

County Audit

Creek County, Oklahoma

For the Fiscal Year Ended
June 30, 2006



Office of the Oklahoma State Auditor and Inspector
Jeff A. McMahan, CFE

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

September 4, 2007

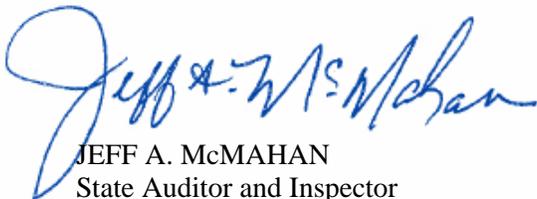
TO THE CITIZENS OF
CREEK COUNTY, OKLAHOMA

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

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

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

Sincerely,


JEFF A. McMAHAN
State Auditor and Inspector

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

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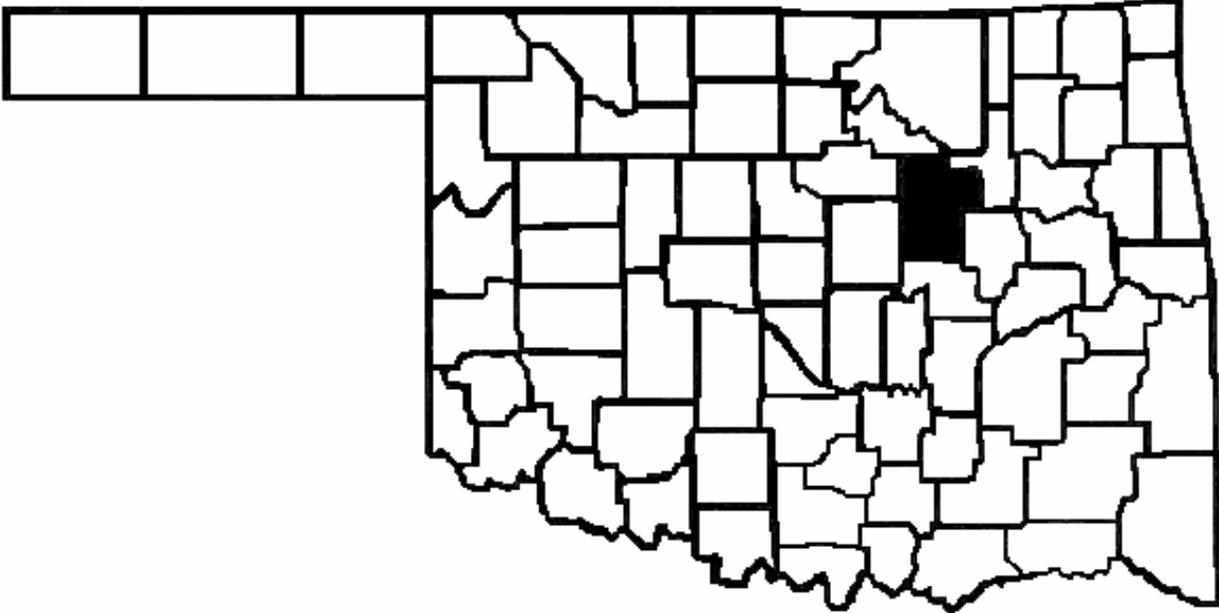
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**REPORT TO THE CITIZENS
OF
CREEK COUNTY, OKLAHOMA**



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 – 68,666
(2004 est.)

Farms – 1,838

Land in Farms – 365,810 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor’s report.

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

COUNTY ASSESSOR

Cynthia Holtwick
(D) Sapulpa

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

Betty Rentz
(D) Sapulpa

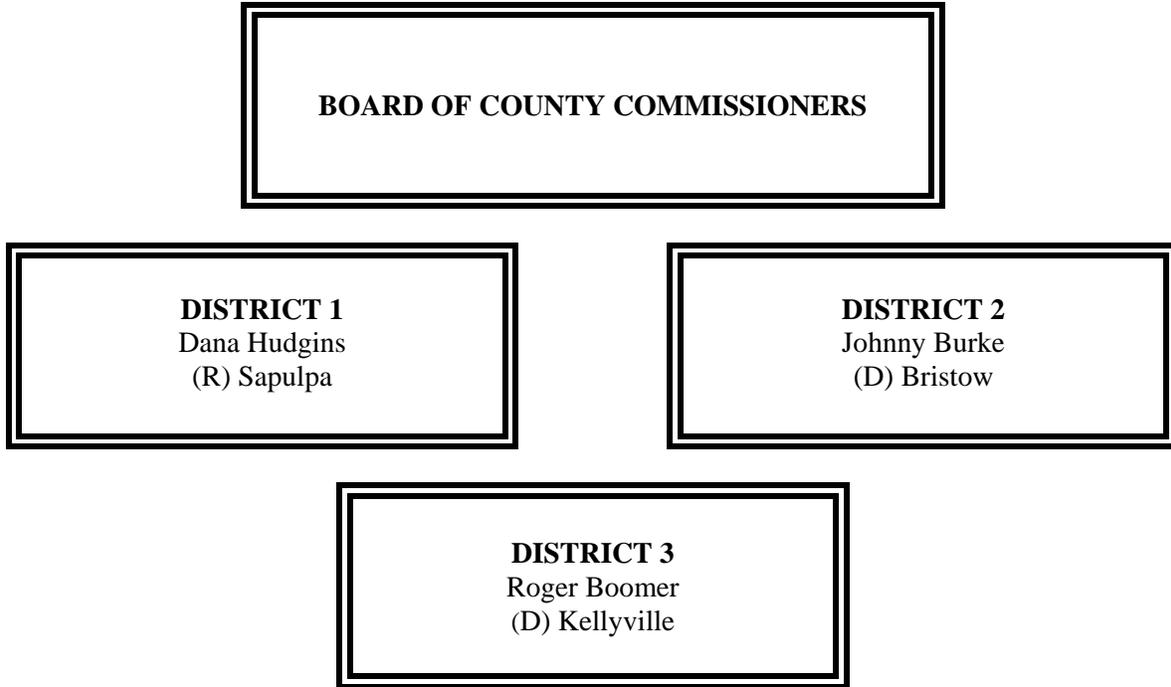
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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, 2006**



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, 2006**

COUNTY SHERIFF
Steve Toliver
(R) Sapulpa

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
(D) Sapulpa

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.

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

COURT CLERK

Pat Creason
(D) Sapulpa

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

Max Cook
(D) Kellyville

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, 2006**

ELECTION BOARD SECRETARY

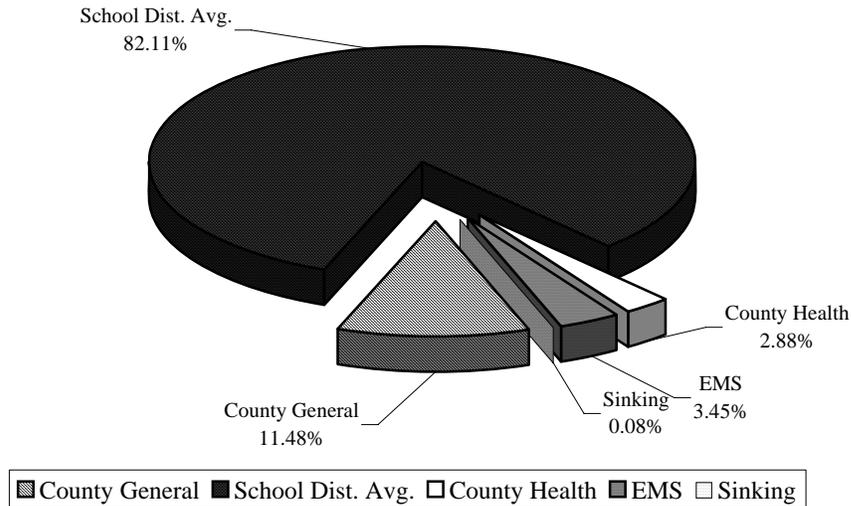
Joy Naifeh
(D) Sapulpa

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.

**CREEK COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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



County-Wide Millages		School District Millages							
				Career					
			Gen.	Bldg.	Skg.	Tech	Common	Total	
Co. General	10.26								
County Health	2.57	Milfay	D1	35.49	5.07		13.26	4.10	57.92
EMS	3.08	Bristow	I2	36.00	5.14	29.68	13.26	4.10	88.18
Sinking	0.07	Mannford	I3	36.02	5.15	20.07	13.26	4.10	78.60
		Mounds	I5	36.26	5.18	21.12	13.26	4.10	79.92
		Lone Star	D8	36.40	5.20	8.26	13.26	4.10	67.22
		Gypsy	D12	36.24	5.18	10.81	13.26	4.10	69.59
		Olive	I17	36.38	5.20	12.30	13.26	4.10	71.24
		Kiefer	I18	35.83	5.12	22.46	13.26	4.10	80.77
		Oilton	I20	35.96	5.14	15.08	13.26	4.10	73.54
		Depew	I21	35.57	5.08	7.76	13.26	4.10	65.77
		Kellyville	I31	36.15	5.16	16.31	13.26	4.10	74.98
		Sapulpa	I33	35.78	5.11	21.87	13.26	4.10	80.12
		Pretty Water	D34	36.79	5.26		13.26	4.10	59.41
		Allen Bowden	D35	36.11	5.16	6.78	13.26	4.10	65.41
		Drumright	I39	35.66	5.09	20.67	13.26	4.10	78.78
		Tulsa	J11	35.04	5.01	23.42	13.16	4.10	80.73
		Pawnee	JD2	36.44	5.21		13.26	4.10	59.01
		Tulsa	J15	36.79	5.26	32.12	13.16	4.10	91.43
		Pawnee	J16	36.14	5.16	30.31	13.26	4.10	88.97
		Ofuskee	J114	35.50	5.07		15.17	4.10	59.84
		Tulsa	JD15	35.98	5.14	10.31	13.16	4.10	68.69

See independent auditor's report.

**CREEK COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

Total net assessed value as of January 1, 2005		<u>\$ 319,629,072</u>
Debt limit - 5% of total assessed value		15,981,454
Total bonds outstanding	1,000,000	
Total judgments outstanding	20,000	
Less cash in sinking fund	<u>11,771</u>	<u>1,008,229</u>
Legal debt margin		<u>\$ 14,973,225</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, 2006
(UNAUDITED)**

	2006
Estimated population	68,666
Net assessed value as of January 5, 2005	\$ 319,629,072
Gross bonded debt	1,000,000
Less available sinking fund cash balance	11,771
Net bonded debt	\$ 988,229
Ratio of net bonded debt to assessed value	0.309%
Net bonded debt per capita	\$ 14.39

See independent auditor's report.

**CREEK COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(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>
8/3/2005	\$60,639,476	\$59,694,021	\$215,357,997	\$16,062,422	\$319,629,072	\$2,663,575,600

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2007, 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.



JEFF A. McMAHAN
State Auditor and Inspector

August 22, 2007

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, 2006**

	Beginning Cash Balances July 1, 2005	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2006
Combining Information:				
County General	\$ 1,118,225	\$ 4,741,398	\$ 4,367,303	\$ 1,492,320
Highway Cash	975,997	4,385,288	4,217,037	1,144,248
Highway Sales Tax	1,470,127	1,568,995	1,309,586	1,729,536
Assessor Revolving Fund	13,322	14,004	14,864	12,462
Assessor Visual Inspection	118,397		1,198	117,199
Mortgage Tax Certification Fee	2,095	21,270	21,071	2,294
County Clerk Lien Fee	22,555	26,700	20,895	28,360
Sheriff Service Fee	210,191	393,731	316,793	287,129
County Health	677,620	836,131	952,209	561,542
County Clerk Preservation Fee	58,080	101,480	127,261	32,299
County Jail Sales Tax	1,658,063	1,602,799	1,033,600	2,227,262
County Jail Maintenance	791,683	1,524,229	1,660,636	655,276
Sheriff Board of Prisoners	264,997	332,999	274,436	323,560
Courthouse Remodel	36,464	31,650		68,114
Sheriff Training Fund	56			56
WR-911	208,386	97,574	56,966	248,994
Resale Property	99,789	264,437	302,084	62,142
County Sinking	6,572	25,449	20,250	11,771
General Administration	256,752	206,987	100,000	363,739
Combined Total--All County Funds	<u>\$ 7,989,371</u>	<u>16,175,121</u>	<u>\$ 14,796,189</u>	<u>\$ 9,368,303</u>

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, 2006**

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 funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

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

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

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

Assessor Revolving Fund – 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.

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.

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

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.

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 construction of a new 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 remodeling of the county 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.

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.

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

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

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. 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.

C. Basis of Accounting

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

D. Budget

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. On or before 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 by fund, 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, 2006**

F. Investments

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

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- 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.

Sick leave benefits are accrued at the rate of 10 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 which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

The assessed property value as of January 1, 2005, was approximately \$319,629,072. 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

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

health department, 3.08 mills for emergency medical service, and .07 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.

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

Current year tax collections for the year ended June 30, 2006, were approximately 95.7 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	None
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, 2006**

Types of Loss	Method of Management	Risk of Loss Retained
Workers' Compensation <ul style="list-style-type: none"> • Employees' Injuries 	The County carries commercial insurance.	None
Employee <ul style="list-style-type: none"> • Medical • Disability • Dental • Life 	The County carries commercial insurance.	None

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

5. Long-term Obligations

Capital Leases

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

Judgments

The County has a judgment which is being retired by levy. The County is required to pay this judgment over a three year period.

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

During the year ended June 30, 2006, the County paid \$20,000 principal on this judgment. 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>
2007	\$20,000	0	\$20,000

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

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 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 is due on May 1, 2007.

General obligation bonds currently outstanding are as follows:

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

Principle and interest payments to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$	\$ 60,000	\$ 60,000
2008		60,000	60,000
2009		60,000	60,000
2010	100,000	60,000	160,000
2011	150,000	54,000	204,000
2012-2016	<u>750,000</u>	<u>135,000</u>	<u>885,000</u>
Total	<u>\$1,000,000</u>	<u>\$429,000</u>	<u>\$1,429,000</u>

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 6.5% and 11.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 11.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2006, 2005, and 2004 were \$595,649, \$481,339, and \$458,361, respectively, equal to the required contributions for each year.

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

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.

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

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 1, 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 retirement of bonds or notes, and not to exceed fifteen (15) years.
- (B) One-third (1/3) is used to pay operational and maintenance expenses on the County jail facility. This one-third (1/3) is 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 a component unit of Creek County.

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

11. Restatement Prior Year Ending Balance

Due to the reclassification of funds for fiscal year ending June 30, 2006, the ending balance as reported is different than the June 30, 2005, beginning balance. The difference is due to three funds reported as county that should have been trust and agency, resulting in a reduction of \$184,770. Four funds were reported as trust and agency that should have been county funds, resulting in an increase of \$208,386.

Prior Year Ending as Reported	\$ 7,965,755
Funds Moved to Trust and Agency	(184,770)
Funds Moved from Trust and Agency	208,386
Prior Year Ending Balance as Restated	<u>\$ 7,989,371</u>

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, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 1,118,225	\$ 1,118,225	\$ 1,118,225	\$ -
Less: Prior Year Encumbrances	(87,728)	(87,728)	(69,641)	18,087
Beginning Cash Balances, Budgetary Basis	<u>1,030,497</u>	<u>1,030,497</u>	<u>1,048,584</u>	<u>18,087</u>
Receipts:				
Ad Valorem Taxes	2,981,268	2,981,268	3,228,703	247,435
Charges for Services	376,100	376,100	448,487	72,387
Intergovernmental Revenues	320,477	362,905	830,456	467,551
Miscellaneous Revenues	40,000	40,000	233,752	193,752
Total Receipts, Budgetary Basis	<u>3,717,845</u>	<u>3,760,273</u>	<u>4,741,398</u>	<u>981,125</u>
Expenditures:				
District Attorney	14,404	18,404	16,832	1,572
Total District Attorney	<u>14,404</u>	<u>18,404</u>	<u>16,832</u>	<u>1,572</u>
County Sheriff	931,773	911,273	906,654	4,619
Capital Outlay	88,000	108,500	105,015	3,485
Total County Sheriff	<u>1,019,773</u>	<u>1,019,773</u>	<u>1,011,669</u>	<u>8,104</u>
County Treasurer	253,475	253,475	253,112	363
Total County Treasurer	<u>253,475</u>	<u>253,475</u>	<u>253,112</u>	<u>363</u>
County Commissioners	77,328	77,328	73,482	3,846
Capital Outlay	5,000	5,000	3,707	1,293
Total County Commissioners	<u>82,328</u>	<u>82,328</u>	<u>77,189</u>	<u>5,139</u>
OSU Extension	94,492	94,492	92,905	1,587
Capital Outlay	1	1	1	1
Total OSU Extension	<u>94,493</u>	<u>94,493</u>	<u>92,905</u>	<u>1,588</u>
County Clerk	230,164	230,163	230,163	-
Total County Clerk	<u>230,164</u>	<u>230,163</u>	<u>230,163</u>	<u>-</u>
Court Clerk	334,894	360,727	360,263	464
Total Court Clerk	<u>334,894</u>	<u>360,727</u>	<u>360,263</u>	<u>464</u>
County Assessor	199,299	199,299	197,560	1,739
Total County Assessor	<u>199,299</u>	<u>199,299</u>	<u>197,560</u>	<u>1,739</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, 2006

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	493,567	493,567	478,841	14,726
Total Revaluation of Real Property	493,567	493,567	478,841	14,726
Juvenile Shelter Bureau	15,000	15,000	12,439	2,561
Total Juvenile Shelter Bureau	15,000	15,000	12,439	2,561
General Government	1,232,500	1,268,804	1,147,606	121,198
Capital Outlay	100,000	66,946	2,498	64,448
Total General Government	1,332,500	1,335,750	1,150,104	185,646
Excise-Equalization Board	4,060	4,060	3,609	451
Total Excise-Equalization Board	4,060	4,060	3,609	451
County Election Board	130,100	136,946	135,040	1,906
Capital Outlay		2,500	2,196	304
Total County Election Board	130,100	139,446	137,236	2,210
County Purchasing Agent	41,625	41,625	41,620	5
Total County Purchasing Agent	41,625	41,625	41,620	5
Charity	5,500	5,500	2,220	3 280
Total Charity	5,500	5,500	2,220	3,280
Metro Planning	115,000	115,000	106,598	8 402
Total Metro Planning	115,000	115,000	106,598	8,402
Civil Defense	80,000	80,000	34,570	45,430
Total Civil Defense	80,000	80,000	34,570	45,430
Highway Budget Account	1	1	-	1
Total Highway Budget Account	1	1	-	1
County Audit	48,640	48,640	47,961	679
Total County Audit	48,640	48,640	47,961	679

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, 2006

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Free Fair Budget	96,019	96,780	96,498	282
Capital Outlay	17,500	16,739	16,739	
Total Free Fair Budget	<u>113,519</u>	<u>113,519</u>	<u>113,237</u>	<u>282</u>
Building Maintenance Account	90,000	90,000	68,220	21,780
Capital Outlay	50,000	50,000		50,000
Total Building Maintenance Account	<u>140,000</u>	<u>140,000</u>	<u>68,220</u>	<u>71,780</u>
Provision for Interest on Warrants	-	-	-	-
Total Expenditures, Budgetary Basis	<u>4,748,342</u>	<u>4,790,770</u>	<u>4,436,348</u>	<u>354,422</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	1,353,634	<u>\$ 1,353,634</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			138,686	
Add: Current Year Outstanding Warrants				
Ending Cash Balance			<u>\$ 1,492,320</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, 2006**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 677,620	\$ 677,620	\$ 677,620	\$ -
Less: Prior Year Encumbrances	(22,139)	(22,139)	(14,003)	8,136
Beginning Cash Balances, Budgetary Basis	<u>655,480</u>	<u>655,480</u>	<u>663,617</u>	<u>8,136</u>
Receipts:				
Ad Valorem Taxes	746,769	746,769	813,746	66,977
Charges for Services		11,893	11,893	
Intergovernmental Revenues			74	74
Miscellaneous Revenues			10,418	10,418
Total Receipts, Budgetary Basis	<u>746,769</u>	<u>758,662</u>	<u>836,131</u>	<u>77,469</u>
Expenditures:				
Health and Welfare	969,799	1,218,047	994,404	223,643
Capital Outlay	432,451	196,096	23,883	172,213
Total Expenditures Budgetary Basis	<u>1,402,250</u>	<u>1,414,143</u>	<u>1,018,287</u>	<u>395,856</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	481,461	<u>\$ 481,461</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			80,081	
Add: Current Year Outstanding Warrants				
Ending Cash Balance			<u>\$ 561,542</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, 2006**

Beginning Cash Balance	<u>\$ 6,572</u>
Receipts:	
Ad Valorem Tax	<u>25,449</u>
Total Receipts	<u>25,449</u>
Disbursements:	
County Judgments	<u>20,250</u>
Total Disbursements	<u>20,250</u>
Ending Cash Balance	<u>\$ 11,771</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, 2006**

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.

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
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, 2006, 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 22, 2007. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Creek County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Creek County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings and responses as items 2003-1, 2006-4, 2006-5 and 2006-7.

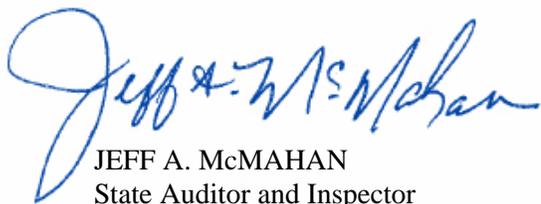
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2003-1 to be a material weakness.

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

However 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.

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



JEFF A. McMAHAN
State Auditor and Inspector

August 22, 2007

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

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 2003-1—Segregation of Duties (Repeat Finding)

Criteria: Demonstration of accountability and stewardship are goals used in evaluating management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

Condition: Based on inquires of County personnel, it was noted that the duties of receiving, receipting, recording, and depositing collections were not adequately segregated. Payroll preparation, review, and distribution are not adequately segregated.

Effect: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

Recommendation: We recommend management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions: Management is aware of the condition and has taken steps to provide regular reviews to minimize the impact of the lack of adequate segregation of duties.

Finding 2006-4—Ad Valorem Receipts

Criteria: The overall goal of effective internal controls as they relate to government entities is to demonstrate accountability and stewardship in evaluating management's accounting for funds. Additionally, to help ensure a proper accounting of funds, reconciliations should include adequate supporting documentation for reconciling items. Adequate supporting documentation for any adjustments made to the ad valorem receipt reports should be included in the daily packets.

Condition: During our testing of ad valorem receipts, we noted four days (11/15/05, 12/22/05, 1/18/06, 1/24/06) in which the total receipt amount on the "Receipts in Receipt Order for Daily Packet" does not agree to the total collection amount on the Treasurer's Daily Report. Adjustments were made, but no supporting documentation for the adjustments was included in the daily packet.

Effect: This condition could result in undetected errors and in some instances could result in misappropriation of assets.

Recommendation: We recommend that all reconciling items and adjustments to the daily ad valorem receipt reports be supported by proper documentation.

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

Views of responsible officials and planned corrective actions: Support for adjustments will be attached and placed in the daily packet, beginning immediately.

Finding 2006-5—Credit Card Payments

Criteria: The overall goal of effective internal control as they relate to governmental entities in evaluating management's accounting for funds is to demonstrate accountability and stewardship. By running credit card payments through the general fund, the general fund receipts and disbursements are overstated on the Treasurer's monthly reports.

Condition: The County Treasurer accepts credit card payments. Since the County does not receive the actual cash from the credit card company for a few days the Treasurer is debiting the general fund and issuing a Treasurer's check for the amount of the credit card receipts. This is resulting in an overstatement of the money collected and disbursed by the general fund on the Treasurer's ledger. The budget maker is removing the amount when preparing the County's cash basis financial statements; however there is no documentation of the reconciliation from the financial statements to the Treasurer's ledger.

Effect: The condition could result in undetected errors and in some instances could result in misappropriation of assets.

Recommendation: We recommend the County Treasurer immediately discontinue the practice of running the credit card transactions through the general fund. The credit card payments should be processed like all other payments, with a debit to credit card payments instead of cash in banks and a credit to the ad valorem tax collections on the daily report and general ledger. When the actual cash is received the Treasurer can debit cash in banks and credit the credit card payments.

Views of responsible officials and planned corrective actions: This has been corrected.

Finding 2006-7—Sheriff Official Depository Records

Criteria: Title 74 O.S. § 214 provides the State Auditor shall make a thorough examination of officers books, accounts and vouchers, ascertaining in detail the various items of receipts and expenditures. Title 28 O.S. § 9 states. "Every officer charging fees shall give a receipt therefor."

Condition: While reviewing the Sheriff's Official Depository we noted the following;

1. Receipts for the fiscal year ending June 30, 2006, could not be located for the Sheriff's official depository account 504—Cash Bonds.
2. Receipts for the Sheriff's official depository account 500 could only be located for two of the nine deposit days tested.
3. Deposits slips, receipts and check files could not be located for the Inmate Trust account from July 2005 through mid September 2005.
4. The Inmate Trust account bank reconciliations for July, August and September do not reconcile. The Inmate Trust account bank reconciliations were not reviewed or approved.

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

5. The February 8, 2005, bank deposit was short \$250 from the Sheriff's receipts. The Sheriff immediately notified the OSBI who performed an investigation.

Effect: As a result, we are unable to determine that these records are properly retained, accounted for and support daily deposits, which could result in misappropriation of funds.

Recommendation: We recommend that steps are taken to ensure that official depository records are retained and support daily deposits and be made available for audit. We also recommend that all Inmate Trust bank reconciliations be properly prepared, reviewed and approved by the Sheriff or his designee.

Views of responsible officials and planned corrective actions: This has been corrected.

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 2006-1—Disbursements/Purchase Order Test

Criteria: Title 19 O.S. §1505.C.2 provides that encumbrances be made prior to the ordering or receiving of goods and services.

Condition: From test work performed for FYE 06 purchase orders, it was noted that 4 purchase orders out of 73 tested were not properly encumbered.

1. General fund purchase order invoice #6085 was dated 6/9/06, funds encumbered 6/13/06.
2. County Jail Maintenance fund purchase order #3345 invoice was dated 12/2/05, funds encumbered 1/5/06.
3. Highway Cash fund two purchase orders #545 invoiced dated 7/28/05, funds encumbered and #2988 invoice was dated 10/6/05, funds encumbered 12/15/05.

Effect: County runs the risk of misappropriation of funds.

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

Recommendation: We recommend that Creek County practice proper purchasing procedures. All purchases should be properly requisitioned, encumbered, approved and received with proper supporting documentation attached.

Views of responsible officials and planned corrective actions: Managements will emphasize to all employees the importance of obtaining purchase orders prior to purchasing.

Finding 2006-2—Reconciliations by Treasurer

Criteria: The overall goal of effective internal controls as they relate to governmental entities in evaluating management's accounting for funds is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds, a reconciliation should be performed monthly between the Treasurer's warrant register and the County Clerk's warrant register. Additionally, the Treasurer should reconcile the warrant register to the payment register.

Condition: Based on testwork procedures performed, it appears that reconciliations are not being performed and maintained between the Treasurer's warrant register and the County Clerk's warrant and appropriation ledger. Additionally, the Treasurer is not reconciling the warrant register to the payment register.

Effect: By failing to reconcile accounts in a timely manner the risk of misstatement or misappropriation to occur in those accounts increases. As a result, misstatements or misappropriation of funds would not be detected on a timely basis.

Recommendation: We recommend management take steps to ensure that reconciliations are performed on a monthly basis and that the reconciliation be approved/reviewed by someone other than the preparer.

Views of responsible officials and planned corrective actions: County Treasurer and County Clerk will begin documenting the reconciliation and the official will approve the reconciliation.

Finding 2006-3—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. Additionally, 19 O.S. §123 states, "It is hereby made unlawful for any of the funds of the county to be deposited in any bank in which the county treasurer or any member of the board of county commissioners is the owner of any stock or otherwise directly or indirectly pecuniarily interested. A county treasurer or county commissioner shall be considered to be interested in such bank if any member of his immediate family owns any interest in said depository bank."

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, which could result in county funds being deposited in a bank where one of the County Commissioners or their immediate family have a pecuniary interest.

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Recommendation: We recommend 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 and/or disapprove the banks used as county depositories. If any of the members of their immediate family has a pecuniary interest in a depository bank the Commissioners would have the opportunity to disapprove the use of that particular bank.

Views of responsible officials and planned corrective actions: This will be corrected.

Finding 2006-6—Timesheets and Leave Records

Criteria: The overall goal of effective internal control in evaluating management's account of funds is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds, timesheets and leave balances should be signed by the employee and supervisor/elected official and submitted to the County Clerk each pay period.

Condition: Based on our testwork, we found the following exceptions:

1. We reviewed timesheets for FYE 2006 and found one department, the Free Fair department, that did not submit timesheets nor leave balances signed by the employee and supervisor/elected official.
2. During our review of timesheets for FYE 2006, we also found attendance records and leave records are not signed by the employee and supervisor of District Two and the Sheriff's office. At the beginning of 2006, two payroll clerks at the Sheriff's office left suddenly without notice, and the new person has instituted a different method of keeping time and leave records, both on the computer as well as sign in sheets.
3. Random personnel files were pulled for each department from the files located in the County Clerk's office. The vacation and sick leave schedules are supposed to be turned in at year end by each department head to the County Clerk's office to be filed in each employee's personnel file. Out of 12 departments tested, only 3 departments (County Clerk, Treasurer and Election Board) had year end vacation and sick leave records for the calendar years 2005 and 2006.

Effect: These conditions could result in officials paying employees for hours not worked, which could result in misappropriation of assets

Recommendation: We recommend management take steps to ensure that timesheets are signed by the employee and supervisor/elected official and submitted to the County Clerk for each pay period. Additionally, management should take steps to ensure that leave reports are submitted to the County Clerk annually for placement in the employee personnel files.

Views of responsible officials and planned corrective actions: All offices will begin signing, approving, and filing timesheets and leave documentation.

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Finding 2006-8—Sheriff Commissary

Criteria: Title 19 O.S. §180.43 provides that 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.

Condition: The County Sheriff has not set up a commissary cash fund with the County Treasurer or the County Clerk and has not filed an annual report of the commissary activity with the County Commissioners

Effect: The Sheriff is administering funds outside of County provisions allowed by statute.

Recommendation: We recommend that the County Sheriff set up a commissary cash fund to deposit profits received from commissary operations. We further recommend that an annual report of commissary operations be submitted to the Board of County Commissioners no later than January 15 of each year.

Views of responsible officials and planned corrective actions: This has been corrected.

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