

CUSTER COUNTY

FOR THE YEAR ENDED
JUNE 30, 2009

COUNTY AUDIT



Oklahoma State Auditor
& Inspector

**CUSTER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

This publication is printed and issued by the State Auditor and Inspector as authorized by 19 O.S. § 171. Pursuant to 74 O.S. § 3105.B, twelve (12) copies have been prepared and distributed at a cost of \$36.94. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

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

June 8, 2010

TO THE CITIZENS OF
CUSTER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Custer County, Oklahoma for the fiscal year ended June 30, 2009. 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, reading "Steve Burrage", is positioned above the printed name.

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

**CUSTER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Custer County	ii
County Officials and Responsibilities.....	iii
Ad Valorem Tax Distribution	viii
Computation of Legal Debt Margin.....	ix
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	x
Assessed Value of Property	xi

FINANCIAL SECTION

Report of State Auditor and Inspector	1
---	---

Basic Financial Statement:

Combined Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information)	3
Notes to the Financial Statement	4

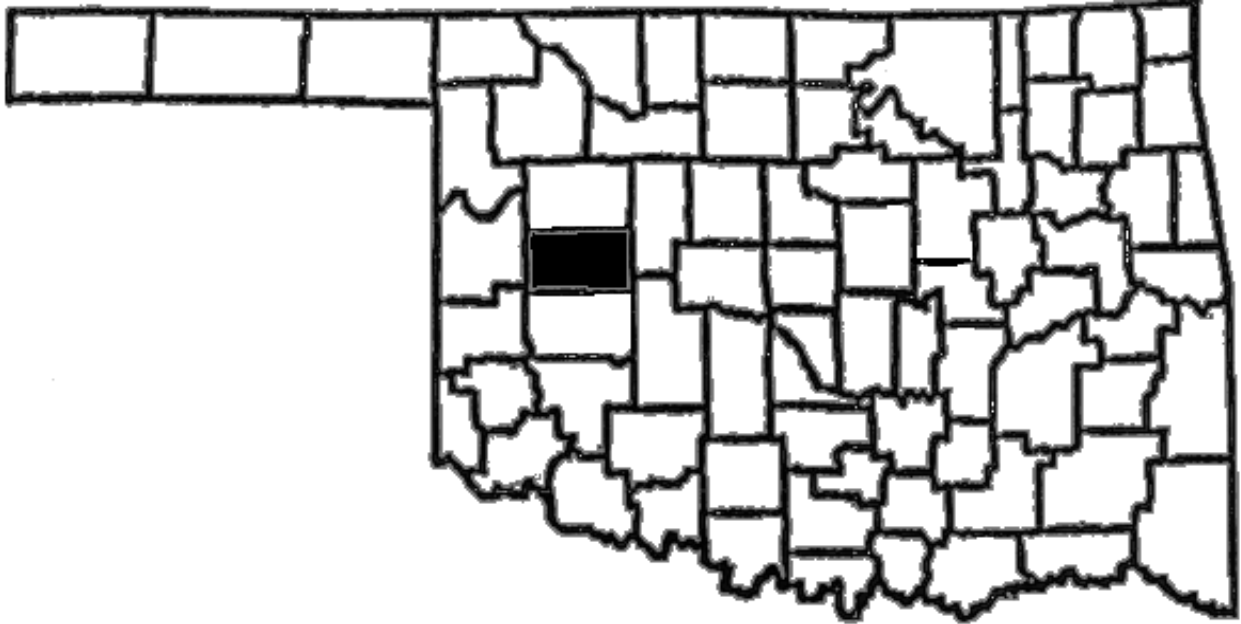
OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	12
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	14
Detailed Schedule of Receipts, Disbursements, and Changes in Cash Balances – Sinking Fund	15
Notes to Other Supplementary Information	16

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	17
Schedule of Findings and Responses	19

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



Custer County was a part of the original Cheyenne-Arapaho Reservation established by treaty in 1867. It was named for General George A. Custer and was part of 3.5 million acres opened for settlement by the Land Run of April 19, 1892.

Both Clinton and Weatherford (15 miles east of Clinton) were established largely as a result of the westward expansion of the railroads. The Rock Island Railroad completed its east-west line to present-day Clinton, then called Washita Junction, in 1903. A special act of Congress allowed four Indians to sell half of each of their 160-acre allotments to create the Clinton townsite.

The territorial government established a two-year college for training teachers at Weatherford. This college has become a four-year university offering some graduate degrees and a pharmacy school.

The economy of Custer County is allied with oil and gas prices as the area lies atop the rich Anadarko Basin.

County Seat – Arapaho

Area – 1,002 Square Miles

County Population – 26,111
(2007 est.)

Farms - 907

Land in Farms – 568,728 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor's report.

**CUSTER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

COUNTY ASSESSOR

Debbie Collins

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

Karen Fry

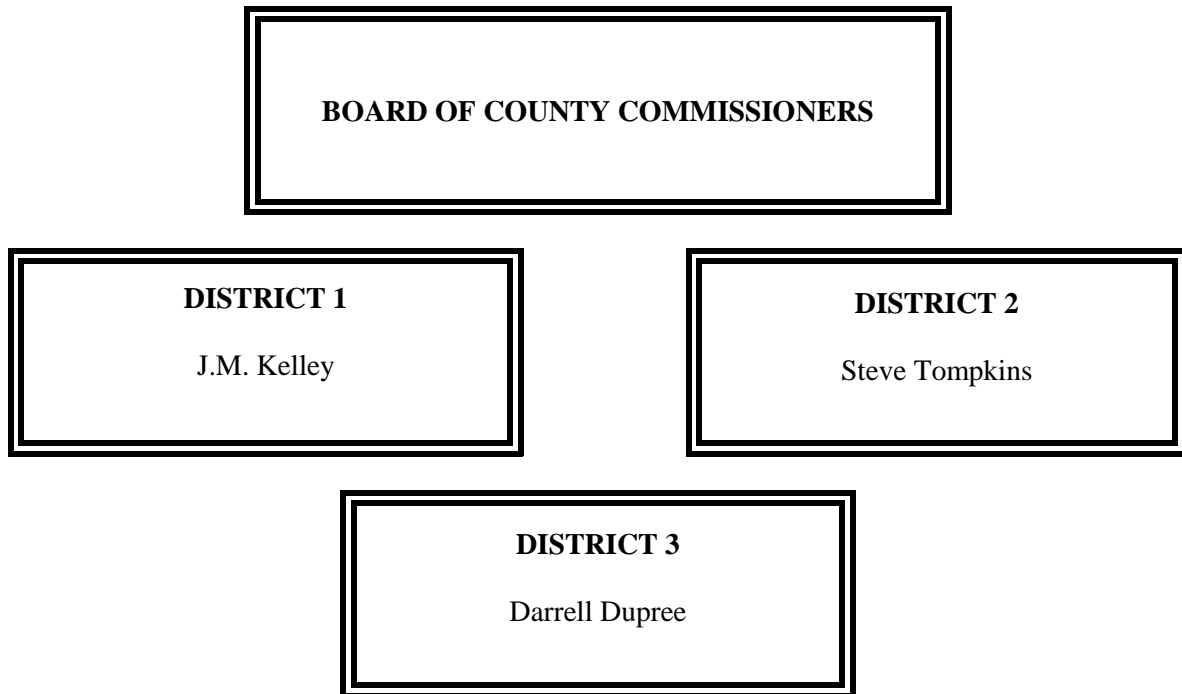
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**CUSTER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**



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.

**CUSTER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

COUNTY SHERIFF

Bruce Peoples

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

Karen Klein Clanton

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.

**CUSTER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

COURT CLERK

Connie S. Burden

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

Dennis Smith

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.

**CUSTER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

ELECTION BOARD SECRETARY

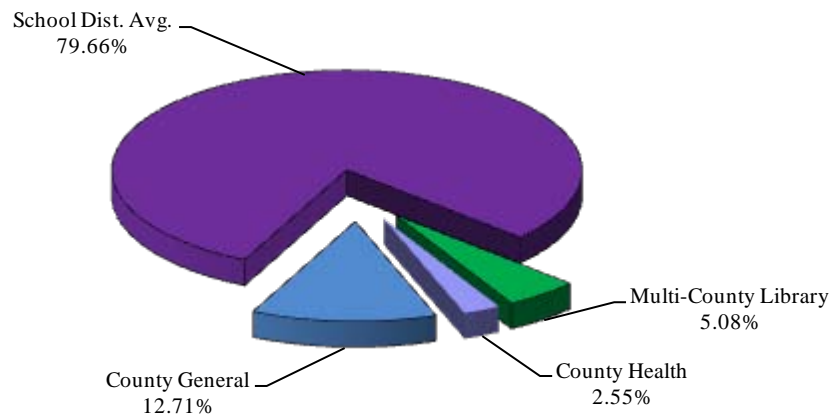
Narci Smith

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.

**CUSTER COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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



County-Wide Millages			School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	EMS	Total
County General	10.28									
County Health	2.06	Arapaho	I-5	36.10	5.16	5.86	12.31	4.11		63.54
Multi-County Library	4.11	TFC Unified	I-7	36.46	5.21	18.93		4.11		64.71
		Weatherford	I-26	35.82	5.12	15.12	12.31	4.11		72.48
		Butler	I-46	36.10	5.16	5.86	12.31	4.11	3.14	66.68
		Clinton	I-99	35.89	5.13	12.8	12.31	4.11		70.24
		Caddo	I-1	35.93	5.13	15.13	11.33	4.11		71.63
		Roger Mills	I-3	36.31	5.19			4.11	3.11	48.72
		Beckham	I-6	41.19	5.93		12.31	4.11		63.54
		Washita	I-11	35.61	5.09	8.41	12.31	4.11		65.53
		Roger Mills	I-66	35.61	5.09		12.31	4.11		57.12

See independent auditor's report.

**CUSTER COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Total net assessed value as of January 1, 2008		<u>\$ 191,811,773</u>
Debt limit - 5% of total assessed value		9,590,588
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>113,523</u>	<u>-</u>
Legal debt margin		<u>\$ 9,590,588</u>

See independent auditor's report.

CUSTER COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

	<u>2009</u>
Estimated population	<u>26,111</u>
Net assessed value as of January 1, 2008	<u>\$ 191,811,773</u>
Gross bonded debt	-
Less available sinking fund cash balance	<u>113,523</u>
Net bonded debt	<u>\$ -</u>
Ratio of net bonded debt to assessed value	<u>0.00%</u>
Net bonded debt per capita	<u>\$ -</u>

See independent auditor's report.

**CUSTER COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2008	\$73,794,480	\$23,056,404	\$100,195,636	\$5,234,747	\$191,811,773	\$1,749,717,518

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 CUSTER COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Custer County, Oklahoma, as of and for the year ended June 30, 2009, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Custer 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 Custer County as of June 30, 2009, 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 Custer County for the year ended June 30, 2009, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2010, on our consideration of Custer 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

May 10, 2010

Basic Financial Statement

CUSTER COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Beginning Cash Balances July 1, 2008	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2009
Combining Information:				
County General Fund	\$ 1,632,626	\$ 2,956,924	\$ 2,497,109	\$ 2,092,441
Highway Cash	5,663,353	5,418,411	4,877,706	6,204,058
County Health Department	141,643	396,295	298,478	239,460
Resale Property	125,158	42,053	31,715	135,496
County Sales Tax	1,810,372	2,199,769	2,201,530	1,808,611
Custer County Law Enforcement Center Trust Sales Tax	1,036,468	2,159,968	2,109,012	1,087,424
Sheriff Service Fee	141,060	334,094	250,675	224,479
Sheriff Training	56			56
Sheriff Jail Fund	10,085	24,716	24,852	9,949
Sheriff Commissary		16,723	201	16,522
Sheriff DARE		1,871	841	1,030
Trash Cop Grant	5,000			5,000
County Clerk Lien Fee	47,198	19,753	10,886	56,065
Treasurer Mortgage Tax Certification Fee	15,388	6,375	5,968	15,795
Assessor Revolving Fee	33,165	12,014	6,450	38,729
Assessor Visual Inspection	23,545	534		24,079
County Clerk Records Management Preservation Fee	94,664	44,257	36,799	102,122
Rural Convenience	10,120	13,572	9,293	14,399
Local Emergency Planning Commission	16,028	16,770	16,621	16,177
Insurance Fund				
County Sinking	110,171	3,352		113,523
Capital Improvement	877,445	706,059	634,772	948,732
Courthouse/Jail Bond	30,090			30,090
Combined Total--All County Funds	\$ 11,823,635	\$ 14,373,510	\$ 13,012,908	\$ 13,184,237

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

**CUSTER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 Custer County, Oklahoma. The financial statement referred to includes only the primary government of Custer 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 - accounts for the general operations of the government.

Highway Cash - accounts for state, local and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

County Health Department - accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

Resale Property - accounts for the collection of interest and penalties on delinquent taxes and the disposition of same as restricted by statute.

County Sales Tax - accounts for the sales tax collected and spent on behalf of the following entities: general government (50%); OSU Extension office (8%); county fair board (4%); rural fire fighting services (8%); and the County Sheriff (30%).

**CUSTER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Custer County Law Enforcement Center Trust – Sales Tax - accounts for the collection of sales tax to be used for the construction of the new jail facility and for the repayment of debt incurred in the process.

Sheriff Service Fee - accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

Sheriff Training – accounts for the monies collected from the sale of unclaimed personal property. The statutes allow for the purchase of equipment, materials, or supplies that may be used in crime prevention, education, training, or programming.

Sheriff Jail Fund – accounts for the Sheriff's portion of the bond fee assessed by the Court Clerk and disbursements are for the general operation of the jail.

Sheriff Commissary – accounts for the collection of profit from the sale of commissary items to the County inmates and disbursements for commissary items.

Sheriff DARE – accounts for state funds disbursed for the purpose of drug education and drug awareness. This fund was inactive for fiscal year 2009.

Trash Cop Grant – accounts for grant funds received and spent on eradication of trash in the rural areas of the County.

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

Treasurer Mortgage Tax Certification Fee - accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by statute.

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

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

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

Rural Convenience – accounts for depository money disbursed for employee's salary who operated the rural convenience trash disposal in Thomas, Oklahoma.

Local Emergency Planning Commission - accounts for grant monies received for various grants filed for emergency management services with the County.

**CUSTER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Insurance Fund – accounts for money established to administer the County’s insurance and accounts for insurance receipts and disbursements. This account is inactive.

County Sinking – accounts for the payment of interest and principal on the matured portion of long-term bonded indebtedness and civil judgments. 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. There is currently no long-term debt.

Capital Improvement – accounts for the use tax remitted from the Oklahoma Tax Commission. The collections are to be used for capital improvements on the courthouse.

Courthouse/Jail Bond – accounts for the excess proceeds from a 1982 bond issue that was to fund an addition to the courthouse for jail and courthouse offices.

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.

**CUSTER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

E. Cash

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

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

F. Investments

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

- 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

All full-time Custer County employees shall be entitled to vacation leave that is accrued on a monthly basis in accordance with the schedule outlined below:

<u>Years of Service</u>	<u>Vacation Leave</u>	<u>Accumulation Limits</u>
0 - 5 Years	10 hours per worked month	240 hours
5 to 10 Years	12 hours per worked month	240 hours
10 to 20 Years	14 hours per worked month	240 hours
Over 20 Years	16 hours per worked month	240 hours

**CUSTER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Vacation must be earned before it is taken. No vacation will be longer than 10 consecutive working days without permission of the appropriate elected official. Vacation schedules are subject to elected official approval. No vacation leave shall be accumulated beyond the accumulation limit. Vacation leave will be accrued on a monthly basis and pro-rated, as appropriate, for less than full-time service.

Upon separation, an employee will be paid for the balance of accrued annual leave up to the accumulation limit.

All full-time Custer County employees shall be entitled to sick leave with pay that is accrued on a monthly basis. Sick leave shall accumulate at the rate of 8 hours for each full calendar month of service to the County. Sick leave may be accrued up to a maximum of 480 hours.

When terminating employment with the County, an employee may not collect pay for accrued sick leave.

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed 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 value of property located in Custer County on January 1, 2008, was approximately \$191,811,773.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.28 mills for general fund operations, 2.06 mills for county health department, and 4.11 mills for multi-county library. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

Current year tax collections for the year ended June 30, 2009, were approximately 89.99 percent of the tax levy.

**CUSTER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 		
Employee <ul style="list-style-type: none"> • Medical • Disability • Dental • Life 	The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed pool assets, the members would have surcharges assessed to pay the excess claims.

ACCO-SIG – The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating member chooses a deductible amount (\$10,000, \$25,000, or \$50,000). The County has chosen a \$10,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the County's deductible amount. The pool has acquired specific excess insurance with retention limits of \$250,000 for property claims and \$500,000 for general liability claims. The pool has acquired reinsurance in the amount of \$2,000,000 for general

**CUSTER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

liability and \$50,000,000 per occurrence for property to cover claims that exceed the pool's retention limits. If claims exceed pool assets, the County could be liable for its share of the pool's deficit. 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.

OPEH&WP - The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. 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.

6. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 9.5% and 14.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 14.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2009, 2008, and 2007, were \$513,402, \$457,256, and \$392,475, respectively, equal to the required contributions for each year.

**CUSTER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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.

7. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

8. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. Amounts, if any, of expenditures that may be disallowed by the grantor cannot be determined, 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.

9. Sales Tax

On November 8, 2005, the voters of Custer County approved a one-half of one cent county sales tax to commence on April 1, 2006, being limited in duration to six and one-half years. The purpose of the sales tax shall be to fund the acquisition, construction, equipping, furnishing, and operation of a jail facility in Custer County, Oklahoma, including payment of debt service on obligations issued to finance said jail facility and/or continued improvement of the referenced jail facility.

On February 13, 2007, the voters of Custer County approved a five-year temporary sales tax for one-half of one cent to be levied upon the gross proceeds or gross proceeds derived from all sales or services in the County commencing on the first day of July 2007 for funding of the following: 50% for the general county government of Custer County; 30% for the Custer County Sheriff's Office; 8% for the Custer County Rural Fire Protection to be divided equally among Arapaho, Butler, Clinton, Custer City, Thomas, and Weatherford fire departments; 8% for the Oklahoma State University Extension Office; and 4% for the Custer County Free Fair Board.

OTHER SUPPLEMENTARY INFORMATION

CUSTER 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, 2009

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 1,632,626	\$ 1,632,626	\$ 1,632,626	\$ -
Less: Prior Year Outstanding Warrants	(57,969)	(57,969)	(57,969)	
Less: Prior Year Encumbrances	(77,735)	(77,735)	(77,496)	239
Beginning Cash Balances, Budgetary Basis	1,496,922	1,496,922	1,497,161	239
Receipts:				
Ad Valorem Taxes	1,903,278	1,903,278	1,915,332	12,054
Charges for Services	158,535	158,535	150,136	(8,399)
Intergovernmental Revenues	87,679	87,679	664,126	576,447
Miscellaneous Revenues			227,330	227,330
Total Receipts, Budgetary Basis	2,149,492	2,149,492	2,956,924	807,432
Expenditures:				
District Attorney	50,000	50,000	47,440	2,560
County Sheriff	561,233	561,233	519,439	41,794
County Treasurer	146,288	146,288	139,528	6,760
County Commissioner	133,848	133,848	133,848	-
County Clerk	200,776	200,776	194,535	6,241
Court Clerk	408,857	331,796	329,859	1,937
County Assessor	129,542	129,542	115,149	14,393
Revaluation of Real Property	182,947	144,272	142,971	1,301
District Court	65,172	65,172	34,128	31,044
General Government	1,312,859	1,428,595	685,285	743,310
Excise-Equalization Board	5,900	5,900	2,954	2,946
County Election Board	84,758	84,758	72,692	12,066

continued on next page

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

CUSTER 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, 2009

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Civil Defense	44,884	44,884	44,468	416
Line Item	300,000	300,000		300,000
County Audit Budget	19,181	19,181	19,181	-
Free Fair Budget	169	169		169
Total Expenditures, Budgetary Basis	3,646,414	3,646,414	2,481,477	1,164,937
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	1,972,608	\$ 1,972,608
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			84,936	
Add: Current Year Outstanding Warrants			34,897	
Ending Cash Balance			<u>\$ 2,092,441</u>	

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

CUSTER COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS
COUNTY HEALTH DEPARTMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	County Health Department Fund			
	Original	Final		
	Budget	Budget	Actual	Variance
Beginning Cash Balances	\$ 141,643	\$ 141,643	\$ 141,643	\$ -
Less: Prior Year Warrants	(211)	(211)	(211)	
Less: Prior Year Encumbrances	(8,880)	(8,880)	(8,880)	
Beginning Cash Balances, Budgetary Basis	132,552	132,552	132,552	-
Receipts:				
Ad Valorem Taxes	381,396	381,396	383,811	2,415
Charges for Services		12,483	9,050	(3,433)
Intergovernmental Revenue			972	972
Miscellaneous			2,461	2,461
Total Receipts, Budgetary Basis	381,396	393,879	396,294	2,415
Expenditures:				
Health and Welfare	513,948	526,431	378,817	147,614
Total Expenditures, Budgetary Basis	513,948	526,431	378,817	147,614
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	150,029	\$ 150,029
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			7,416	
Add: Current Year Outstanding Warrants			82,015	
Ending Cash Balance			\$ 239,460	

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

**CUSTER COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Beginning Cash Balance	<u>\$ 110,171</u>
Receipts:	
Interest	<u>3,352</u>
Total Receipts	<u>3,352</u>
Disbursements:	
Total Disbursements	<u>-</u>
Ending Cash Balance	<u><u>\$ 113,523</u></u>

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

CUSTER COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

1. Budgetary Schedule

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
CUSTER COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Custer County, Oklahoma, as of and for the year ended June 30, 2009, which comprises Custer County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated May 10, 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 Custer 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 2009-1, 2009-3, 2009-4, and 2009-5 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2009-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Custer County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2009-2.

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

This report is intended solely for the information and use of Custer 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

May 10, 2010

**CUSTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 2009-1 – 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, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated. The duties of distributing funds and calculating payouts should also be segregated.

Condition: The County Treasurer has three full-time deputies and one part-time deputy; however, one deputy or the treasurer performs the duties of preparing the deposits, making the deposits, posting receipts to the general ledger, and preparing daily reports.

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

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 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: The officer concurs with the auditor's comment; however, a limited number of employees make segregation of duties difficult. The officer will attempt to adjust procedures to mitigate for the lack of segregation of duties.

Finding 2009-2 – Contract Services with Highway Employee

Criteria: Title 69 O.S. § 630 of the Oklahoma Highway Code of 1968 states in part:

No member of the Department, or any person in the employ of the Department, no county commissioner, ...or any person in their employ, or one holding an appointment under them, shall be either directly or indirectly interested in any contract for the... improvement of any road or parts of road coming under the provision of this Code.

**CUSTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Title 69 O.S. § 1503(a) states in part:

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...

Title 19 O.S. § 1501.3.a requires the purchasing agent to solicit bids for items in excess of \$10,000.

The Internal Revenue Service (IRS) sets forth guidelines to determine contract labor. Also, the Fair Labor Standards Act outlines proper practices for compensation to employees for duties outside the scope of their positions.

Condition: The testing of controls over disbursements revealed the following:

- a) An employee of District One County Commissioner had a contract with the District One Commissioner and was paid an additional \$12,095 from the highway cash fund during the fiscal year as contract labor for mowing five resale properties, the Circuit Engineering District property, and a rural cemetery. All of these properties were located in Custer County, but are not part of the County primary road or highway system.
- b) The County did not solicit bids for this service.

Effect: This condition could result in misappropriation of county resources.

Recommendation: OSAI recommends that the County consult with the District Attorney and the Internal Revenue Service to determine compensation practices are in compliance with Federal and State laws. OSAI also recommends that all monies raised for use on the county highways be expended only on county highways, services costing more than \$10,000 be competitively bid, and all contracts be approved by the Board of County Commissioners. OSAI further recommends the highway cash funds be expended only in accordance with the provisions of the Oklahoma Highway Code.

Views of responsible officials and planned corrective actions: The officers concur with the auditor's comment, and as a result will make the following adjustments:

- 1. Highway employees will not be hired as contract laborers.
- 2. The County will pay for mowing of only county-owned property.
- 3. The cost of mowing property obtained through resale will be paid from the Resale Property Fund.

Finding 2009-3 – Verbal Authorization of Raises (Repeat Finding)

Criteria: Effective internal controls require that authorization of salary or wage increases/decreases be communicated in writing to provide documentation of authorized changes to payroll disbursements.

**CUSTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

In addition, Custer County Employee's Policy states in part:

Personnel records of all County employees shall be kept by the County Clerk. Whenever there is a change in address, phone number, dependents or beneficiaries, it is the responsibility of the employee to report such change to the County Clerk.

The following information concerning employees and former employees is a matter of public record and therefore is open for public inspection: name, date of original employment, current position title, current salary, date and amount of most recent change in status of position, and office to which employee is currently assigned.

Condition: When documenting controls over payroll disbursements it was noted that notifications of raises were not documented in writing but appeared to be based on verbal communication from the officer to the payroll clerk.

Effect: This condition could result in the misappropriation of funds, inaccurate payroll deductions, payment of incorrect salary, or unapproved payroll changes.

Recommendation: OSAI recommends that the County implement policies and procedures for salary or wage increases/decreases on a payroll change form to provide effective controls over payroll authorizations and to ensure all changes are properly approved.

Views of responsible officials and planned corrective actions: The officers concur with the auditor's comment and will document future changes in rate of pay in writing, which will be maintained in the personnel file of the employee.

Finding 2009-4 – Budgetary Classification of Expenditures

Criteria: Statutory control requirements have been established for county government for the classification of expenditures. Title 68 O.S. § 3010 outlines the following types of appropriations as follows:

“personal services” is defined to comprehend all salaries, wages, per diem compensation, fees where the only compensation of the recipient is the fees earned, and all allowances or reimbursement for travel expense...

“maintenance and operations” is defined to comprehend all current expenses except those items herein defined as “personal services” and /or “capital outlay” and “sinking funds” including all items, articles and materials consumed with use...

“capital outlay” is defined to comprehend all items and articles (either new or replacements) not consumed with use but only diminished in value with prolonged use...

**CUSTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Condition: The test of 15 purchase orders revealed 4 instances of purchases from appropriated accounts in which expenditures were improperly classified as M & O when they should have been classified as capital outlay.

PO #	Paid To	Fund	Account	Amount	Warr #	Purpose
3039	Cannon Fence Co	Capital Improvement	Maintenance & Operation	\$24,966.65	35	Fence around new jail
3035	Acme Mechanical Contractors	Capital Improvement	Maintenance & Operation	\$70,612.90	31	HVAC for new jail
3033	Coreslab Structures (OKLA) Inc	Capital Improvement	Maintenance & Operation	\$132,666.00	29	Retainer for new jail
2224	Joe D Hall Contractors	CCLECT	Maintenance & Operation	\$5,904.00	3	Painting jail

Effect: This condition could result in misstated financial reports and amounts being expended greater than that set forth by the estimate of needs.

Recommendation: OSAI recommends the County place additional emphasis on classifying expenditures as defined by categories established by state statutes to provide effective internal controls over budgetary appropriations.

Views of responsible officials and planned corrective actions: The officers agree with the auditor's comment and will establish a "Capital Outlay" account within the Capital Improvement Fund to help ensure that expenditures are paid from the appropriate classification.

Finding 2009-5 – Receiving Reports

Criteria: Statutory control requirements have been established for county government for the purchase of goods.

Title 19 O.S. § 1505.E.5 states:

The receiving officer shall complete a receiving report in quadruplicate which shall state the quantity and quality of goods delivered. The person delivering the goods shall acknowledge the delivery by signature, noting the date and time.

Condition: We noted 2 of the 15 purchase orders tested did not have a receiving report attached.

PO #	Vendor	Fund	Warr #	Amount	Item
3039	Cannon Fence Co.	Capital Improvement	35	\$24,966.65	Fence around jail
3035	Acme Mechanical Contractors	Capital Improvement	31	\$70,612.90	HVAC for new jail

**CUSTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Effect: This condition could result in the payment of an incorrect quantity or for goods not received in acceptable quality.

Recommendation: OSAI recommends the County officer place an emphasis on completing receiving reports at the time of delivery to ensure accuracy and provide effective controls over disbursements.

Views of responsible officials and planned corrective actions: The officers agree with the auditor's comment and will verify that all necessary documents are obtained and attached to the purchase order before payment is made.



OFFICE OF THE STATE AUDITOR AND INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV