

**CLEVELAND COUNTY, OKLAHOMA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2004**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

March 17, 2005

TO THE CITIZENS OF
CLEVELAND COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cleveland County, Oklahoma, for the fiscal year ended June 30, 2004. 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 serve the public interest by providing independent oversight and to issue 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 cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

**CLEVELAND COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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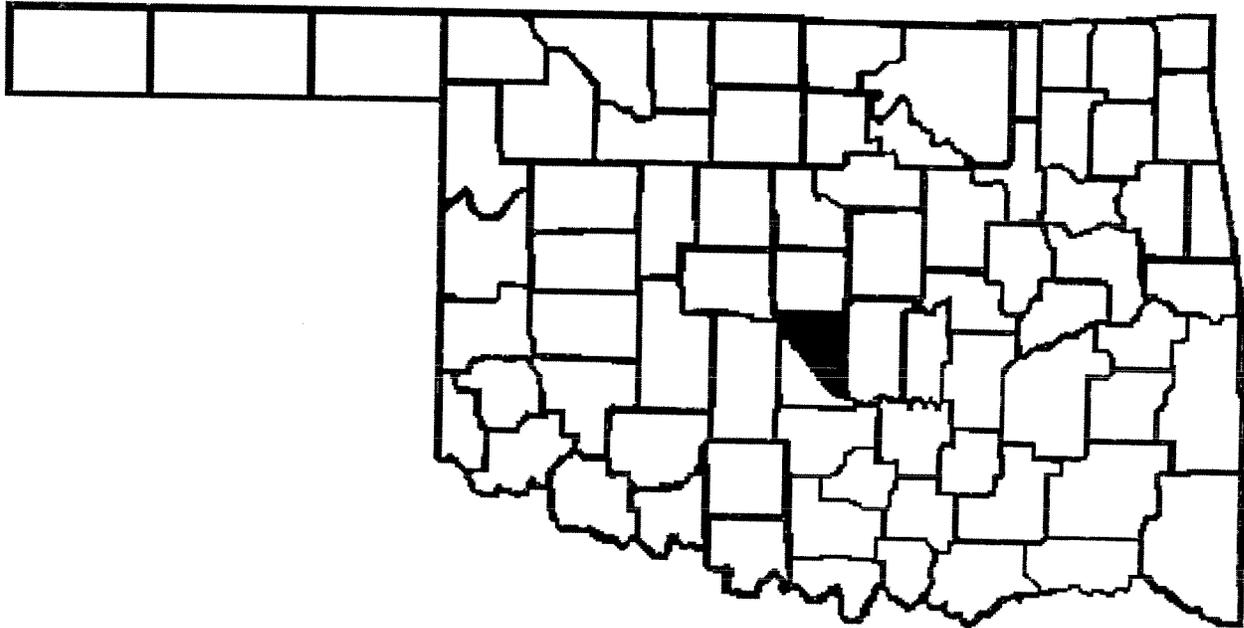
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**CLEVELAND COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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REPORT TO THE CITIZENS
OF
CLEVELAND COUNTY, OKLAHOMA



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

Osage Indians had fought the Plains Tribes here where settlers built cities and broke the sod for farms. Explorers pushing westward had marveled at the Cross Timbers in the eastern part of the county and the vast prairies beyond. Colonel A.P. Chouteau established a trading post near Lexington, and Jesse Chisholm ran one of his cattle trails through the county. Washington Irving killed a buffalo in the vicinity of 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 – 536.2 Square Miles

County Population – 208,016
(2000 est.)

Farms – 1,017

Land in Farms – 162,308 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**CLEVELAND COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Denise Heavner
(D) Norman

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

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

COUNTY CLERK
Dorinda Harvey
(R) Norman

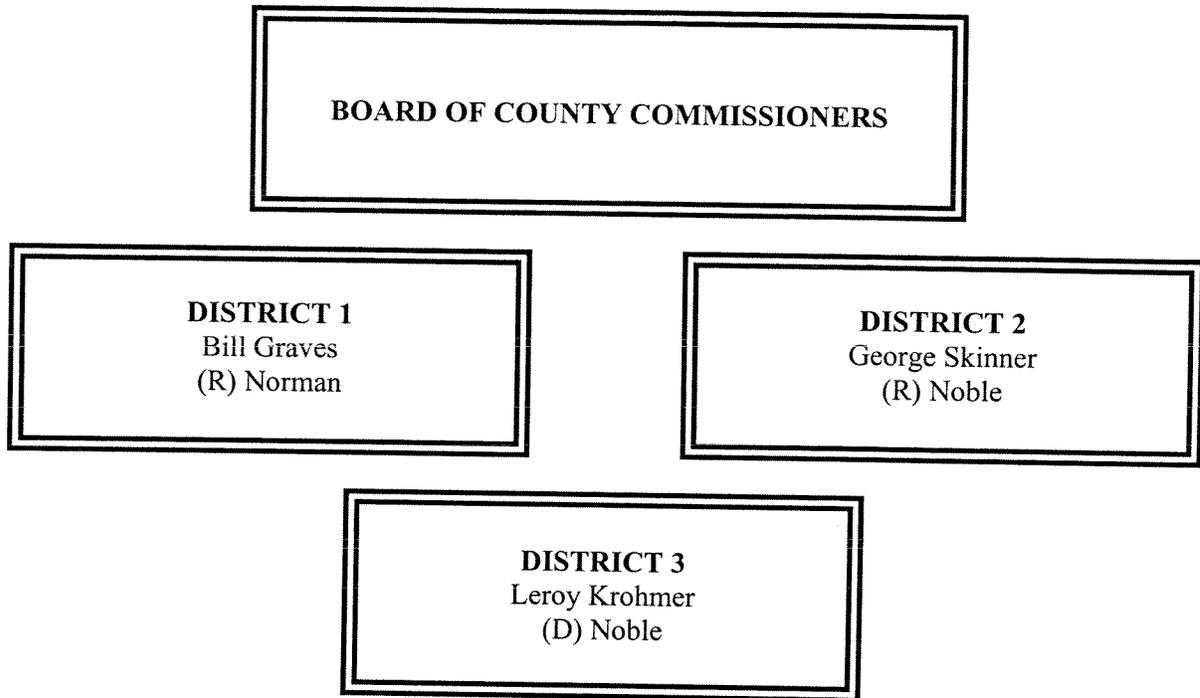
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as "open records." As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

**CLEVELAND COUNTY OFFICIALS
AND RESPONSIBILITIES**



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**

COUNTY SHERIFF

DeWayne Beggs
(R) Norman

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

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

COUNTY TREASURER

Saundra DeSelms
(D) Norman

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

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

See independent auditor's report.

**CLEVELAND COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK

Rhonda Hall
(D) Moore

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

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

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

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

DISTRICT ATTORNEY

Tim Kuykendall
(R) Norman

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

**CLEVELAND COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

Paula Roberts
(D) Norman

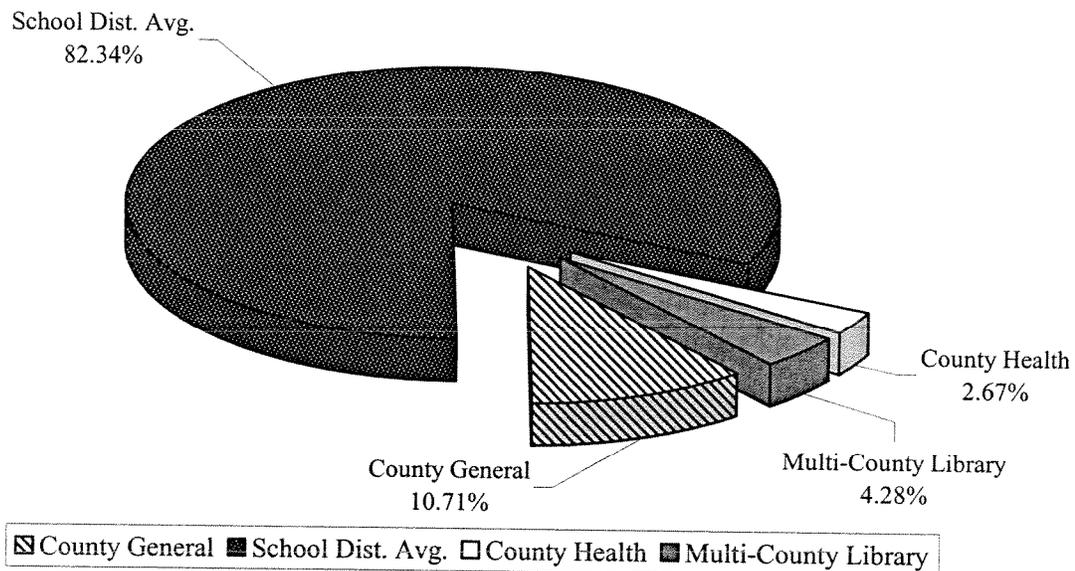
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

**CLEVELAND COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE**

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



County-Wide Millages		School District Millages						
			Gen.	Bldg.	Skg.	Tech Cntr.	Common	Total
Co. General	10.29	McLoud	35.64	5.09	13.02	15.22	4.11	73.08
County Health	2.57	Moore	36.07	5.15	16.84	14.38	4.11	76.55
Multi-County Library	4.11	Robin Hill	36.48	5.21	21.06		4.11	66.86
Cities and Towns:		Norman	35.88	5.12	26.30	14.38	4.11	85.79
		Noble	35.85	5.12	23.02	11.25	4.11	79.35
Norman	2.89	Mid-Del	36.04	5.14	20.53	16.56	4.11	82.38
Moore	16.85	Lexington	36.55	5.22	27.58	11.25	4.11	84.71
Noble	5.34	Mustang	36.08	5.15	24.14	15.46	4.11	84.94
Oklahoma City	15.55	Little Axe	35.69	5.10	22.11	11.25	4.11	78.26
Other:								
Noble Ambulance	3.08							
Little Axe Fire	7.16							
Cedar Country Fire	7.00							

See independent auditor's report.

Financial Section



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
CLEVELAND COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Cleveland County, Oklahoma, as of and for the year ended June 30, 2004, as listed in the table of contents. These special-purpose financial statements are the responsibility of Cleveland County's management. Our responsibility is to express an opinion on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Cleveland County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Cleveland County in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Cleveland County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and the county health department fund of the County, as of and for the year ended June 30, 2004, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2004, 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 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 read in conjunction with this report in considering the results of our audit.

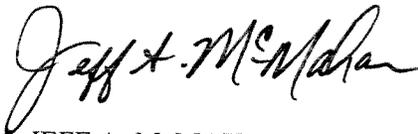
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Cleveland County, Oklahoma, taken as a whole. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the special-purpose financial statements. The information listed in the table of contents under *Introductory Section* and *Statistical Section* has not been audited by us, and accordingly, we express no opinion on such information.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report:

This report is intended solely for the information and use of the management of the County and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

December 22, 2004

Special-Purpose Financial Statements

**CLEVELAND COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2004**

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
General Fund	\$ 8,223,342	\$ 13,224,508	\$ 13,091,726	\$ 8,356,124
Highway Restricted	2,591,567	4,489,452	4,137,487	2,943,532
Highway Community Service	10,548		990	9,558
County Health	2,774,387	2,675,927	2,857,836	2,592,478
Resale Property	1,641,999	634,629	560,946	1,715,682
Sheriff Service Fee	486,268	435,012	572,696	348,584
Sheriff Revolving	180,561	280,403	262,712	198,252
Sheriff Drug Fund	10,881	4,721	1,500	14,102
Sheriff Training	711		433	278
Sheriff Environmental Award	145			145
Sheriff Commissary	6,204	49,803	30,095	25,912
Sheriff Federal Share Revenue	1,739	14,821	500	16,060
Sheriff Special DARE	7,705	4,000	3,399	8,306
Sheriff Donations	290			290
County Commissioners Building Fund	270,761	2,749	75,039	198,471
Treasurer Certification Fee	229,997	112,515	47,463	295,049
County Clerk Lien Fee	132,975	22,346	1,137	154,184
Visual Inspection	48		48	
Assessor Revolving	19,968	13,905	12,595	21,278
Child Abuse Prevention	9,601	3,453		13,054
Youth and Family	9,377		9,377	
Saferoom FEMA Grant	3,760	4,575		8,335
County Clerk Preservation	590,688	411,225	96,392	905,521
Local Law Enforcement Block Grant	2,400	10	1,845	565
Health GASP Grant Fund	800		432	368
Sheriff Criminal Alien Assistance Grant	4,824	3,597	8,092	329
County Sinking	1,726	12,461	13,964	223
Bridge Capital Improvement	840,204	10,464	42,400	808,268
Worker's Compensation	16			16
Court Fund Remodeling	4,430			4,430
Local Emergency Planning Committee	6,658	2,870	487	9,041
Schools	547,418	80,667,560	80,236,178	978,800
Cities and Towns	23,857	9,260,648	9,264,131	20,374
Multi-County Library	16,920	3,950,053	3,951,455	15,518
Independent Cemetery	7,000			7,000
District Attorney Drug Grant		70,258	69,424	834
District Attorney Incarceration Costs	2,695	1,581		4,276
District Attorney Witness Fee Reimbursement	2,268	2,185		4,453
District Attorney Juvenile Drug Court	16,177	32,127	42,014	6,290
County Fair Board	62,725	119,667	108,297	74,095

continued on next page

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

**CLEVELAND COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2004**

continued from previous page

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
Individual Redemption	20,390	1,022,389	1,042,270	509
County Treasurer Overpayment	8,815	938,453	935,977	11,291
Official Depository	9,518,658	27,618,235	28,412,826	8,724,067
Protest Tax	836,704	55,397	838,148	53,953
21st Judicial District Drug Court	27,111	150,037	151,105	26,043
Over/Under Fund	29	109	103	35
Total County Funds	\$29,155,347	\$146,302,145	\$146,881,519	\$28,575,973

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

**CLEVELAND COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 8,223,342	\$ 8,223,342	\$ 8,223,342	\$ -
Less: Prior Year Outstanding Warrants	(543,899)	(543,899)	(543,899)	
Less: Prior Year Encumbrances	(651,265)	(651,265)	(541,165)	110,100
Beginning Cash Balances, Budgetary Basis	<u>7,028,178</u>	<u>7,028,178</u>	<u>7,138,278</u>	<u>110,100</u>
Receipts:				
Ad Valorem Taxes	9,936,991	9,936,991	9,879,282	(57,709)
Charges for Services	1,124,612	1,372,061	1,204,773	(167,288)
Intergovernmental Revenues	1,433,528	1,433,528	1,655,277	221,749
Miscellaneous Revenues	783,931	783,931	485,176	(298,755)
Total Receipts, Budgetary Basis	<u>13,279,062</u>	<u>13,526,511</u>	<u>13,224,508</u>	<u>(302,003)</u>
Expenditures:				
District Attorney	12,000	72,000	71,986	14
Total District Attorney	<u>12,000</u>	<u>72,000</u>	<u>71,986</u>	<u>14</u>
County Sheriff	3,210,000	3,767,385	3,744,900	22,485
Capital Outlay	385,000	214,028	213,384	644
Total County Sheriff	<u>3,595,000</u>	<u>3,981,413</u>	<u>3,958,284</u>	<u>23,129</u>
County Treasurer	818,500	818,500	812,639	5,861
Total County Treasurer	<u>818,500</u>	<u>818,500</u>	<u>812,639</u>	<u>5,861</u>
County Commissioners	458,127	458,127	446,552	11,575
Capital Outlay	300	300	243	57
Total County Commissioners	<u>458,427</u>	<u>458,427</u>	<u>446,795</u>	<u>11,632</u>
OSU Extension	286,892	286,892	257,330	29,562
Capital Outlay	6,001	6,001	5,298	703
Total OSU Extension	<u>292,893</u>	<u>292,893</u>	<u>262,628</u>	<u>30,265</u>
County Clerk	1,130,000	1,236,837	1,186,166	50,671
Capital Outlay	20,000	20,000	13,821	6,179
Total County Clerk	<u>1,150,000</u>	<u>1,256,837</u>	<u>1,199,987</u>	<u>56,850</u>
Court Clerk	780,000	780,000	769,341	10,659
Total Court Clerk	<u>780,000</u>	<u>780,000</u>	<u>769,341</u>	<u>10,659</u>

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

**CLEVELAND COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	800,000	800,000	796,634	3,366
Capital Outlay	10,000	10,000	8,466	1,534
Total County Assessor	<u>810,000</u>	<u>810,000</u>	<u>805,100</u>	<u>4,900</u>
Revaluation of Real Property	751,000	751,000	742,273	8,727
Capital Outlay	14,000	14,000	4,600	9,400
Total Revaluation of Real Property	<u>765,000</u>	<u>765,000</u>	<u>746,873</u>	<u>18,127</u>
Juvenile Shelter	219,715	219,715	219,715	
Capital Outlay	4,536	4,536	4,536	
Total Juvenile Shelter	<u>224,251</u>	<u>224,251</u>	<u>224,251</u>	<u>-</u>
District Court	92,430	113,130	113,044	86
Total District Court	<u>92,430</u>	<u>113,130</u>	<u>113,044</u>	<u>86</u>
General Government	7,603,957	7,159,804	2,346,285	4,813,519
Capital Outlay	18,812	22,331	7,388	14,943
Total General Government	<u>7,622,769</u>	<u>7,182,135</u>	<u>2,353,673</u>	<u>4,828,462</u>
Excise - Equalization Board	7,500	7,500	3,519	3,981
Capital Outlay	500	500		500
Total Excise - Equalization Board	<u>8,000</u>	<u>8,000</u>	<u>3,519</u>	<u>4,481</u>
County Election Expense	328,000	347,828	345,011	2,817
Capital Outlay		3,281	3,281	
Total County Election Expense	<u>328,000</u>	<u>351,109</u>	<u>348,292</u>	<u>2,817</u>
County Purchasing Agent	120,500	120,500	111,398	9,102
Capital Outlay	5,000	5,000	4,775	225
Total County Purchasing Agent	<u>125,500</u>	<u>125,500</u>	<u>116,173</u>	<u>9,327</u>
Charity	10,000	10,000	10,000	
Total Charity	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Law Library	29,600	29,300	27,052	2,248
Total Law Library	<u>29,600</u>	<u>29,300</u>	<u>27,052</u>	<u>2,248</u>

continued on next page

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

**CLEVELAND COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
CASA	42,000	42,000	40,300	1,700
Total CASA	42,000	42,000	40,300	1,700
Highway Budget Account	730,000	387,477	385,223	2,254
Capital Outlay		342,905	341,874	1,031
Total Highway Budget Account	730,000	730,382	727,097	3,285
County Audit Budget Account	144,535	144,535	100,120	44,415
Total County Audit Budget Account	144,535	144,535	100,120	44,415
Free Fair Budget Account	186,417	171,580	171,563	17
Capital Outlay	103,583	209,362	209,305	57
Total Free Fair Budget Account	290,000	380,942	380,868	74
Building Maintenance	609,429	609,429	582,479	26,950
Capital Outlay	41,000	41,000	12,079	28,921
Total Building Maintenance	650,429	650,429	594,558	55,871
Reserve for Courthouse Improvement	1,327,906	1,327,906		1327,906
Total Reserve for Courthouse Improvements	1,327,906	1,327,906	-	1,327,906
 Total Expenditures, Budgetary Basis	 20,307,240	 20,554,689	 14,112,580	 6,442,109
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 \$ -	 6,250,206	 \$ 6,250,206
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			1,023,857	
Add: Current Year Outstanding Warrants			1,082,061	
Ending Cash Balance			<u>\$ 8,356,124</u>	

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

**CLEVELAND COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
COUNTY HEALTH DEPARTMENT FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 2,774,387	\$ 2,774,387	\$ 2,774,387	\$ -
Less: Prior Year Outstanding Warrants	(29,578)	(29,578)	(29,578)	
Less: Prior Year Encumbrances	(378,430)	(378,430)	(369,599)	8,831
Beginning Cash Balances, Budgetary Basis	<u>2,366,379</u>	<u>2,366,379</u>	<u>2,375,210</u>	<u>8,831</u>
Receipts:				
Ad Valorem Taxes	2,484,248	2,484,248	2,469,821	(14,427)
Charges for Services		134,339	54,942	(79,397)
Intergovernmental			99,269	99,269
Miscellaneous Revenues	86,961	86,961	51,895	(35,066)
Total Receipts, Budgetary Basis	<u>2,571,209</u>	<u>2,705,548</u>	<u>2,675,927</u>	<u>(29,621)</u>
Expenditures:				
Health and Welfare	2,637,120	2,771,459	1,931,662	839,797
Capital Outlay	2,300,468	2,300,468	709,144	1,591,324
Total Expenditures, Budgetary Basis	<u>4,937,588</u>	<u>5,071,927</u>	<u>2,640,806</u>	<u>2,431,121</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	2,410,331	<u>\$ 2,410,331</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			40,329	
Add: Current Year Outstanding Warrants			141,818	
Ending Cash Balance			<u>\$ 2,592,478</u>	

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

**CLEVELAND COUNTY, OKLAHOMA
DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2004**

Beginning Cash Balance	<u>\$ 1,726</u>
Receipts:	
Ad Valorem	12,387
Miscellaneous	<u>74</u>
Total Receipts	<u>12,461</u>
Disbursements:	
County Judgments	13,333
Interest and Fees	<u>631</u>
Total Disbursements	<u>13,964</u>
Ending Cash Balance	<u><u>\$ 223</u></u>

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

**CLEVELAND COUNTY, OKLAHOMA
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2004**

Official Depository Accounts	Beginning Cash Balances July 1, 2003	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
County Treasurer	\$ 239,991	\$ 3,411,615	\$ 4,539,671	\$1,162,359	\$ 274,294
County Clerk	271,938	3,323,811	3,265,943	14,975	344,781
Court Clerk	7,220,072	12,192,965	14,873,307	61,464	4,601,194
Court Clerk Revolving	139,080	77,260	63,308		153,032
County Assessor	1,428	13,653	14,427	522	1,176
County Sheriff	1,665	26,121	25,811		1,975
County Sheriff Cash Bond	1,048	282,027	282,822	1,286	1,539
Election Board	250	236,673	218,042	3,671	22,552
District Attorney Child Support Inc.	149		149		
District Attorney Bogus Check	114,848	1,678,097	1,686,271	12,510	119,184
District Attorney Criminal Restitution	12,411	238,166	218,132	2,142	34,587
District Attorney Drug Court Fund	6,147	7,112	6,391	1,780	8,648
District Attorney Bogus Fee	204,308	1,117,576	1,304,328	94,351	111,907
District Attorney General Account		161,004	144,257		16,747
District Attorney Revolving	4,003	104,882	98,857	5,148	15,176
District Attorney Witness Fund	3,297	17,659	18,682	79	2,353
Health Fund	6,915	93,424	91,382		8,957
County Clerk M&M Lien Fee	53,593	52,342	37,996	9,179	77,118
Court Fund	567,635	2,951,642	2,799,154	2,273	722,396
Law Library	24,946	95,312	95,635		24,623
Cleveland County Courthouse Capital Improvements	644,934	1,536,894			2,181,828
Total Official Depository Accounts	<u>\$ 9,518,658</u>	<u>\$ 27,618,235</u>	<u>\$ 29,784,565</u>	<u>\$1,371,739</u>	<u>\$ 8,724,067</u>

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

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 special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of Cleveland County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County. The funds presented 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 government 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.

C. Basis of Accounting

The financial statements are 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.

D. Budgetary Policies

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. The budget presented for the general fund and county health department fund includes the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other funds are made on a monthly basis, according to the funds then available.

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 the general fund and county health department fund.

Summary of Significant Accounting Policies (continued)

Any encumbrances outstanding at year-end are included as reservations of cash balances, budgetary basis, since they do not constitute expenditures or liabilities. At the end of the year, unencumbered appropriations are lapsed.

The Comparative Statements of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - 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 Statement of Receipts, Disbursements, and Changes in Cash Balances - All Funds because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, county or city-county health departments, school districts and cities and towns. These other budgetary entities produce and file their own financial statements and estimates of needs (budgets). These related cash receipts and disbursements of other budgetary entities are not included in the County's Estimate of Needs.

E. Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2004.

F. Risk Management

The County is exposed to various risks of loss as follows:

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability	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 the pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
- Torts		
- Errors and Omissions		
- Law Enforcement Officers Liability		
- Vehicle		
Physical Plant		
- Theft		
- Damage to Assets		
- Natural Disasters		

CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Worker's Compensation - Employees' Injuries	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Employee - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of coverage	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 worker's 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.

Management believes coverage is sufficient to preclude any significant uninsured losses to the County.

The County established a limited risk management program for worker's compensation in 1989. Premiums were paid into the internal service funds by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. During the fiscal year 2004, no benefits were paid. The County no longer pays premiums into the fund. As stated above, the County is currently insured by the Association of County Commissioners of Oklahoma and only uses the fund for old claims.

Summary of Significant Accounting Policies (continued)

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. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before May 31 of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office, or department and object. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$28,575,973 and the bank balance was \$28,179,643. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

Title 62 O.S. § 348.1 and § 348.3 allow the following types of investments:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts

Detailed Notes on Funds and Account Balances (continued)

- 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

B. Description of Funds

General Fund - accounts for the general operations of the government.

Highway Restricted - 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.

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

CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Detailed Notes on Funds and Account Balances (continued)

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.

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

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.

Visual Inspection – accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

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.

Youth and Family – accounts for grant monies received from the Oklahoma Office of Juvenile Affairs for the operation of the Youth and Family Center.

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

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

Local Law Enforcement Block Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

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.

CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Detailed Notes on Funds and Account Balances (continued)

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

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

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

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

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

Schools – accounts for monies collected on behalf of the public schools in Cleveland County from ad valorem taxes, state and local revenues, and remitted to them monthly.

Cities and Towns – accounts for monies collected on behalf of the cities and towns in Cleveland County from ad valorem taxes, state and local revenues, and remitted to them monthly.

Multi-County Library – accounts for monies collected on behalf of the multi-county library from ad valorem taxes and remitted to them monthly.

Independent Cemetery – accounts for monies invested by the County on behalf of the independent cemetery.

District Attorney Drug Grant – accounts for federal grant monies received and disbursed as restricted by the grant agreement.

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.

District Attorney Juvenile Drug Court - accounts for monies received from the Oklahoma Department of Mental Health for the administration and operation of the juvenile drug court.

CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Detailed Notes on Funds and Account Balances (continued)

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

Individual Redemption – accounts for the monies collected and due to individuals from property tax sales for delinquent taxes.

County Treasurer Overpayment – accounts for overpayment made in the Treasurer's office. Disbursements are refunds issued by cash voucher.

Official Depository - accounts for the collection and distribution of officer and board fees held in trust until the end of the month.

Protest Tax – accounts for ad valorem taxes collected in protest.

21st Judicial District Drug Court – accounts for federal grant monies received for the administration and operation of the drug court.

Over/Under Fund – accounts for monies collected in excess of ad valorem tax payment amounts. Disbursements are made for monies collected in excess of the tax payment amount.

The following narrative details the official depository accounts.

County Treasurer – accounts for the miscellaneous collections held in trust for disbursement.

County Clerk – accounts for the collection of filing fees and disbursed to the Oklahoma Tax Commission and general fund.

Court Clerk – accounts for the collection of bond money, court fines, and fees. Money is disbursed for fees and restitution.

Court Clerk Revolving – accounts for the charge of \$5.00 for each warrant. Money is disbursed in the same manner as court fund.

County Assessor – accounts for all collections for copies and proceeds from sale of ownership books to be disbursed at the end of the month and deposited in the Assessor revolving fund.

County Sheriff – accounts for all collections of foreign service fees and bonds. Monies are vouchered out at the end of the month to the Sheriff's service fee account and Court Clerk.

County Sheriff Cash Bond – accounts for the collection of cash bonds and disbursed by court order.

CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Detailed Notes on Funds and Account Balances (continued)

Election Board - accounts for reimbursement of elections and is disbursed for refunds or election fees and maintenance and operation of the office.

District Attorney Child Support Inc. – accounts for child support incentive money received from the state. Money is disbursed for the operation of the child support office.

District Attorney Bogus Check – accounts for the collection of bogus checks and District Attorney fees to be disbursed to the merchant and the District Attorney fee account.

District Attorney Criminal Restitution – accounts for collections received by court orders to reimburse victims.

District Attorney Drug Court Fund – accounts for collection from fines, fees, and forfeitures and disbursements of funds as restricted by court orders and states statutes.

District Attorney Bogus Fee – accounts for the collection of District Attorney fees transferred from the merchant account and disbursements of funds as restricted by state statutes.

District Attorney General Account – accounts for state monies received from the District Attorney's Council. Money is disbursed for salaries.

District Attorney Revolving – accounts for collections from asset forfeitures. Disbursements are restricted by court order.

District Attorney Witness Fund – accounts for the collection of restitution and disbursed to victims.

Health Fund – accounts for the collection of state funds and charges for services. Money is disbursed on a monthly basis to be transferred to the county health department cash account.

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

Court Fund - accounts for fees transferred from district court and interest. Money is disbursed for the purpose of fees for various entities, salaries, and the operation of the office.

Law Library – accounts for monies received for disbursement from the state for the law library board.

Cleveland County Courthouse Capital Improvements – accounts for monies deposited from the Court Clerk's office for the remodeling of the courthouse. Money is vouchered to the Capital Improvement Fund for disbursement.

Detailed Notes on Funds and Account Balances (continued)

C. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

The assessed property value as of January 1, 2003, was approximately \$966,633,407.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.29 mills for the general fund operations, 2.57 mills for the county health department, and 4.11 mills for the multi-county library. In addition, the County also 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, 2004, were approximately 98 percent of the tax levy.

D. 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.

Detailed Notes on Funds and Account Balances (continued)

E. 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 subsequent pieces of machinery acquired.

G. 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.

Internal Control and Compliance Section



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
CLEVELAND COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Cleveland County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 22, 2004. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cleveland County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-2, 2004-3, and 2004-4.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

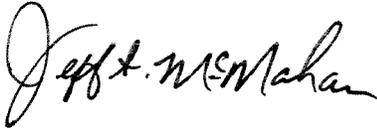
As part of obtaining reasonable assurance about whether Cleveland County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material 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 one instance of noncompliance and no other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2004-1.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report:

This report is intended solely for the information and use of the management of the County and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

December 22, 2004

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 2004-1 - Financial Statements (Repeat Finding)

Criteria: For counties who have adopted the County Budget Act per 19 O.S. 2001, § 1403 and 19 O.S. 2001, § 1405 states, "The accounting records of each county shall be established and maintained and financial statements prepared therefore in conformity with generally accepted accounting principles promulgated from time to time by authoritative bodies of the United States..."

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

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

Management's Response: Management is aware of this situation, however, due to financial situations we are unable to comply with this situation at this time. We are currently in the process of correcting this situation to comply with state statutes.

Finding 2004-2 - County Sheriff Inmate Trust Account

Criteria: Effective accounting procedures are necessary to ensure stewardship and accountability of public funds. Further, 19 O.S. 2001, § 531 states in part that the county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into the Inmate Trust Fund Checking Account. In addition, 28 O.S. 2001, § 9 states, "Every officer charging fees shall give a receipt therefore."

Condition: While performing cash compositions for the Sheriff's Inmate Trust Account, the following was noted:

1. Receipts were written out of sequence.
2. Receipts were not written for all monies deposited.
3. Receipts do not always include the mode of payment.
4. Receipt number 414550, the amount of \$20.00, could not be traced to a deposit.

Recommendation: We recommend receipts be written in sequence and include the mode of payment. We further recommend that all monies collected under the color of office be receipted and deposited daily.

Management's Response: Management chose not to respond.

Finding 2004-3 - Reconciling the Sheriff's Inmate Trust Account

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. Failures to perform tasks that are part of internal controls, such as reconciliations not prepared or not timely prepared are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Condition: The Sheriff's Inmate Trust Account was not properly reconciled with the bank statement at June 30, 2004. The ending balance shown on the reconciliation does not agree to the account register.

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

Management's Response: Management chose not to respond.

Finding 2004-4 - Leave Balances

Criteria: The Employee Personnel Policy Handbook of Cleveland County addresses leave benefits given to county employees and prescribes accrual and accumulation limits as follows: Maximum accumulation limits for annual leave is 480 hours.

Condition: The annual leave balance for an employee of District 2 exceeded the maximum accumulation set forth in the personnel policy.

Recommendation: We recommend all county officers adhere to the leave policy set forth in the Employee Personnel Policy Handbook.

Management's Response: Management chose not to respond.

**Statistical Section
(Unaudited)**

**CLEVELAND COUNTY, OKLAHOMA
TOP TEN TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
OG&E	\$ 15,901,032	1.64%
SBC	14,324,498	1.48%
Shaklee Corp/Yamanouchi	9,145,943	0.95%
Wal-Mart Stores	7,600,536	0.79%
Oklahoma Natural Gas	5,896,093	0.61%
York International Corp.	3,925,684	0.41%
Hitachi Computer Products	3,146,359	0.32%
Brookwood Village Apartments	3,029,421	0.31%
Sooner Fashion Mall LLC	2,777,659	0.29%
Kir Norman 011, LLC	2,736,693	0.28%
Total	<u>\$ 68,483,918</u>	<u>7.08%</u>

Source: (Provided by Oklahoma Tax Commission - Ad Valorem Division)

**CLEVELAND COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

Total net assessed value as of January 1, 2003		<u>\$ 966,633,407</u>
Debt limit - 5% of total assessed value		\$ 48,331,670
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>223</u>	<u>-</u>
Legal debt margin		<u>\$ 48,331,670</u>

**CLEVELAND COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

	2004
Estimated population	208,016
Net assessed value as of January 1, 2003	\$ 966,633,407
Gross bonded debt	-
Less available sinking fund cash balance	223
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

**CLEVELAND COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2003	\$69,593,470	\$57,830,080	\$880,656,073	\$41,446,216	\$966,633,407	\$8,171,831,881