahoma, for the fiscal year ended June 30, 2007. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

A handwritten signature in blue ink that reads "Michelle R. Day".

MICHELLE R. DAY, ESQ.  
DEPUTY STATE AUDITOR & INSPECTOR

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

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

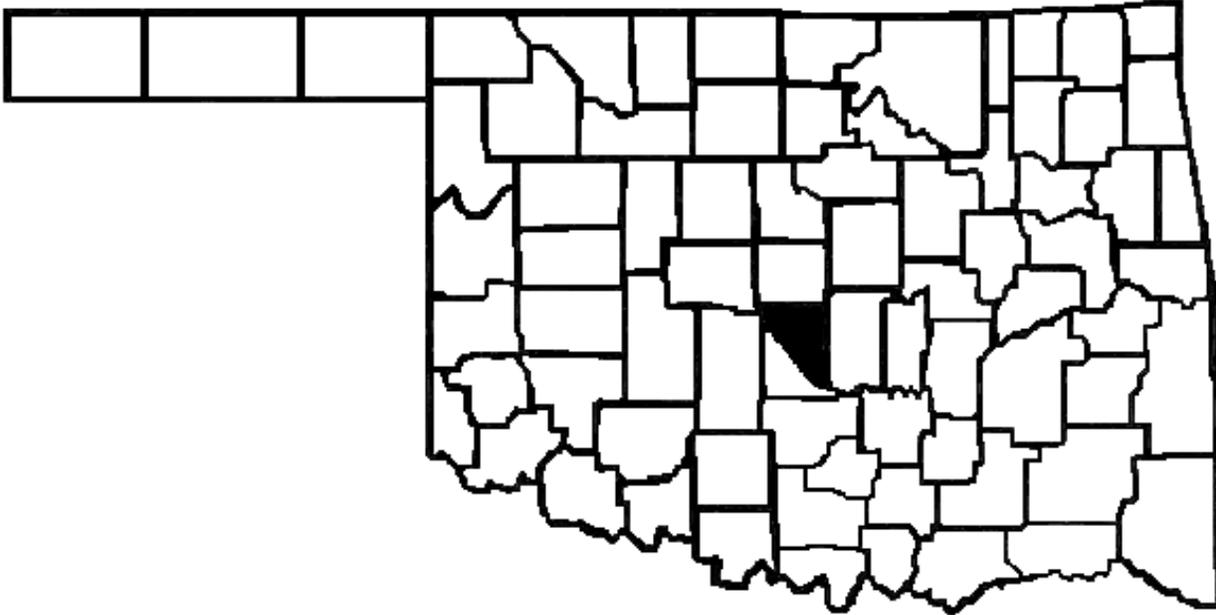
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**REPORT TO THE CITIZENS  
OF  
CLEVELAND COUNTY, OKLAHOMA**

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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 the present-day Moore and wrote about it in *A Tour on the Prairies*.

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

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

County Seat – Norman

Area – 558.34 Square Miles

County Population – 224,898  
(2005 est.)

Farms – 1,294

Land in Farms – 165,483 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

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

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**COUNTY ASSESSOR**  
Denise Heavner

The County Assessor has the responsibility to appraise and assess the real and personal property within the county for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the county. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

**COUNTY CLERK**  
Dorinda Harvey (through June 1, 2007)  
Tammy Howard (June 1, 2007 to present)

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.

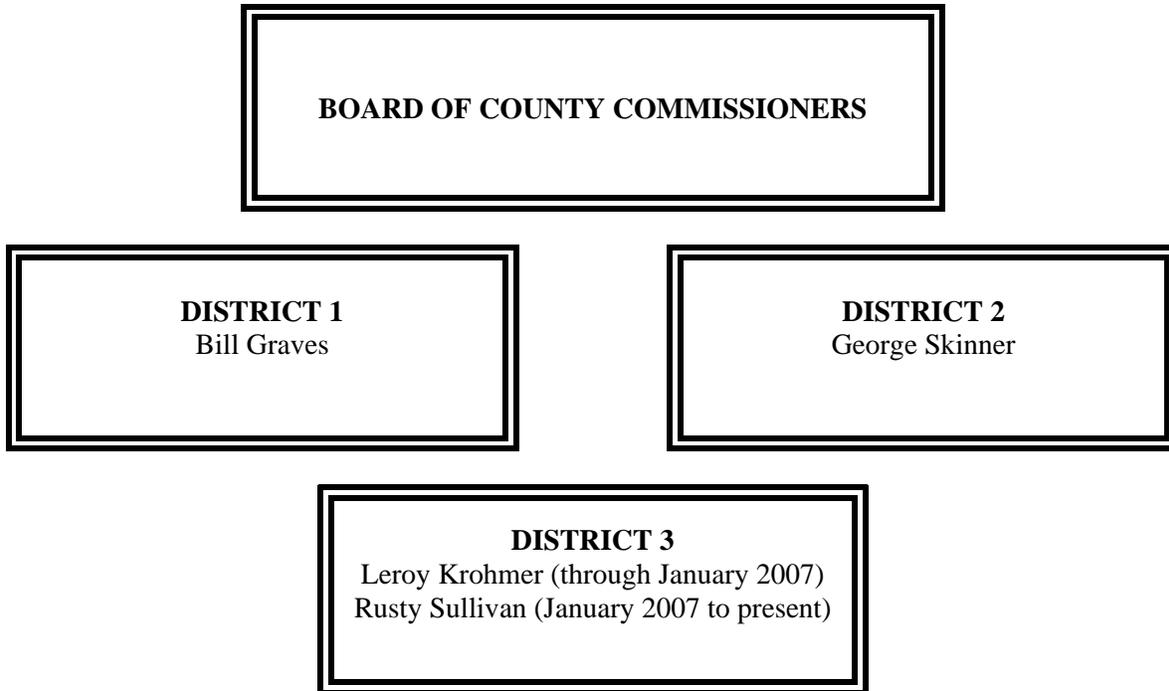
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. 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, 2007**

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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, 2007**

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**COUNTY SHERIFF**  
DeWayne Beggs

The County Sheriff is responsible for preserving the peace and protecting life and property within the county's jurisdiction. As the county's chief law enforcement officer, the Sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the county jail.

The County Sheriff has the responsibility of serving warrants and processing papers ordered by the District Court.

**COUNTY TREASURER**  
Saundra DeSelms

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

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. 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, 2007**

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**COURT CLERK**  
Rhonda Hall

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

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

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

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government. 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 (through January 2007)  
Greg Mashburn (January 2007 to present)

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, 2007**

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**ELECTION BOARD SECRETARY**  
Paula Roberts

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

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

See independent auditor's report.



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

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Total net assessed value as of January 1, 2006		<u>\$ 1,240,459,289</u>
Debt limit - 5% of total assessed value		62,022,964
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>1,046</u>	<u>-</u>
Legal debt margin		<u>\$ 62,022,964</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, 2007  
 (UNAUDITED)**

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	<b>2007</b>
Estimated population	224,898
Net assessed value as of January 1, 2006	\$ 1,240,459,289
Gross bonded debt	-
Less available sinking fund cash balance	1,046
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, 2007  
(UNAUDITED)**

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<b>Valuation Date</b>	<b>Personal</b>	<b>Public Service</b>	<b>Real Estate</b>	<b>Homestead Exemption</b>	<b>Net Value</b>	<b>Estimated Fair Market Value</b>
1/1/2006	\$87,183,553	\$65,837,428	\$1,137,056,430	\$49,618,122	\$1,240,459,289	\$10,490,128,646

See independent auditor's report.

**FINANCIAL SECTION**

# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

## 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, 2007, 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, 2007, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Cleveland County, for the year ended June 30, 2007, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2008, 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.



STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR



MICHELLE R. DAY, ESQ.  
DEPUTY STATE AUDITOR & INSPECTOR

September 22, 2008

## **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, 2007**

	Beginning Cash Balances July 1, 2006	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2007
Combining Information:				
General Fund	\$ 6,116,565	\$ 16,723,706	\$ 15,778,427	\$ 7,061,844
Highway Unrestricted	3,704,862	5,781,290	4,731,635	4,754,517
Highway Community Service	9,558		4,388	5,170
County Health	2,547,542	3,665,525	3,400,261	2,812,806
Resale Property	578,951	771,063	410,860	939,154
Sheriff Service Fee	541,481	484,593	368,551	657,523
Sheriff Revolving	170,046	384,062	256,382	297,726
Sheriff Drug Fund	11,813	319	2,000	10,132
Sheriff Training	278			278
Sheriff Environmental Award	145			145
Sheriff Jail Fund	37,823	56,502	22,336	71,989
Sheriff Commissary	37,686	67,788	59,263	46,211
Sheriff Federal Share Revenue	90,938	48,737	56,818	82,857
Sheriff Special DARE	6,449	3,100	3,588	5,961
Sheriff Donations	2,727	3,226	250	5,703
Sheriff Property Forfeiture	565	1		566
County Commissioner Building Fund	210,496	11,355	1,037	220,814
Treasurer Certification Fee	278,992	80,865	152,904	206,953
County Clerk Lien Fee	275,169	118,432	96,505	297,096
Assessor Revolving	20,040	12,784	7,825	24,999
Child Abuse Prevention	2,377	1,625		4,002
Saferoom FEMA Grant	4,360			4,360
County Clerk Preservation	1,326,787	398,190	462,035	1,262,942
Health GASP Grant Fund	1		1	
Sheriff Criminal Alien Assistance Grant	2,717		1,185	1,532
Local Emergency Planning Committee	11,054	2,534	3,132	10,456
County Fair Board	55,757	133,154	128,136	60,775
County Sinking	911	135		1,046
Bridge Capital Improvement	838,074	13,943	654,684	197,333
Workers' Compensation	16			16
Court Fund Remodeling	4,430			4,430
District Attorney Stop Violence	19,538	30,053	43,372	6,219
District Attorney Incarceration Costs	2,914	2,674		5,588
District Attorney Witness Fee Reimbursement	12,256			12,256
County Sheriff Courthouse Security Service Fee		7,545		7,545
Hazard Mitigation Grant		40,840	36,000	4,840
<b>Combined Total - All County Funds</b>	<u>\$ 16,923,318</u>	<u>\$ 28,844,041</u>	<u>\$ 26,681,575</u>	<u>\$ 19,085,784</u>

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

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

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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, 2007**

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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, 2007**

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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 workers' compensation plan. The County no longer pays premiums into this fund.

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

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

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

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

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

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

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

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The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including 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. Further, any trust or agency funds maintained by the County are not included in the presentation.

**C. Basis of Accounting**

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

**D. Budget**

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

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

**E. Cash**

The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

**F. Investments**

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

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

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

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

**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

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

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guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

The assessed property value as of January 1, 2006, was approximately \$1,240,459,289.

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, 2007, 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:

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

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<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> Physical Plant <ul style="list-style-type: none"> <li>• Theft</li> <li>• Damage to Assets</li> <li>• Natural Disasters</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.
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.

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

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**5. Long-term Obligations**

**Capital Leases**

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

**6. Pension Plan**

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 7.5% and 12.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 12.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2007, 2006, and 2005, were \$1,163,405, \$1,041,947, and \$833,857, 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.

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

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**8. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

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

**OTHER SUPPLEMENTARY INFORMATION**

**CLEVELAND COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 6,116,565	\$ 6,116,565	\$ 6,116,565	\$ -
Less: Prior Year Outstanding Warrants	(204,726)	(204,726)	(204,726)	
Less: Prior Year Encumbrances	(1,037,372)	(1,037,372)	(927,933)	109,439
Beginning Cash Balances, Budgetary Basis	<u>4,874,467</u>	<u>4,874,467</u>	<u>4,983,906</u>	<u>109,439</u>
Receipts:				
Ad Valorem Taxes	12,751,922	12,751,922	12,699,058	(52,864)
Charges for Services	989,370	989,370	936,511	(52,859)
Intergovernmental Revenues	1,823,570	1,823,570	1,782,164	(41,406)
Miscellaneous Revenues	434,320	690,072	1,305,973	615,901
Total Receipts, Budgetary Basis	<u>15,999,182</u>	<u>16,254,934</u>	<u>16,723,706</u>	<u>468,772</u>
Expenditures:				
District Attorney	12,000	12,000	12,000	
Total District Attorney	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
County Sheriff	4,289,000	4,437,258	4,429,537	7,721
Capital Outlay	161,000	281,641	281,083	558
Total County Sheriff	<u>4,450,000</u>	<u>4,718,899</u>	<u>4,710,620</u>	<u>8,279</u>
County Treasurer	985,000	987,584	986,593	991
Capital Outlay	15,000	12,742	12,742	
Total County Treasurer	<u>1,000,000</u>	<u>1,000,326</u>	<u>999,335</u>	<u>991</u>
County Commissioners	519,000	519,000	501,244	17,756
Capital Outlay	1,000	1,000	642	358
Total County Commissioners	<u>520,000</u>	<u>520,000</u>	<u>501,886</u>	<u>18,114</u>
OSU Extension	334,999	311,628	271,601	40,027
Capital Outlay	1	28,846	28,841	5
Total OSU Extension	<u>335,000</u>	<u>340,474</u>	<u>300,442</u>	<u>40,032</u>
County Clerk	1,185,000	1,185,000	1,006,241	178,759
Capital Outlay	15,000	15,000	13,564	1,436
Total County Clerk	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,019,805</u>	<u>180,195</u>
Court Clerk	834,000	834,000	793,980	40,020
Total Court Clerk	<u>834,000</u>	<u>834,000</u>	<u>793,980</u>	<u>40,020</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, 2007**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	865,000	862,000	856,538	5,462
Capital Outlay	25,000	28,000	27,490	510
Total County Assessor	890,000	890,000	884,028	5,972
Revaluation of Real Property	825,000	833,500	821,894	11,606
Capital Outlay	25,000	16,500	15,903	597
Total Revaluation of Real Property	850,000	850,000	837,797	12,203
Juvenile Shelter Bureau		210,000	209,948	52
Total Juvenile Shelter Bureau	-	210,000	209,948	52
District Court	113,000	113,000	106,473	6,527
Total District Court	113,000	113,000	106,473	6,527
General Government	1,438,200	5,389,026	3,458,709	1,930,317
Capital Outlay	4,408,431	801		801
Total General Government	5,846,631	5,389,827	3,458,709	1,931,118
Excise-Equalization Board	7,500	7,500	4,254	3,246
Capital Outlay	500	500		500
Total Excise-Equalization Board	8,000	8,000	4,254	3,746
County Election Board	434,000	455,160	449,930	5,230
Capital Outlay	16,000	34,722	34,526	196
Total County Election Board	450,000	489,882	484,456	5,426
County Purchasing Agent	131,000	132,884	130,644	2,240
Capital Outlay	10,000	8,116	8,097	19
Total County Purchasing Agent	141,000	141,000	138,741	2,259
Charity	283,500	30,000	13,750	16,250
Total Charity	283,500	30,000	13,750	16,250
Law Library	32,000	32,000	28,918	3,082
Total Law Library	32,000	32,000	28,918	3,082
CASA, Inc.		43,500	42,984	516
Total CASA, Inc.	-	43,500	42,984	516
Building Security		298,000	233,951	64,049
Capital Outlay		2,000	1,655	345
Total Building Security	-	300,000	235,606	64,394

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, 2007**

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continued from previous page

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Highway Budget Account	780,000	465,500	449,709	15,791
Capital Outlay	120,000	532,475	530,650	1,825
Total Highway Budget Account	<u>900,000</u>	<u>997,975</u>	<u>980,359</u>	<u>17,616</u>
County Audit Budget Account	213,600	213,600	155,706	57,894
Total County Audit Budget Account	<u>213,600</u>	<u>213,600</u>	<u>155,706</u>	<u>57,894</u>
Free Fair Budget Account	233,680	228,199	228,199	
Capital Outlay	116,320	121,801	121,742	59
Total Free Fair Budget Account	<u>350,000</u>	<u>350,000</u>	<u>349,941</u>	<u>59</u>
Building Maintenance Account	802,800	802,800	723,523	79,277
Capital Outlay	42,200	42,200	13,246	28,954
Total Building Maintenance Account	<u>845,000</u>	<u>845,000</u>	<u>736,769</u>	<u>108,231</u>
Reserve for Courthouse Improvement	1,599,918	1,599,918		1,599,918
Total Reserve for Courthouse Improvement	<u>1,599,918</u>	<u>1,599,918</u>	<u>-</u>	<u>1,599,918</u>
Total Expenditures, Budgetary Basis	<u>20,873,649</u>	<u>21,129,401</u>	<u>17,006,507</u>	<u>4,122,894</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	4,701,105	<u>\$ 4,701,105</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			1,024,011	
Add: Current Year Outstanding Warrants			<u>1,336,728</u>	
Ending Cash Balance			<u>\$ 7,061,844</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, 2007**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 2,547,542	\$ 2,547,542	\$ 2,547,542	\$ -
Less: Prior Year Outstanding Warrants	(4,310)	(4,310)	(4,310)	
Less: Prior Year Encumbrances	(235,161)	(235,161)	(222,284)	12,877
Beginning Cash Balances, Budgetary Basis	<u>2,308,071</u>	<u>2,308,071</u>	<u>2,320,948</u>	<u>12,877</u>
Receipts:				
Ad Valorem Taxes	3,187,980	3,187,980	3,170,522	(17,458)
Charges for Services		383,853	383,853	
Intergovernmental			134	134
Miscellaneous Revenues	123,547	123,547	111,016	(12,531)
Total Receipts, Budgetary Basis	<u>3,311,527</u>	<u>3,695,380</u>	<u>3,665,525</u>	<u>(29,855)</u>
Expenditures:				
Health and Welfare	3,963,535	4,347,388	3,931,002	416,386
Capital Outlay	1,656,063	1,656,063	64,030	1,592,033
Total Expenditures, Budgetary Basis	<u>5,619,598</u>	<u>6,003,451</u>	<u>3,995,032</u>	<u>2,008,419</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	1,991,441	<u>\$ 1,991,441</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			812,746	
Add: Current Year Outstanding Warrants			8,619	
Ending Cash Balance			<u>\$ 2,812,806</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, 2007**

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Beginning Cash Balance	<u>\$ 911</u>
Receipts:	
Ad Valorem Tax	76
Miscellaneous	<u>59</u>
Total Receipts	<u>135</u>
Disbursements:	
Total Disbursements	<u>-</u>
Ending Cash Balance	<u>\$ 1,046</u>

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

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

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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 AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

## **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, 2007, 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 September 22, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2007-3 and 2007-4 as described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2007-3 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 2007-1.

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 them.

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.



STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR



MICHELLE R. DAY, ESQ.  
DEPUTY STATE AUDITOR & INSPECTOR

September 22, 2008

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

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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 2007-1—Financial Statements (Repeat Finding)**

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

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

Effect: This condition results in the County not having financial statements and records prepared in conformity with generally accepted accounting principles as required by counties who have adopted the County Budget Act.

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

Views of responsible officials and planned corrective actions: “As stated in the ‘condition’ Cleveland County has adopted and maintains sound, established and uniform fiscal procedures and accounting methods which are consistent with state law and procedures for counties not having adopted the County Budget Act. Such procedures have been reviewed and resulted in no findings of mismanagement or other financial or management deficiencies. The only issue is one of state law requirements. Cleveland County has taken the necessary steps to decentralize financial and management controls and involve all elected officials in the operation of the County in a team effort. Cleveland County has been successful in its efforts. State law is conflicting as it encourages such practices by creation of a Budget Act yet defectively attempts to saddle the counties wanting to implement such decentralized control and encourage team work with an unreasonable expense to shift to a different style of accounting that is not reasonably related to the functions of the Budget Act. Cleveland County elected officials have decided to maintain the teamwork concepts but declined to force an unreasonably expensive and nonfunctional accounting method upon its citizens, especially as current accounting methods are more than sufficient to meet the needs of county government. Cleveland County will work to continue to seek a change in state law to allow counties to build a cooperating team among the elected officials while avoiding the unnecessary expense of a more expensive accounting method that is not functional at the county level.”

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

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OSAI Response: State statutes require that counties that have adopted the County Budget Act establish and maintain financial statements prepared in conformity with generally accepted accounting principles. The phrase “generally accepted accounting principles” is a technical accounting term that encompasses the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. It includes not only broad guidelines of general application, but also detailed practices and procedures. Those conventions, rules, and procedures provide a standard by which to measure financial presentations.

The independent auditor’s judgment concerning the “fairness” of the overall presentation of financial statements should be applied within the framework of generally accepted accounting principles. Without that framework, the auditor would have no uniform standard for judging the presentation of financial position, results of operations, and cash flows in financial statements.

For financial statements of state and local governmental entities, the official hierarchy established for accounting principles consists of GASB Statements and Interpretations, as well as AICPA and FASB pronouncements specifically made applicable to state and local governmental entities by GASB Statements or Interpretations.

The principal GASB pronouncement establishing standards for the form and content of the basic financial statements to be issued by all state and local governmental entities is GASB Statement No. 34.

**Finding 2007-3—Segregation of Duties (Repeat Finding)**

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

Condition: During our testing of the County Sheriff’s Official Depository accounts, we noted a lack of segregation of duties over asset custody, transaction authorization, bookkeeping, and reconciliation.

Effect: This condition could result in improprieties being undetected.

Recommendation: OSAI recommends 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.

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

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**Finding 2007-4—Estimate of Needs**

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

Condition: The original approved Estimate of Needs filed by the Budget Board did not include transfers and supplemental appropriations for various negative account balances. The County’s actual financial records were properly completed and contained all information; however, there was no measurement basis in which to compare the actual results of operations against management’s intent.

Effect: This condition resulted in the Budget Board approving an incomplete Estimate of Needs.

Recommendation: OSAI recommends that the Budget Board review the Estimate of Needs prior to approval to ensure that all exhibits are accurately presented.

Views of responsible officials and planned corrective actions: “The responsible officials dispute this finding as anything more than a simple scrivener’s error which was corrected upon discovery. This purported error was committed by the independent private accountant specializing in county finances hired by the County whose task it was to prepare and present the Estimate of Needs to the Budget Board and Excise Board. The Estimate of Needs properly provided all relevant and valid reliable information upon which to evaluate the projected needs and actual expenditure by County offices. Cleveland County contests this as a valid reportable finding as the error would not or did not affect any aspect of the actual budget. The accountant simply left off certain transfers of funds which resulted in a negative number being shown in some accounts. An amended Estimate of Needs was immediately submitted with the proper transfers reflected. The accountant accepted responsibility for the error but also concurs that it had no effect on the official budget and County’s actual financial records were properly completed, maintained, and provided all necessary information. The County plans on taking no corrective action as the amended Estimate of Needs has already been provided. The responsible officials will ensure that any future Estimate of Needs contain all transfers or supplemental appropriations.”

OSAI Response: OSAI disputes that this finding is merely a simple scrivener’s error. The Estimate of Needs approved by the Budget Board and Excise Board was incomplete, resulting in inaccurately presented exhibits to the public. It is ultimately the responsibility of the Budget Board to review the Estimate of Needs prior to its approval.

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

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

**Finding 2007-2—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 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, 2007.

Effect: This condition could result in inaccurate records or incomplete information.

Recommendation: OSAI recommends that a reconciliation of the Inmate Trust Fund be performed monthly and the reconciliation be reconciled back to the Inmate Fund Register at the close of each month.

Views of responsible officials and planned corrective actions: We concur with the State Auditor’s findings. Measures are being implemented to correct this issue.



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