

CREEK COUNTY

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

COUNTY AUDIT



Oklahoma State Auditor
& Inspector

**CREEK 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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December 7, 2010

TO THE CITIZENS OF
CREEK COUNTY, OKLAHOMA

Transmitted herewith is the audit of Creek 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

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

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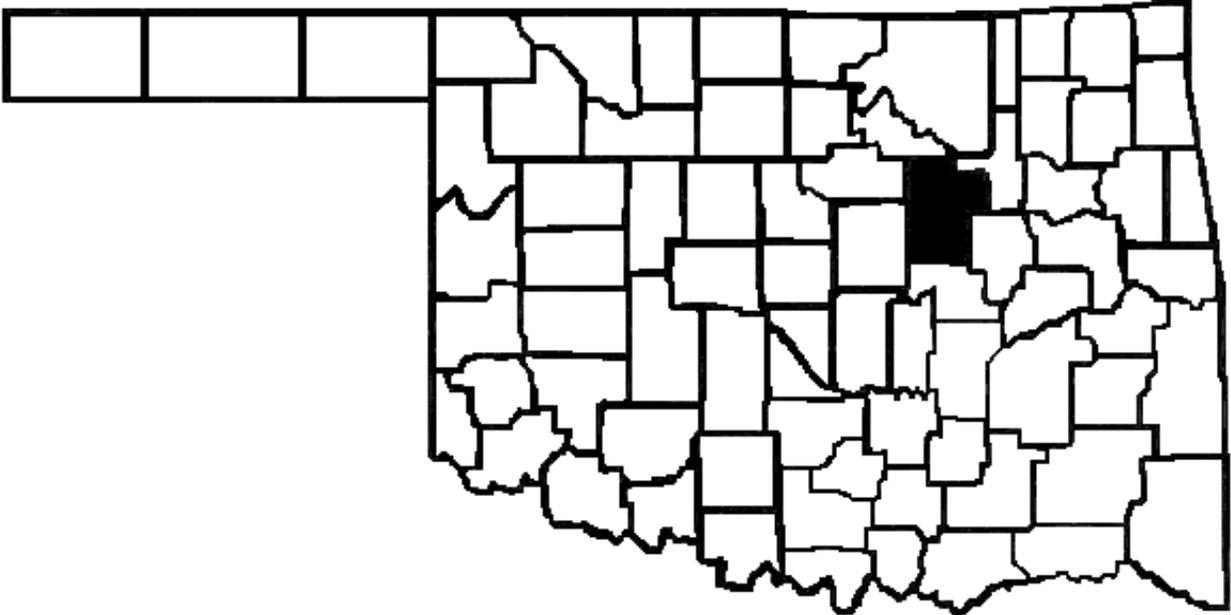
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**REPORT TO THE CITIZENS
OF
CREEK COUNTY, OKLAHOMA**



Located in east central Oklahoma, Creek County was created at statehood. Sapulpa, the county seat was named for Sus pul ber, a Creek leader. The discovery of oil at the Red Fork Field in 1901 marked the beginning of boom times for Creek County.

Creek County is the home of Frankhoma Pottery, Inc. a unique industry which utilizes clay deposits from local Sugar Loaf Hill to manufacture dinnerware and art objects. Its factory and showroom draw visitors from all over the world.

County Seat – Sapulpa

Area – 969.77 Square Miles

County Population – 68,708
(2005 est.)

Farms – 1,838

Land in Farms – 365,810 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor’s report.

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

COUNTY ASSESSOR
Cynthia Holtwick

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
Janell Diehl

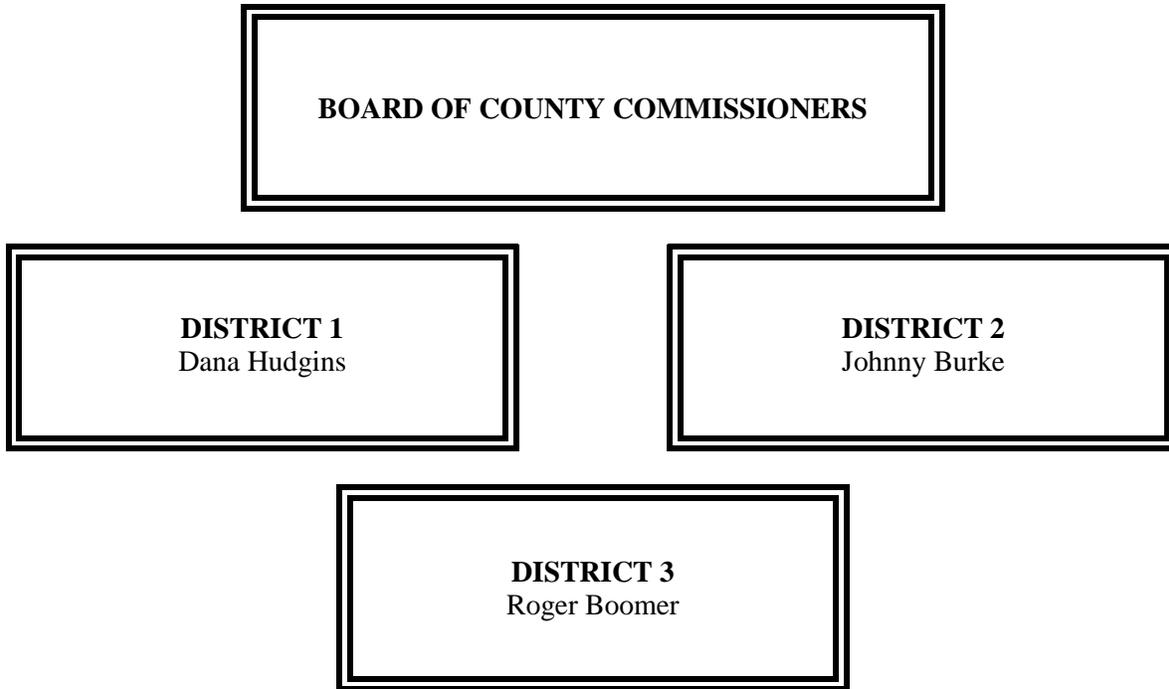
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

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



The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

See independent auditor's report.

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

COUNTY SHERIFF
Steve Toliver

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
Kathy Anglin

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

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

See independent auditor's report.

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

COURT CLERK
Pat Creason

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

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

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

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government.

DISTRICT ATTORNEY
Max Cook

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.

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

ELECTION BOARD SECRETARY
Joy Naifeh

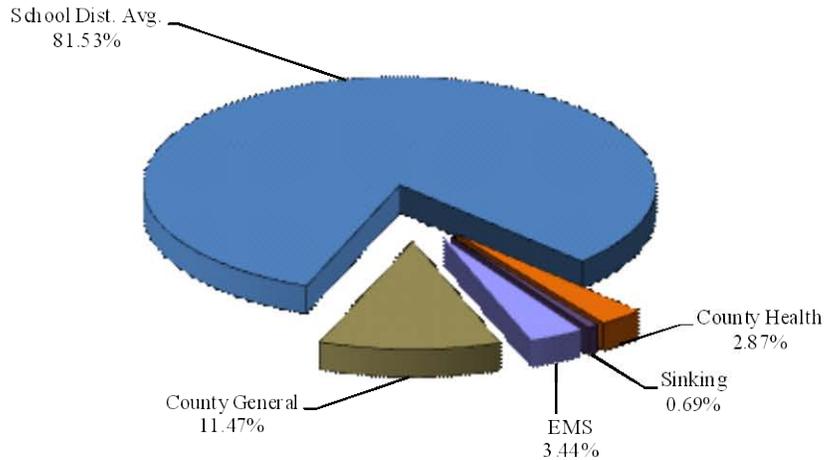
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

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



County-Wide Millages		School District Millages							
				Career					
				Gen.	Bldg.	Skg.	Tech	Common	Total
County General	10.26	Milfay	D-1	35.49	5.07		13.26	4.10	57.92
County Health	2.57	Bristow	I-2	36.00	5.14	29.29	13.26	4.10	87.79
EMS	3.08	Mannford	I-3	36.02	5.15	19.19	13.26	4.10	77.72
Sinking	0.62	Mounds	I-5	36.26	5.18	13.95	13.26	4.10	72.75
		Lone Star	D-8	36.40	5.20	7.12	13.26	4.10	66.08
		Gypsy	D-12	36.24	5.18	8.88	13.26	4.10	67.66
		Olive	I-17	36.38	5.20	11.32	13.26	4.10	70.26
		Kiefer	I-18	35.83	5.12	23.58	13.26	4.10	81.89
Sapulpa	12.45	Oilton	I-20	35.96	5.14	12.94	13.26	4.10	71.40
Kiefer	4.20	Depew	I-21	35.57	5.08	5.67	13.26	4.10	63.68
		Kellyville	I-31	36.15	5.16	21.52	13.26	4.10	80.19
		Sapulpa	I-33	35.78	5.11	22.45	13.26	4.10	80.70
		Pretty Water	D-34	36.79	5.26		13.26	4.10	59.41
		Allen Bowden	D-35	36.11	5.16	6.39	13.26	4.10	65.02
		Drumright	I-39	35.66	5.09	18.38	13.26	4.10	76.49
		Tulsa	JI-1	35.04	5.01	21.73	13.16	4.10	79.04
		Pawnee	JD-2	36.44	5.21	12.27	13.26	4.10	71.28
		Tulsa	JI-5	36.79	5.26	32.48	13.16	4.10	91.79
		Pawnee	JI-6	36.14	5.16	27.61	13.26	4.10	86.27
		Okfuskee	JI-14	35.50	5.07		15.17	4.10	59.84
		Tulsa	JD-15	35.98	5.14	6.07	13.16	4.10	64.45

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

Total net assessed value as of January 1, 2006		<u>\$ 331,333,181</u>
Debt limit - 5% of total assessed value		16,566,659
Total bonds outstanding	1,000,000	
Total judgments outstanding	200,000	
Less cash in sinking fund	<u>133,217</u>	<u>1,066,783</u>
Legal debt margin		<u>\$ 15,499,876</u>

See independent auditor's report.

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

	2007
Estimated population	68,708
Net assessed value as of January 1, 2006	\$ 331,333,181
Gross bonded debt	1,000,000
Less available sinking fund cash balance	133,217
Net bonded debt	\$ 866,783
Ratio of net bonded debt to assessed value	0.26%
Net bonded debt per capita	\$ 12.62

See independent auditor's report.

**CREEK COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2006	\$64,093,029	\$57,489,174	\$225,595,370	\$15,844,392	\$331,333,181	\$2,761,109,842

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
CREEK COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Creek 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 Creek County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Creek 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 Creek 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 August 18, 2010, on our consideration of Creek 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

August 18, 2010

Basic Financial Statement

**CREEK 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:				
County General Fund	\$ 1,492,320	\$ 4,862,305	\$ 5,062,363	\$ 1,292,262
Highway Cash	1,144,248	4,211,180	4,231,268	1,124,160
Highway Tax	1,729,536	1,799,380	1,923,897	1,605,019
Assessors Revolving Fund AR-1	12,462	10,726	13,753	9,435
Assessor Visual Inspection	117,199		7,171	110,028
Mortgage Tax Certification Fee	2,294	19,925	5,227	16,992
County Clerk Lien Fee	28,360	24,157	31,244	21,273
Sheriff Service Fee	287,129	389,792	405,562	271,359
County Health	561,542	854,766	930,447	485,861
General Administration	363,739	298,685	249,551	412,873
County Clerk Preservation Fee	32,299	96,835	97,031	32,103
County Jail Sales Tax	2,227,262	1,709,128	1,188,773	2,747,617
County Jail Maintenance	655,276	1,708,343	1,626,784	736,835
Sheriff Board of Prisoners	323,560	914,054	681,865	555,749
Courthouse Remodel	68,114	23,618		91,732
Sheriff Training Fund	56			56
WR-911	248,994	107,448	63,668	292,774
Resale Property	62,142	259,397	148,110	173,429
County Sinking	11,771	192,284	70,838	133,217
Combined Total--All County Funds	\$ 9,368,303	\$ 17,482,023	\$ 16,737,552	\$ 10,112,774

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Creek County, Oklahoma. The financial statement referred to includes only the primary government of Creek County, Oklahoma, and does not include financial information for any of the primary government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the funds included as supplementary information within the financial statement:

County General Fund – revenues are from ad valorem taxes, officers' fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

Highway Cash – revenues are from state imposed fuel taxes and disbursements are for the maintenance and construction of county roads and bridges.

Highway Tax – revenues are from a county sales tax and disbursements are for the retirement of bonds issued to construct county roads and bridges.

Assessors Revolving Fund AR-1 – revenues are from any and all fees collected by the County Assessor. Disbursements are to maintain electronic databases and geographic information systems in the Assessor's office.

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

Assessor Visual Inspection – revenues are from fees charged to all entities receiving ad valorem taxes. Disbursements are for the re-valuation of all county property for ad valorem purposes.

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

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

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

County Health – revenues are from ad valorem taxes, miscellaneous fees charged by the Health Department, and state and federal funds. Disbursements are for the operation of the County Health Department.

General Administration – revenues are from a use tax charged to out-of-county vendors on in-county sales. Disbursements are for any legal expense of the County.

County Clerk Preservation Fee – revenues are from fees charged by the Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

County Jail Sales Tax – revenues are from a county sales tax. Disbursements are for the maintenance and operation of the county jail.

County Jail Maintenance – revenues are from a county sales tax. Disbursements are for the maintenance of the county jail.

Sheriff Board of Prisoners – revenues are from fees charged for boarding prisoners of non-county entities in the county jail. Disbursements are for feeding and housing inmates of the county jail.

Courthouse Remodel – revenues are from the state court system. Disbursements are for the remodel of the courthouse.

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

WR-911 – revenues are from 911 telephone service fees. Disbursements are for 911 services.

Resale Property – revenues are from interest and penalties on ad valorem taxes paid late. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

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

County Sinking – revenues are from ad valorem taxes and interest earnings. Disbursements are for the payment of principal and interest on judgments against the County and the servicing of long term debt obligations.

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

C. Basis of Accounting

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

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

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

E. Cash

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

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).

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

F. Investments

The County Treasurer did not prepare a written investment policy nor was one authorized by the County's governing board during FY2007.

By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

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

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured.

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may not be accumulated. Employees with service years up to 10 years earn 10 days per year. Employees with service years exceeding 10 years earn 15 days per year. Vacation leave is accrued monthly. Employees are paid for vacation leave upon separation from the County.

Sick leave benefits are accrued at the rate of 6.69 hours per month and employees may accumulate up to 30 days. Sick leave is not paid upon termination.

2. Ad Valorem Tax

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

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

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 \$331,333,181.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.26 mills (the legal maximum) for general fund operations, 2.57 mills for county health department, 3.08 mills for emergency medical service, and 0.62 mill for the sinking fund. 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.

Current year tax collections for the year ended June 30, 2007, were approximately 95.35 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:

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none">• Torts• Errors and Omissions• Law Enforcement Officers' Liability• Vehicle	The County carries Commercial insurance. (See Trident Insurance Services LLC.)	The amount of the County's deductible, which is \$500 for blanket dishonesty and forgery.
Physical Plant <ul style="list-style-type: none">• Theft• Damage to Assets• Natural Disasters		

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

Trident Insurance Services LLC - The County obtains commercial insurance coverage to pay general liability, physical plant, and property claims. The County has no deductible for general liability, physical plant, or property; however, the County has a \$500 deductible for blanket dishonesty and forgery. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

5. Long-term Obligations

Capital Leases

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

Judgments

The County has judgments which are being retired by levies. The County is required to pay these judgments over a three-year period.

<u>Case Number</u>	<u>Original Judgment</u>
CJ-2004-0034	\$60,000
CJ-2006-1376	\$275,000

During the year ended June 30, 2007, the County paid \$95,000 principal on these judgments. \$75,000 of these payments is not reflected in the sinking fund. Future principal payments that will become due are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$66,666.67	\$18,675.34	\$85,342.01
2009	\$66,666.67	\$10,933.33	\$77,600.00
2010	\$66,666.66	**	**

** Interest rate has not been set for 2010.

6. General Obligation Bonds

The government issued general obligation bonds to provide funds to acquire and develop land for industry. General obligation bonds are direct obligations and pledge the full faith and credit of the County, therefore, the County will levy ad valorem taxes each year for an amount necessary to

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

fulfill the payment requirements. These bonds are required to be fully paid within 10 years from the date of issue. The first bond payment is due November 1, 2009, the first interest payment was due on May 1, 2007. During the year ended June 30, 2007, the County paid \$50,587.50 interest on the general obligation bonds.

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest</u>	<u>Amount</u>
General Obligation Bonds	3.20-3.55%	\$1,000,000

Principal and interest payments to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008		\$ 33,725.00	\$ 33,725.00
2009		33,725.00	33,725.00
2010	\$ 100,000	32,125.00	132,125.00
2011	150,000	28,087.50	178,087.50
2012	150,000	23,175.00	173,175.00
2013-2016	<u>600,000</u>	<u>41,925.00</u>	<u>641,925.00</u>
Total	\$1,000,000	\$192,762.50	\$1,192,762.50

The payments are semi-annual.

7. 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

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

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 \$686,786, \$595,649, and \$481,339, respectively, equal to the required contributions for each year.

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

8. 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.

9. Contingent Liabilities

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

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

10. Sales Tax

In a special election held on November 13, 2001, the citizens of Creek County approved a one percent (1%) sales tax. Sales tax collections began January 3, 2003. Sales tax revenue is used as follows:

- (A) One-third (1/3) is transferred to the County Jail Sales Tax Revolving Fund to be used to pay debt service on bonds or notes issued by the Creek County Public Facilities Authority, the proceeds of which are to be used to acquire, construct and equip the County jail facility. This one-third (1/3) is to be terminated at the earliest possible date, at the requirement of bonds or notes, and not to exceed fifteen (15) years.

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

- (B) One-third (1/3) is used to pay operational and maintenance expenses on the county jail facility. This one-third (1/3) is used to continue on a permanent or unlimited basis.

- (C) One-third (1/3) is used to pay debt service on bonds or notes issued by the Creek County Public Facilities Authority. The proceeds of which are to be used to construct county roads and bridges. This one-third (1/3) is to be terminated at the earliest possible date, at the retirement of bonds or notes, and not to exceed five (5) years.

The revenue bonds issued by the Authority are not a liability of Creek County. The Creek County Public Facilities Authority is not a component unit of Creek County.

OTHER SUPPLEMENTARY INFORMATION

CREEK 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	\$ 1,492,320	\$ 1,492,320	\$ 1,492,320	\$ -
Less: Prior Year Encumbrances	(138,686)	(138,686)	(138,686)	
Plus: Lapsed Balance			38,096	(38,096)
Beginning Cash Balances, Budgetary Basis	<u>1,353,634</u>	<u>1,353,634</u>	<u>1,391,730</u>	<u>(38,096)</u>
Receipts:				
Ad Valorem Taxes	3,090,418	3,090,418	3,274,805	(184,387)
Charges for Services	401,717	401,717	357,445	44,272
Intergovernmental Revenues	295,544	364,959	807,493	(442,534)
Miscellaneous Revenues	40,000	40,000	369,061	(329,061)
Transfer from Free Fair			30,000	(30,000)
Total Receipts, Budgetary Basis	<u>3,827,679</u>	<u>3,897,094</u>	<u>4,838,804</u>	<u>(941,710)</u>
Expenditures:				
District Attorney	17,576	17,576	17,322	254
Total District Attorney	<u>17,576</u>	<u>17,576</u>	<u>17,322</u>	<u>254</u>
County Sheriff	916,822	916,970	913,959	3,011
Capital Outlay	88,000	88,000	88,000	
Total County Sheriff	<u>1,004,822</u>	<u>1,004,970</u>	<u>1,001,959</u>	<u>3,011</u>
County Treasurer	366,576	366,576	366,426	150
Total County Treasurer	<u>366,576</u>	<u>366,576</u>	<u>366,426</u>	<u>150</u>
County Commissioners	80,594	80,594	76,036	4,558
Capital Outlay	5,000	5,000		5,000
Total County Commissioners	<u>85,594</u>	<u>85,594</u>	<u>76,036</u>	<u>9,558</u>
OSU Extension	95,258	96,258	92,616	3,642
Capital Outlay	1	1		1
Total OSU Extension	<u>95,259</u>	<u>96,259</u>	<u>92,616</u>	<u>3,643</u>
County Clerk	260,711	265,711	265,663	48
Capital Outlay	5,000			
Total County Clerk	<u>265,711</u>	<u>265,711</u>	<u>265,663</u>	<u>48</u>
Court Clerk	326,805	344,786	344,364	422
Total Court Clerk	<u>326,805</u>	<u>344,786</u>	<u>344,364</u>	<u>422</u>
County Assessor	195,672	195,672	195,165	507
Total County Assessor	<u>195,672</u>	<u>195,672</u>	<u>195,165</u>	<u>507</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.

CREEK 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
Revaluation of Real Property	512,906	547,906	522,377	25,529
Total Revaluation of Real Property	512,906	547,906	522,377	25,529
Juvenile Shelter Bureau	15,000	15,000	9,733	5,267
Total Juvenile Shelter Bureau	15,000	15,000	9,733	5,267
General Government	1,407,488	1,458,629	1,436,366	22,263
Capital Outlay	100,000	23,910	5,549	18,361
Total General Government	1,507,488	1,482,539	1,441,915	40,624
Excise-Equalization Board	3,822	3,822	2,985	837
Total Excise-Equalization Board	3,822	3,822	2,985	837
County Election Board	126,049	136,918	136,415	503
Total County Election Board	126,049	136,918	136,415	503
County Purchasing Agent	40,682	40,682	40,679	3
Total County Purchasing Agent	40,682	40,682	40,679	3
Charity	5,500	5,500	4,806	694
Total Charity	5,500	5,500	4,806	694
Metro Planning	175,066	175,433	174,297	1,136
Total Metro Planning	175,066	175,433	174,297	1,136
Civil Defense	81,511	81,513	54,442	27,071
Capital Outlay	2			
Total Civil Defense	81,513	81,513	54,442	27,071
Highway Budget Account	1			
Total Highway Budget Account	1	-	-	-
County Audit Budget	33,811	33,811	33,811	
Total County Audit Budget	33,811	33,811	33,811	-
Free Fair Budget Account	99,453	99,453	97,540	1,913
Capital Outlay	48,407	78,407	78,407	
Total Free Fair Budget Account	147,860	177,860	175,947	1,913

continued on next page

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

**CREEK 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
Building Maintenance Account	38,600	40,600	33,652	6,948
Capital Outlay	135,000	132,000	76,011	55,989
Total Building Maintenance Account	<u>173,600</u>	<u>172,600</u>	<u>109,663</u>	<u>62,937</u>
Provision for Interest on Warrants	-	-	2,012	(2,012)
Total Expenditures, Budgetary Basis	<u>5,181,313</u>	<u>5,250,728</u>	<u>5,068,633</u>	<u>182,095</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	1,161,901	<u>\$ 1,161,901</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			<u>130,361</u>	
Ending Cash Balance			<u>\$ 1,292,262</u>	

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

**CREEK 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	\$ 561,542	\$ 561,542	\$ 561,542	\$ -
Less: Prior Year Encumbrances	(80,081)	(80,081)	(80,081)	
Plus: Lapsed Balance			9,253	9,253
Beginning Cash Balances, Budgetary Basis	<u>481,461</u>	<u>481,461</u>	<u>490,714</u>	<u>9,253</u>
Receipts:				
Ad Valorem Taxes	774,111	774,111	820,941	46,830
Charges for Services		17,917	17,917	
Intergovernmental Revenues			4,222	4,222
Miscellaneous Revenues			11,686	11,686
Total Receipts, Budgetary Basis	<u>774,111</u>	<u>792,028</u>	<u>854,766</u>	<u>62,738</u>
Expenditures:				
Health and Welfare	786,000	897,710	825,698	72,012
Capital Outlay	469,572	375,779	88,320	287,459
Total Expenditures, Budgetary Basis	<u>1,255,572</u>	<u>1,273,489</u>	<u>914,018</u>	<u>359,471</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	431,462	<u>\$ 431,462</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			<u>54,399</u>	
Ending Cash Balance			<u>\$ 485,861</u>	

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

**CREEK COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Beginning Cash Balance	<u>\$ 11,771</u>
Receipts:	
Ad Valorem Tax	<u>192,284</u>
Total Receipts	<u>192,284</u>
Disbursements:	
Coupons Paid	50,588
Commissions Paid to Fiscal Agency	250
Judgments Paid	<u>20,000</u>
Total Disbursements	<u>70,838</u>
Ending Cash Balance	<u><u>\$ 133,217</u></u>

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

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

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
CREEK COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Creek County, Oklahoma, as of and for the year ended June 30, 2007, which comprises Creek County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 18, 2010. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Creek 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 2007-7, 2007-11, and 2007-13 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 none to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Creek 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2007-5 and 2007-13.

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

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

This report is intended solely for the information and use of the management of Creek County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

August 18, 2010

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

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2007-5 – Investment Policy

Criteria: Title 62 O.S. § 348.1 states in part:

Except as otherwise provided for by law, a county treasurer, when authorized by the board of county commissioners by a written investment policy, ordinance or resolution or the treasurer of any city or town, when authorized by the appropriate governing body by a written investment policy, ordinance or resolution, shall invest monies in the custody of the treasurer...

1. Direct obligations of the United States Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;
2. Collateralized or insured certificates of deposits of savings and loan associations, banks, savings banks and credit unions located in this state, when the certificates of deposit are secured by acceptable collateral as provided in Section 516.3 of this title, or fully insured certificates of deposit at banks, savings banks, savings and loan associations and credit unions located out of state;
3. Savings accounts or savings certificates of savings and loan associations, banks, and credit unions, to the extent that the accounts or certificates are fully insured by the Federal Deposit Insurance Corporation;
4. Investments as authorized by Section 348.3 of this title which are fully collateralized in investments specified in paragraphs 1 through 3 of this section, and where the collateral has been deposited with a trustee or custodian bank in an irrevocable trust or escrow account established for such purposes; or
5. County, municipal or school district direct debt obligation for which an ad valorem tax may be levied or bond and revenue anticipation notes, money judgments against such county, municipality or school district ordered by a court of record or bonds or bond and revenue anticipation notes issued by a public trust for which such county, municipality or school district is a beneficiary thereof. All collateral pledged to secure public funds shall be valued at no more than market value. The income received from that investment may be placed in the general fund of the governmental subdivision to be used for general governmental operations, the sinking fund, the building fund, or the fund from which the investment was made.

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

Title 62 O.S. § 348.3 states:

- A. In addition to the investments authorized by Section 348.1 of this title, the governing body of a city or of a county may adopt a written investment policy directing the investment of the funds of the city or county and any of its public trusts or authorities. If such a policy is adopted by the governing body, such funds shall be invested pursuant to the provisions of the policy. The written policy shall address liquidity, diversification, safety of principal, yield, maturity and quality and capability of investment management, with primary emphasis on safety and liquidity. To the extent practicable, taking into account the need to use sound investment judgment, the written investment policies shall include provision for utilization of a system of competitive bidding in the investment of municipal funds. The system shall be designed to maximize yield within each class of investment instrument, consistent with the safety of the funds invested.

- B. The written investment policy may authorize the city treasurer or county treasurer to purchase and invest in any or all of the following:
 - 1. Obligations of the United States government, its agencies and instrumentalities;
 - 2. Collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in this state, or fully insured certificates of deposit at banks, savings banks, savings and loan associations and credit unions located out of state;
 - 3. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed ten percent (10%) of the surplus funds of the city or county which may be invested pursuant to this section. Not more than one-half (1/2) of the ten percent (10%) limit shall be invested in any one financial institution specified in this paragraph;
 - 4. Prime banker's acceptances which are eligible for purchase by the Federal Reserve System and which do not exceed two hundred seventy (270) days' maturity. Purchases of prime banker's acceptances shall not exceed ten percent (10%) of the surplus funds of the city or county which may be invested pursuant to this section. Not more than one-half (1/2) of the ten percent (10%) limit shall be invested in any one commercial bank pursuant to this paragraph;
 - 5. Prime commercial paper which shall not have a maturity that exceeds one hundred eighty (180) days nor represent more than ten percent (10%) of the outstanding paper of an issuing corporation. Purchases of prime commercial paper shall not exceed seven and one-half percent (7 1/2%) of the surplus funds of the city or county which may be invested pursuant to this section;

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

6. Repurchase agreements that have underlying collateral consisting of those items specified in paragraphs 1 through 5 of this subsection; and
 7. Money market funds regulated by the Securities and Exchange Commission and which investments consist of those items and those restrictions specified in paragraphs 1 through 6 of this subsection.
- C. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Condition: A written investment policy was not prepared nor was one approved by resolution in a BOCC meeting for FY2007.

Effect: Without an approved investment policy the Treasurer could be investing county funds in unauthorized investments.

Recommendation: OSAI recommends that a written investment policy be prepared by the County Treasurer and approved by the BOCC each fiscal year.

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

Finding 2007-7 – Written IT Policies and Strategic Plan

Criteria: COBIT DS4.2 IT Continuity Plans states:

Develop IT continuity plans based on the framework and designed to reduce the impact of a major disruption on key business functions and processes. The plans should be based on risk understanding of potential business impacts and address requirements for resilience, alternative processing and recovery capability of all critical IT services. They should also cover usage guidelines, roles and responsibilities, procedures, communication processes, and the testing approach.

COBIT PC5 Policy, Plans and Procedures states:

Define and communicate how all policies, plans and procedures that drive an IT process are documented, reviewed, maintained, approved, stored, communicated and used for training. Assign responsibilities for each of these activities and, at appropriate times, review whether they are executed correctly. Ensure that the policies, plans and procedures are accessible, correct, understood and up to date.

**CREEK COUNTY, OKLAHOMA
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COBIT PO1 states:

Define a Strategic IT Plan that satisfies the business requirement for IT of sustaining or extending the business strategy and governance requirements whilst being transparent about benefits, costs and risks.

Condition: County offices do not have a disaster recovery plan, written policies describing appropriate use of county office computer equipment, written policies that detail duties performed on computers, or a strategic plan for meeting information system needs of the County.

Effect: Major disruption of key business functions and processes as a result of a man-made or natural disaster, improper use of county computer equipment and/or failure to meet the information system needs of the County could result from the current conditions.

Recommendation: OSAI recommends that all county offices develop a disaster recovery plan based on risk understanding of potential business impacts and address requirements for resilience, alternative processing and recovery capability of all critical IT services. County offices should also develop written procedures describing appropriate use of county office computer equipment and duties performed on computers. In addition, a strategic plan for meeting information system needs of the County should be developed.

Views of responsible officials and planned corrective actions:

Janell Diehl, Creek County Clerk –

A Strategic Plan is being worked on currently by all officers.

Finding 2007-11 – Reconciliation of General Fund Disbursements

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, management should provide adequate documentation to support disbursement amounts for county funds.

Condition: During test work performed to reconcile treasurer's disbursements to warrants issued, we were unable to reconcile general fund disbursements. Part of the variance noted was due to amounts being disbursed by a treasurer's check instead of by a journal entry or collection correction. This was noted for credit card payments, non-sufficient funds, and treasurer's redemption fees. Also, during our attempt to reconcile, we noted for all cancelled warrants, the Treasurer's office is manually changing the amount to zero for each cancelled warrant in the treasurer's system.

Effect: This could result in erroneous recorded transactions, undetected errors, and possible misappropriation of funds.

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Recommendation: OSAI recommends management take steps to ensure disbursements are adequately supported and error corrections, non-sufficient fund corrections, and credit card payments be corrected by journal entry or collection corrections.

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

Finding 2007-13 – Payment of Judgments

Criteria: Statutory control requirements have been established for the payment of judgments from the Sinking Fund.

Title 69 O.S. § 1503 states:

- a) All monies raised for use on the county highways in each county, or apportioned to each county for road purposes, from any source, including all funds and monies derived by law, levy, taxation, or apportionment shall, unless otherwise provided by law, be placed in the county treasury in a fund to be known as the county highway fund, to be expended on order of the board of county commissioners on county highways as defined herein, or on state highways within their respective counties including the lighting thereof, if, in the judgment of the board of county commissioners, such expenditure would be just and equitable and for the best interest of the county.

Condition: During FY07, \$75,000 was paid on a judgment from the Highway Tax Fund instead of the Sinking Fund.

Effect: Funds raised or apportioned for county highways were not used for road purposes and/or county highways in accordance with state statutes.

Recommendation: OSAI recommends the County pay judgments from the County Sinking Fund. OSAI also recommends the County reimburse the Highway Tax Fund for the \$75,000 disbursed during FY07.

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

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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 2007-1 - Segregation of Duties (Repeat Finding)

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

Condition: Official depository accounts are not reported on the basic financial statement; however, a lack of segregation of duties exists with respect to the official depository account in the following offices:

In the County Assessor’s office, because one deputy receives money, prepares the deposit slip, takes deposits to the Treasurer, and reconciles their accounts to the Treasurer.

In the County Sheriff’s office, because one deputy opens the mail, writes the receipts, prepares and takes deposits to the Treasurer, and balances the official depository account at month end to the Treasurer’s balance. Further, the same deputy prepares the vouchers, signs the vouchers, and posts the vouchers.

In the Election Board office, because one employee writes the receipts, prepares the deposit, takes deposits to the Treasurer, posts deposits to the cash book, and reconciles the account at month end to the Treasurer’s balance. Further, this employee also prepares the vouchers, signs the vouchers, posts the vouchers to the cash book, and mails the vouchers.

In the County Health Department, because one employee opens the mail, writes receipts, prepares the deposit slip, takes deposits to the Treasurer, posts to the official depository ledger and reconciles to the Treasurer’s balance, prepares customer billings, and posts customer payments. Further, the same employee also prepares the vouchers, posts the vouchers to the cash book, and authorizes purchases.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management’s overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include

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separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Views of responsible officials and planned corrective actions:

Sheriff Steve Toliver –

After careful review of the Financial Auditor's reports, the Creek County Sheriff's Office has made several policy changes in respect to the following. A copy of our Policy Changes is included with this document and said procedures have been implemented at this time.

Policy Number: ADM.07.03/Sub-Section J

Segregation of Duties

1. All monies, mail, receipts and property will be checked and signed into the Creek County Sheriff's Office by the Administrative Secretary. These items will be logged with an intake of property/monies form. This form will be kept on file by the purchasing/receiving agents for annual auditor reports.
2. Purchasing/Receiving Agents from both the Sheriff's office and the Creek County Jail Authority review all items that were brought in for that business day and checks against their order register.
3. The Administrative Assistant Secretary then prepares a daily ledger statement and makes a deposit to the County Treasurer's Office.
4. Purchasing/Receiving Agents then at the month's end reconcile the accounts with the Treasurer's Office and any/or Vouchers are written and posted per the outcome of the Reconciliation procedures for that month.

Finding 2007-4 – Resolution Policy on Depository Banks

Criteria: Title 19 O.S. § 121 provides that the County Treasurer of each county shall deposit daily in one (1) or more banks located in the county and designated by the Board of County Commissioners as county depositories.

Condition: A list of depository banks was not prepared by the Treasurer's office for approval by the County Commissioners.

Effect: The County Commissioners did not approve the depository banks and may be unaware of the banks the County Treasurer is using for the deposit of county funds.

Recommendation: OSAI recommends the County Treasurer prepare and submit to the Board of County Commissioners for approval, a list of depository banks currently used by the Treasurer's office. The Board members would then approve/disapprove the banks used as county depositories.

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

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Finding 2007-6 – 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: We noted in the 2007-2008 Estimate of Needs that the cash receipts and disbursements on the budget of the general fund do not agree to receipts apportioned and disbursements adjusted for encumbrances on the financial statement.

Effect: This condition results in an incomplete and/or incorrect Estimate of Needs being approved.

Recommendation: We recommend management review the Estimate of Needs prior to approval to ensure that all exhibits are accurately presented.

Views of responsible officials and planned corrective actions:

Janell Diehl, Creek County Clerk –

County Clerk will visit with the CPA to see how we can best solve the problem.

Finding 2007-8 – Commissary Account and Annual Report

Criteria: Title 19 O.S. § 180.43.D states:

Each county sheriff may operate, or contract the operation of, a commissary for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year. The State Auditor and Inspector shall conduct an audit of the report in the same manner as other public records of the county. Nothing in this subsection shall circumvent the provisions of Section 73 of Title 7 of the Oklahoma Statutes.

Condition: The County Sheriff has not set up a commissary account and has not filed an annual report of the commissary with the BOCC.

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Effect: This could result in misappropriation of funds.

Recommendation: OSAI recommends the County Sheriff set up a commissary account to deposit funds received pursuant to the commissary operations. OSAI further recommends that an annual report of commissary operations be submitted to the BOCC no later than January 15th of each year.

Views of responsible officials and planned corrective actions:

Sheriff Steve Toliver –

After careful review of the Financial Auditor's reports, the Creek County Sheriff's Office has made several policy changes in respect to the following. A copy of our Policy Changes is included with this document and said procedures have been implemented at this time.

Policy Number: ADM.07.03/Sub-Section J
Commissary Account and Annual Reporting

1. The Creek County Sheriff's Office does operate and/or contract the operation of Commissary for the benefit of those persons lawfully confined in the county jail, under the custody of the county sheriff.
2. Any and all funds that are received pursuant to said commissary operations, shall be deposited into a specific sheriff's office commissary bank account.
3. Annual reports of the sheriff's commissary records will be prepared by the commissary clerk and forwarded to the sheriff's office purchasing and receiving agent, no later than January 5th of each year.
4. The sheriff's office purchasing/receiving agent then will request a copy of the commissary account for the past year, these two reports will be reconciled and signed by the purchasing/receiving agent that all funds were received, recorded and distributed in accordance to state law.

Finding 2007-9 – Inmate Trust Account

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, reconciliations should be approved, retained, and reviewed/approved by someone other than the preparer. Also, documentation to support transactions in the inmate trust account should be retained.

Condition: Based on test work procedures performed on the available reconciliations, it appears there was no review or approval by someone other than the preparer of the reconciliations. The disbursement authorizations for the inmate trust account for July 2006 through March 2007 and the bank reconciliations for July 2006 through February 2007 could not be found.

Effect: This condition could result in an increased risk of undetected errors and misappropriation of funds.

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Recommendation: OSAI recommends management take steps to ensure all bank reconciliations are performed, reviewed, and approved by someone other than the preparer and retained along with the disbursement authorizations.

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

Finding 2007-10 – Monthly Report

Criteria: Title 19 O.S. § 684 states in part:

...it shall be the further duty of all such officers, boards and commissions and the members and employees of either thereof, to make and file with the county clerk on or before the second Monday of each month, a verified report in writing showing the several sources, classes and amounts of money received by virtue or under color of office during the preceding calendar month, together with an itemized statement of the amount and purpose of all vouchers issued in disbursement, distribution and transfer thereof.

Condition: The County Sheriff does not submit a monthly report to the Board of County Commissioners.

Effect: By not submitting a monthly report to the Board of County Commissioners, the Sheriff is not accounting for sources and amounts of revenue received and vouchers issued.

Recommendation: OSAI recommends the Sheriff takes steps to prepare and file a monthly report with the Board of County Commissioners.

Views of responsible officials and planned corrective actions:

Sheriff Steve Toliver –

After careful review of the Financial Auditor's reports, the Creek County Sheriff's Office has made several policy changes in respect to the following. A copy of our Policy Changes is included with this document and said procedures have been implemented at this time.

Policy Number: ADM.07.03/Sub-Section J
Monthly Accountability Reports

1. It shall be the duty of the sheriff that a monthly expenditure report be filed with the county clerk, before the second Monday of each month.
2. This will be a verified report in writing and/or computerized showing each source of money received, money expended, amount and purpose of all vouchers issued for disbursement and any workman's compensation claims filed and/or not limited to information deemed reportable by OSAI.

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Finding 2007-12 – Expenditures in Excess of Appropriations

Criteria: Title 62 O.S. § 310.2 states in part:

No purchase order shall be paid until approved by the officer, board or commission having charge of the office or department for which the appropriation is available and from which such payment is proposed to be made, provided that no indebtedness for any purpose shall be incurred in excess of the appropriation for that purpose...

Condition: It was noted that \$2,012 in expenditures for interest on warrants was incurred without being budgeted on the 2006-2007 Estimate of Needs.

Effect: This condition results in expenditures in excess of appropriations.

Recommendation: OSAI recommends the County include a provision for interest on warrants in the budgeted appropriations of the General Fund.

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

Finding 2007-14 – Court Clerk Bank Accounts

Criteria: Title 19 O.S. § 121 states in part:

The county treasurer of each county shall deposit daily, not later than the immediately next banking day, all the funds and monies of whatever kind that shall come into his or her possession by virtue of the office as such county treasurer in the name of the county treasurer in one (1) or more banks located in the county and designated by the board of county commissioners as county depositories. Provided, before the deposit of any such funds, the county treasurer shall take from each of such banks security in a sum equal to the largest approximate amount that may be deposited in each bank respectively at any one time. Such security is required to be pledged, taken, approved, held and withdrawn under the provisions of the Security for Local Public Deposits Act prescribed in Sections 8 through 14 of this act...

Title 19 O.S. § 642 states in part:

The county treasurer shall keep a cash book, in which he shall enter an account of all money by him received...

Condition: The Court Clerk has satellite offices in Bristow and Drumright. In each of the satellite offices, the Court Clerk has a bank account in which all monies are deposited. On the same day as the deposits, checks are written and mailed from those accounts to the Official Depository Account with the County Treasurer in Sapulpa. The satellite bank accounts are in the Court Clerk's name and are not reported on the Treasurer's general ledger. The accounts are reconciled monthly by the Court Clerk's office; however, are not approved by the Board of County Commissioners as depository accounts for the County. As of

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6/30/07, the balances in the satellite accounts of Bristow and Drumright were \$5,149.59 and \$2,809.10, respectively.

Effect: Satellite bank accounts not being adopted on the general ledger and not approved as county depositories by the Board of County Commissioners increases the risk of misappropriation of assets and depositing procedures are not in accordance with state statutes.

Recommendation: OSAI recommends the satellite bank accounts be approved as county depositories by the Board of County Commissioners, be in the name of the County Treasurer, and included on the Treasurer's general ledger. The Treasurer should also reconcile the accounts on a monthly basis.

Views of responsible officials and planned corrective actions: As per your recommendation, we are in the process at getting the Bristow and Drumright bank accounts changed to: CREEK COUNTY TREASURER-COURT CLERK-BRISTOW ACCOUNT, and CREEK COUNTY TREASURER-COURT CLERK-DRUMRIGHT ACCOUNT. This will become effective October 1, 2010, for the new fiscal year quarter. The County's EIN # will be on the new account. Statements will go to the Treasurer. My bookkeeper is working on the inventory issue and will have all items accounted for very soon.

Thank you for your help in keeping our office in compliance. Let me know if I need to do anything else.



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