

COUNTY AUDIT

MUSKOGEE COUNTY

For the fiscal year ended June 30, 2007



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

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

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

March 3, 2011

TO THE CITIZENS OF
MUSKOGEE COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in blue ink, reading "Gary A. Jones". The signature is written in a cursive style with a long, sweeping underline.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

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

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.....	14
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	17
Detailed Schedule of Receipts, Disbursements, and Changes in Cash Balances—Sinking Fund.....	18
Notes to Other Supplementary Information	19
Schedule of Expenditures of Federal Awards	20
Note to the Schedule of Expenditures of Federal Awards.....	21

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

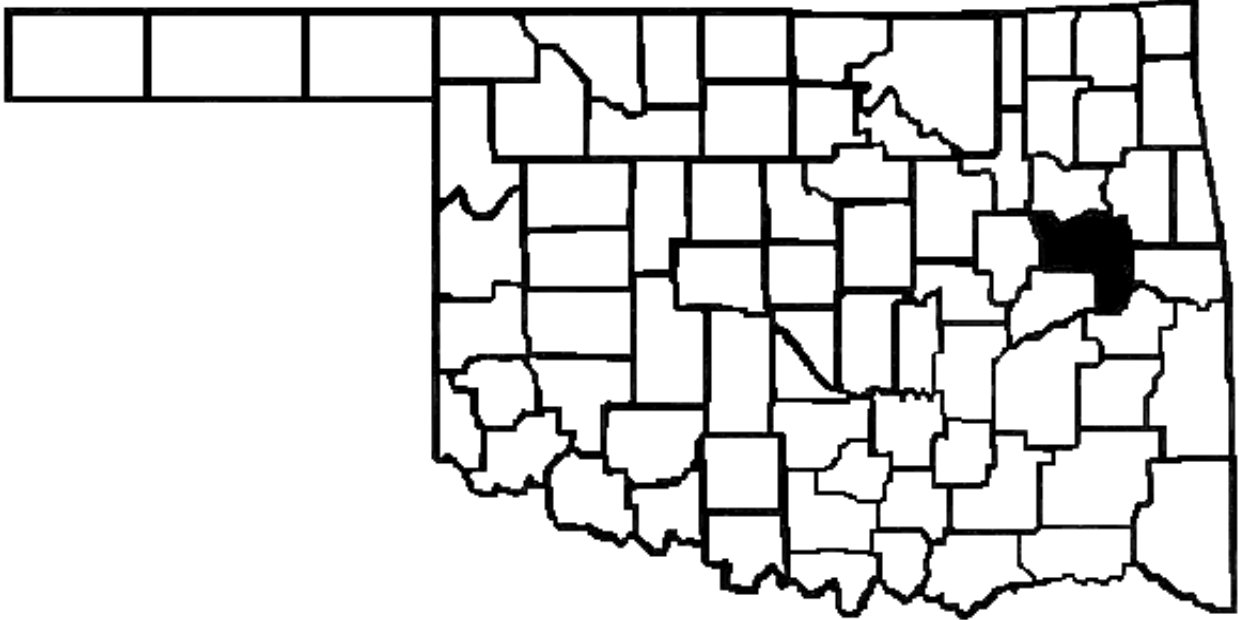
INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards..... 22

Report on Compliance With Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance With OMB Circular A-133 24

Schedule of Findings and Questioned Costs..... 26

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



Named for the Muskogee Creek Indians, Muskogee County was created at statehood. The city of Muskogee, the county seat, became the focal point for the Five Civilized Tribes when the Union Agency established its headquarters in what is now Honor Heights Park. The old Union Agency Building is now the Five Civilized Tribes Museum and the famous Azalea Festival is held in the park each April. The park is also home to the Garden of Lights in December.

Muskogee County's economy is based primarily on agriculture, but oil, industry and recreation have also been a part in the building of this county's economies. The city of Muskogee itself is within 30 minutes of five major lakes.

County Seat – Muskogee

Area – 838.9 Square Miles

County Population – 70,607
(2005 est.)

Farms – 1,740

Land in Farms – 351,895 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

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

COUNTY ASSESSOR
Dan Ashwood

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 Anderson

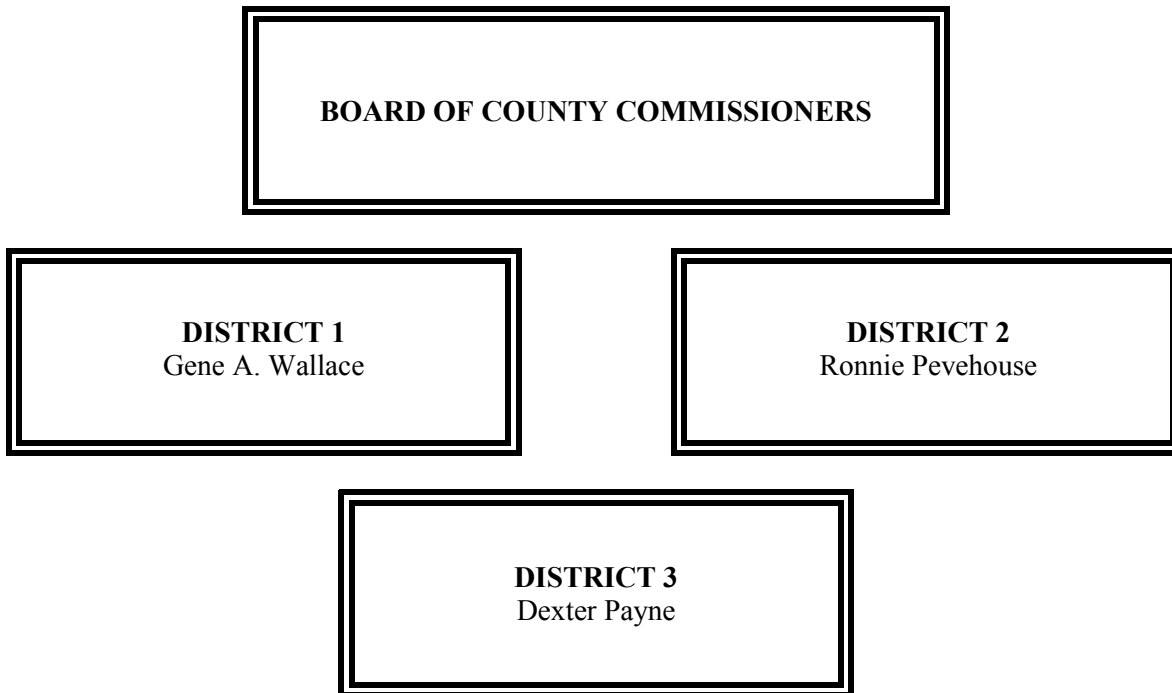
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

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



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

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

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

See independent auditor's report.

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

COUNTY SHERIFF
Charles Pearson

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
Glenn Scott

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

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

See independent auditor's report.

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

COURT CLERK
Paula Sexton

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

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

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

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

DISTRICT ATTORNEY
John David Luton to December 2006
Larry D. Moore
January 2007 to Present

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

See independent auditor's report.

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

ELECTION BOARD SECRETARY
William Bull

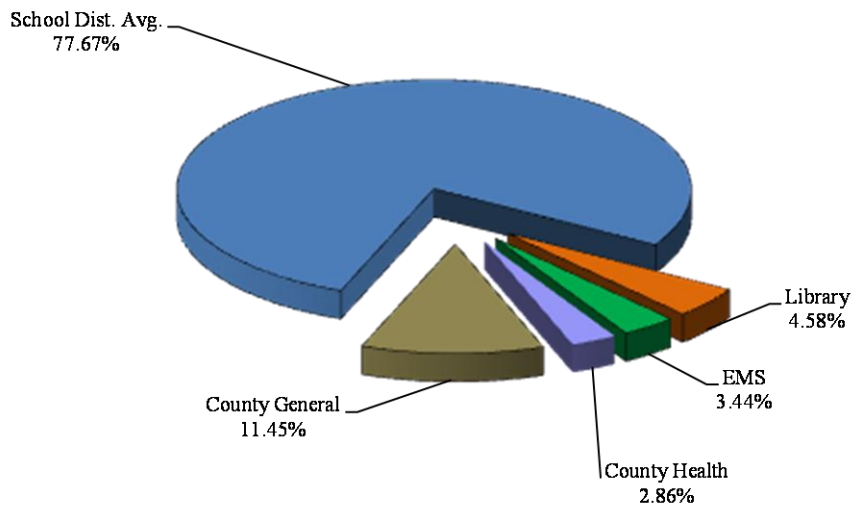
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

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

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



County-Wide Millages		School District Millages							
						Career			
			Gen.	Bldg.	Skg.	Tech	Common	Total	
County General	10.13								
County Health	2.53	Haskell	2	35.98	5.14	18.83	10.13	4.05	74.13
EMS	3.04	Fort Gibson	3	35.16	5.02	12.21	10.13	4.05	66.57
Library	4.05	Boynton	4	36.31	5.19	12.24	10.13	4.05	67.92
		Webbers Falls	6	36.09	5.16	28.80	10.13	4.05	84.23
		Oktaha	8	36.68	5.24	27.50	10.13	4.05	83.60
		Wainwright	9	37.00	5.29		10.13	4.05	56.47
		Muskogee	20	35.40	5.06	16.88	10.13	4.05	71.52
		Hilldale	29	35.73	5.10	10.18	10.13	4.05	65.19
		Braggs	46	35.57	5.08		10.13	4.05	54.83
		Warner	74	35.93	5.13	12.12	10.13	4.05	67.36
		Porum	88	36.16	5.17	26.16	10.13	4.05	81.67
		Sequoyah	J-6B	35.29	5.04		10.13	4.05	54.51
		McIntosh	J-19B	36.66	5.24	10.77	10.13	4.05	66.85
		McIntosh	J-27	35.84	5.12	12.00	10.13	4.05	67.14

See independent auditor's report.

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

Total net assessed value as of January 1, 2006		<u>\$ 403,447,544</u>
Debt limit - 5% of total assessed value		20,172,377
Total bonds outstanding	14,228,000	
Total judgments outstanding	-	
Less cash in sinking fund	<u>66,089</u>	<u>14,161,911</u>
Legal debt margin		<u>\$ 6,010,466</u>

See independent auditor's report.

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

	2007
Estimated population	70,607
Net assessed value as of January 1, 2006	\$ 403,447,544
Gross bonded debt	14,228,000
Less available sinking fund cash balance	66,089
Net bonded debt	\$ 14,161,911
Ratio of net bonded debt to assessed value	3.51%
Net bonded debt per capita	\$ 201

See independent auditor's report.

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

Valuation Date	Personal	Public Service	Real Estate	Homestead & Disabled Veterans Exemption	Net Value	Estimated Fair Market Value
1/1/2006	\$79,102,675	\$123,910,133	\$217,967,825	\$17,533,089	\$403,447,544	\$3,362,062,867

See independent auditor's report.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521.3495 • Fax: 405-521.3426

Independent Auditor's Report

TO THE OFFICERS OF
MUSKOGEE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Muskogee County, Oklahoma, as of and for the year ended June 30, 2007, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Muskogee 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 Muskogee County as of June 30, 2007, or changes in its financial position for the year then ended.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2011, on our consideration of Muskogee 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR AND INPECTOR

February 16, 2011

Basic Financial Statement

MUSKOGEE COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Beginning Cash Balances July 1, 2006	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2007
Combining Information:				
County General Fund	\$ 2,062,566	\$ 5,497,851	\$ 5,083,145	\$ 2,477,272
Highway Cash	2,939,399	4,703,944	4,495,655	3,147,688
County Health	706,566	1,215,264	1,144,014	777,816
Resale Property	582,189	350,318	229,346	703,161
County Sinking Fund	299	95,158	29,368	66,089
Sheriff Revolving Reward Fund	763	6,393	3,588	3,568
Muskogee City County Detention Grant 2 (MCCD)	71			71
County Clerk Lien Cash Fund	48,047	36,887	34,281	50,653
Sheriff Service Fee Cash Fund	23,024	503,947	482,872	44,099
Treasurer Mortgage Certification Fee Fund	46,365	16,990	12,331	51,024
Muskogee City County Detention-Sheriff's Dept. (MCCD-SD)	142,885	1,335,579	1,349,541	128,923
Sheriff Patrol Cash Fund	967	26,364	25,652	1,679
Assessor Visual Inspection and County Assessor's Revolving	36,894	9,642	6,688	39,848
Sheriff Commissary Fund	3,115	51,030	45,537	8,608
Records Management Preservation	98,508	90,904	92,540	96,872
Sheriff Drug Forfeiture	25	6,566	5,221	1,370
Sheriff Training	139		110	29
Local Law Enforcement Grant - 1 (LLEG)	719			719
Project for Safe Neighborhood Grant	29			29
Homeland Security Grant 1 & 2	115			115
Sheriff's COPS Grant	35,530	35,299	56,075	14,754
Justice Assistance Grant (JAG)	59	24,560	24,619	
Community Development Block Grant (CDBG)	61,005	293,134	329,126	25,013
Combined Total--All County Funds	\$ 6,789,279	\$ 14,299,830	\$ 13,449,709	\$ 7,639,400

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

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

County General Fund – revenues are from ad valorem taxes, officers' fees, sales tax, 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.

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.

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

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

County Sinking Fund –accounts for the payments of interest and principal on long-term bonded debt and civil judgments. Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments on cash not immediately required for debt service payments.

Sheriff Revolving Reward Fund – revenues are from trash fines and restitution. Disbursements are for the maintenance of the trash truck and landfill fees.

Muskogee City County Detention Grant 2 (MCCD) – accounts for COPS grant monies received and disbursed for payroll of a school resource officer.

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

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

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

Muskogee City County Detention – Sheriff’s Department (MCCD-SD) – is the Muskogee County Detention Fund. The main revenue source for this fund is monies that Muskogee County is paid for housing prisoners for many different entities. Disbursements are for anything related to the operation of the Sheriff’s Department.

Sheriff Patrol Cash Fund – revenues are from donations for reserve officers. Disbursements are for reserve officer needs.

Assessor Visual Inspection and County Assessor Revolving Fund – revenues are from fees collected by the County Assessor including those charged to all entities receiving ad valorem taxes. Disbursements are to maintain electronic databases and geographic information systems in the Assessor’s office and from the revaluation of all county property for collection of ad valorem taxes.

Sheriff Commissary Fund – accounts for monies collected from prisoners and used as a checking account for the prisoners to make purchases during their incarceration.

County Clerk Records Management Preservation - revenues are from a fee charged by the Clerk for recording instruments and interest earned on invested funds. Disbursements are from the maintenance and preservation of public records.

Sheriff Drug Forfeiture – revenue is from monies seized and forfeited to the Sheriff’s office. Disbursements are for the maintenance and operation of the Sheriff’s Drug Task Force.

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

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

Local Law Enforcement Grant (LLEG) – revenues are from a federal grant. Disbursements are for supplemental deputies.

Project for Safe Neighborhoods Grant – accounts for grant monies received and disbursed to support existing programs in law enforcement targeted at gun violence and drug abuse.

Homeland Security Grants 1 & 2 – revenues are from a federal grant. Disbursements are for additional patrols by the Sheriff's office.

Sheriff COPS Grant – revenues are from a federal grant. Disbursements are for payroll of sheriff's officers.

Justice Assistance Grant (JAG) – revenues are from a federal grant. Disbursements are for sheriff patrol cars.

Community Development Block Grant (CDBG) – accounts for collection and disbursement of community development block grants.

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 library, and school districts. 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

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

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).

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.

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

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. Vacation leave is paid upon termination.

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, 2006, was approximately \$403,447,544.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.13 mills (the legal maximum) for general fund operations, 2.53 mills for county health department, 3.04 mills for emergency medical service, and 4.05 mills for county library. In addition, the County collects the ad valorem taxes assessed by school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

Current year tax collections for the year ended June 30, 2007, were approximately 94.9 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.

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

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 county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$50,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

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.

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

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 7.5% and 12.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 12.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2007, 2006, and 2005, were \$641,842, \$609,325, and \$519,962, respectively, equal to the required contributions for each year.

2.5% Step-Up. Members have the option 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.

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

8. Contingent Liabilities

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

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. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 25 years from the issue date.

The following table presents the general obligation bonds at June 30, 2007, and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Date	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance
County Lmtd Tax Bonds 1991	10/1/1991	6%	10/1/2006	\$ 50,000	\$ -	\$ 50,000	\$ -
County Lmtd Tax Bonds 1995, Series A	12/1/1995	7.4%-7.7%	12/1/2010	125,000	-	25,000	100,000
County Lmtd Tax Bonds 1996, Series B	7/1/1996	6.25%-6.75%	7/1/2011	300,000	-	70,000	230,000
County Lmtd Tax Bonds 1997, Series A	3/1/1997	7.75%	3/1/2012	140,000	-	20,000	120,000
County Lmtd Tax Bonds 1997, Series B	7/1/1997	5.45%-6%	7/1/2016	1,890,000	-	170,000	1,720,000
County Lmtd Tax Bonds 1998, Series A	7/1/1998	7.00%	7/1/2012	175,000	-	25,000	150,000
County Lmtd Tax Bonds 1998, Series B	7/1/1998	5.685%	7/1/2012	385,000	-	55,000	330,000
County Lmtd Tax Bonds 1999, Series A	4/1/1999	5.225%-5.250%	4/1/2019	1,020,000	-	80,000	940,000
County Lmtd Tax Bonds 1999, Series B	4/1/1999	5.763%	4/1/2019	185,000	-	15,000	170,000
County Lmtd Tax Bonds 1999, Series C	9/1/1999	8.4%-9%	9/1/2014	225,000	-	25,000	200,000
County Lmtd Tax Bonds 1999, Series D	11/1/1999	5.9%-6.750%	11/1/2014	350,000	-	40,000	310,000
County Lmtd Tax Bonds 1999, Series E	12/1/1999	6.450%-7%	12/1/2020	720,000	-	45,000	675,000
County Lmtd Tax Bonds 2000, Series A	8/1/2000	7%-12%	8/1/2015	360,000	-	35,000	325,000
County Lmtd Tax Bonds 2000, Series B	9/1/2000	5.9%-7.5%	9/1/2020	1,580,000	-	105,000	1,475,000
County Lmtd Tax Bonds 2000, Series C	12/1/2000	6%	12/1/2015	408,000	-	40,000	368,000
County Lmtd Tax Bonds 2001, Series A	11/1/2001	5%-8%	11/1/2016	600,000	-	50,000	550,000
County Lmtd Tax Bonds 2004, Series A	1/1/2004	7%	1/1/2024	3,315,000	-	185,000	3,130,000
County Lmtd Tax Bonds 2004, Series B	1/1/2004	6.4%-7.6%	7/1/2019	1,765,000	-	135,000	1,630,000
County Lmtd Tax Bonds 2004, Series C	7/1/2004	4.7%-6%	7/1/2019	370,000	-	30,000	340,000
County Lmtd Tax Bonds 2005, Series A	10/1/2005	4.15%-6%	10/1/2020	985,000	-	-	985,000
County Lmtd Tax Bonds 2006, Series A	7/1/2006	4.5%-6%	7/1/2021	550,000	-	-	550,000
TOTAL				\$ 15,498,000	\$ -	\$ 1,200,000	\$ 14,298,000

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

Annual debt service requirements to maturity for general obligation bonds, including interest, are as follows:

Fiscal Year Ending June 30	Interest	Principal	Total
2008	\$35,457	\$1,070,000	\$1,105,457
2009	66,478	910,000	976,478
2010	49,112	775,000	824,112
2011	54,002	855,000	909,002
2012	115,892	1,765,000	1,880,892
2013-2024	<u>579,812</u>	<u>8,923,000</u>	<u>9,502,812</u>
Total	<u>\$900,753</u>	<u>\$14,298,000</u>	<u>\$15,198,753</u>

Payment of the principal and interest is made by the recipient of the proceeds (private manufacturing companies). To date, the County has not had to levy for any bond or interest payment. Bond proceeds and payments are administered by the Muskogee County Industrial Authority.

10. Sales Tax

On November 8, 2005, Muskogee County voters approved an excise tax of fifteen hundredths of one percent (.0015). The revenue from the sales tax is for the purpose of providing funds for the fire departments of Muskogee County, including, but not limited to: purchase of equipment, general operation and maintenance, training, construction of new buildings or improvements to existing buildings, and payment of existing or future loans.

Five percent (5%) of the fifteen hundredth per cent (.0015) is designated for a newly formed Board with one member elected and representing each of the following Muskogee County fire departments: Muskogee, Boynton, Braggs, Brushy Mountain, Buckhorn, Council Hill, Fort Gibson, Gooseneck Bend, Haskell, Keefeton, Mountain View, Oktaha, Summit, Taft, Wainwright, Warner, Webber Falls, and Porum. The Board is to use the funds as deemed necessary for the improvement and enhancement of the operations and emergency response capabilities of the above-listed fire departments.

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

Ninety five percent (95%) of the fifteen hundredth percent (.0015) shall be divided equally between the above-mentioned eighteen (18) fire departments to construct new fire stations or improve existing fire stations, purchase equipment and defray training and fire education costs, purchase firefighting and other emergency response vehicles and equipment and for general maintenance and operations, with the exception of salaries and wages, for which the tax proceeds are not intended.

OTHER SUPPLEMENTARY INFORMATION

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 2,062,566	\$ 2,062,566	\$ 2,062,566	\$ -
Less: Prior Year Outstanding Warrants	(240,444)	(240,444)	(239,823)	621
Less: Prior Year Encumbrances	(52,991)	(52,991)	(13,559)	39,432
Beginning Cash Balances, Budgetary Basis	<u>1,769,131</u>	<u>1,769,131</u>	<u>1,809,184</u>	<u>40,053</u>
Receipts:				
Ad Valorem Taxes	3,715,385	3,715,385	3,917,150	201,765
Charges for Services	302,252	302,252	322,022	19,770
Intergovernmental Revenues	550,027	550,027	728,073	178,046
Miscellaneous Revenues	337,407	477,383	530,606	53,223
Total Receipts, Budgetary Basis	<u>4,905,071</u>	<u>5,045,047</u>	<u>5,497,851</u>	<u>452,804</u>
Expenditures:				
District Attorney	45,610	45,610	1,315	44,295
Total District Attorney	<u>45,610</u>	<u>45,610</u>	<u>1,315</u>	<u>44,295</u>
County Sheriff	460,967	498,654	498,653	1
Total County Sheriff	<u>460,967</u>	<u>498,654</u>	<u>498,653</u>	<u>1</u>
County Treasurer	215,600	215,600	202,987	12,613
Total County Treasurer	<u>215,600</u>	<u>215,600</u>	<u>202,987</u>	<u>12,613</u>
County Commissioners	236,430	240,930	215,715	25,215
Total County Commissioners	<u>236,430</u>	<u>240,930</u>	<u>215,715</u>	<u>25,215</u>
OSU Extension	84,348	84,348	83,986	362
Capital Outlay	9,000	9,000	9,000	
Total OSU Extension	<u>93,348</u>	<u>93,348</u>	<u>92,986</u>	<u>362</u>
County Clerk	262,619	265,276	265,265	11
Total County Clerk	<u>262,619</u>	<u>265,276</u>	<u>265,265</u>	<u>11</u>
Court Clerk	196,050	196,050	192,357	3,693
Total Court Clerk	<u>196,050</u>	<u>196,050</u>	<u>192,357</u>	<u>3,693</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.

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	224,900	239,025	213,221	25,804
Capital Outlay	500	500		500
Total County Assessor	<u>225,400</u>	<u>239,525</u>	<u>213,221</u>	<u>26,304</u>
Revaluation of Real Property	314,623	254,408	212,441	41,967
Capital Outlay	1,000	3,500	2,492	1,008
Total Revaluation of Real Property	<u>315,623</u>	<u>257,908</u>	<u>214,933</u>	<u>42,975</u>
District Court	22,800	22,800	22,800	
Total District Court	<u>22,800</u>	<u>22,800</u>	<u>22,800</u>	<u>-</u>
General Government	2,567,833	2,690,999	2,296,714	394,285
Capital Outlay		2,500	2,499	1
Total General Government	<u>2,567,833</u>	<u>2,693,499</u>	<u>2,299,213</u>	<u>394,286</u>
Excise-Equalization Board	12,500	12,500	9,739	2,761
Total Excise-Equalization Board	<u>12,500</u>	<u>12,500</u>	<u>9,739</u>	<u>2,761</u>
County Election Board	176,440	187,038	186,253	785
Capital Outlay	1,560	13,267	13,184	83
Total County Election Board	<u>178,000</u>	<u>200,305</u>	<u>199,437</u>	<u>868</u>
County Purchasing Agent	90,558	93,651	93,447	204
Total County Purchasing Agent	<u>90,558</u>	<u>93,651</u>	<u>93,447</u>	<u>204</u>
Charity	30,200	30,200	30,000	200
Total Charity	<u>30,200</u>	<u>30,200</u>	<u>30,000</u>	<u>200</u>
County Engineer	7,800	8,300	95	8,205
Total County Engineer	<u>7,800</u>	<u>8,300</u>	<u>95</u>	<u>8,205</u>
Civil Defense	66,851	77,751	76,898	853
Capital Outlay	7,289	11,964	11,962	2
Total Civil Defense	<u>74,140</u>	<u>89,715</u>	<u>88,860</u>	<u>855</u>
Soil Conservation District	1,555	1,555	1,555	
Total Soil Conservation District	<u>1,555</u>	<u>1,555</u>	<u>1,555</u>	<u>-</u>
County City Jail	199,865	249,289	249,239	50
Total County City Jail	<u>199,865</u>	<u>249,289</u>	<u>249,239</u>	<u>50</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.

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
School Clerk Record	17,985	17,840	17,840	
Total School Clerk Record	17,985	17,840	17,840	-
Sales Tax Revolving	836,431	836,431	65,604	770,827
Total Sales Tax Revolving	836,431	836,431	65,604	770,827
Sales Tax MCCDF	53,877	53,877	12,230	41,647
Total Sales Tax MCCDF	53,877	53,877	12,230	41,647
Sales Tax Renovation	216,966	216,966		216,966
Total Sales Tax Renovation	216,966	216,966	-	216,966
Highway Budget	270,500	192,804	192,429	375
Total Highway Budget	270,500	192,804	192,429	375
County Audit Budget	40,345	40,345	40,345	
Total County Audit Budget	40,345	40,345	40,345	-
Free Fair Budget	1,200	1,200	1,200	
Total Free Fair Budget	1,200	1,200	1,200	-
Total Expenditures, Budgetary Basis	6,674,202	6,814,178	5,221,465	1,592,713
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	2,085,570	\$ 2,085,570
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			7,194	
Add: Current Year Outstanding Warrants			384,508	
Ending Cash Balance			<u>\$ 2,477,272</u>	

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

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

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 706,566	\$ 706,566	\$ 706,566	\$ -
Less: Prior Year Outstanding Warrants	(71,437)	(71,437)	(71,392)	45
Less: Prior Year Encumbrances	(4,414)	(4,414)	(4,196)	218
Beginning Cash Balances, Budgetary Basis	<u>630,715</u>	<u>630,715</u>	<u>630,978</u>	<u>263</u>
Receipts:				
Ad Valorem Taxes	927,929	927,929	978,328	50,399
Charges for Services		211,621	234,546	22,925
Miscellaneous Revenues			2,390	2,390
Total Receipts, Budgetary Basis	<u>927,929</u>	<u>1,139,550</u>	<u>1,215,264</u>	<u>75,714</u>
Expenditures:				
Health and Welfare	1,424,468	1,744,089	1,396,864	347,225
Capital Outlay	134,176	26,176	16,828	9,348
Total Expenditures, Budgetary Basis	<u>1,558,644</u>	<u>1,770,265</u>	<u>1,413,692</u>	<u>356,573</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>-</u>	\$ 432,550	<u>\$ 432,550</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			3,378	
Add: Current Year Outstanding Warrants			341,888	
Ending Cash Balance			<u>\$ 777,816</u>	

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

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

Beginning Cash Balance	<u>\$ 299</u>
Receipts:	
Total Receipts	<u>95,158</u>
Disbursements:	
Total Disbursements	<u>29,368</u>
Ending Cash Balance	<u><u>\$ 66,089</u></u>

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

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

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year, unencumbered appropriations lapse.

2. Sinking Fund Schedule

Debt service receipts are derived generally from interest earned on investments of cash not immediately required for debt service payments.

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed Through Oklahoma State Treasurer:			
Flood Control Projects	12.106	N/A	\$ 39,714
Total U.S. Department of Defense			<u>39,714</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payments in Lieu of Taxes (PILT)	15.226	N/A	32,492
Total U.S. Department of Interior			<u>32,492</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Oklahoma Emergency Management:			
Disaster Grants - Public Assistance	97.036	PA - 1678	1,281,345
Emergency Management Performance Grants	97.042	N/A	32,658
Total U.S. Department of Homeland Security			<u>1,314,003</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grants/State's Program	14.228	B-05-DC-40-0001 Contract # 11990 CDBG ED 05	45,675
Community Development Block Grants/State's Program	14.228	B-06-DC-40-0001 Contract # 12668 CDBG 06	247,459
Total U.S. Department of Housing and Urban Development			<u>293,134</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Edward Byrne Memorial Justice Grant Assistance Program	16.738	2006-DJ-BX-1074	24,560
Public Safety Partnership and Community Policing Grants	16.710	2004-UM-WX-0057	35,299
Total U.S. Department of Justice			<u>59,859</u>
<u>NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION</u>			
Passed Through Oklahoma Highway Safety Office:			
State and Community Highway Safety	20.600	PT-06-03-29-00	10,095
Total National Highway Traffic Safety Administration			<u>10,095</u>
Total Expenditures of Federal Awards			<u>\$ 1,749,297</u>

The accompanying notes are an integral part of this schedule.
See independent auditor's report.

**MUSKOGEE COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Muskogee County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521.3495 • Fax: 405-521.3426

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
MUSKOGEE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Muskogee County, Oklahoma, as of and for the year ended June 30, 2007, which comprises Muskogee County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated February 16, 2011. 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 Muskogee County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than

inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2007-2, 2007-3, 2007-5, 2007-6, 2007-11, and 2007-20 described in the accompanying schedule of findings and questioned costs 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, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Muskogee County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 2007-1 and 2007-4.

We noted certain matters that we reported to the management of Muskogee County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

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

This report is intended solely for the information and use of the management of Muskogee 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.



GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

February 16, 2011



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521.3495 • Fax: 405-521.3426

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

TO THE OFFICERS OF
MUSKOGEE COUNTY, OKLAHOMA

Compliance

We engaged to audit the compliance of Muskogee County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Muskogee County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Muskogee County's management. Our responsibility is to express an opinion on Muskogee County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Muskogee County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Muskogee County's compliance with those requirements.

In our opinion, Muskogee County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2007-22 and 2007-23.

Internal Control Over Compliance

The management of Muskogee County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to

federal programs. In planning and performing our audit, we considered Muskogee County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Muskogee County's internal control over compliance.

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

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-21 and 2007-24 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

This report is intended solely for the information and use of management of the County, federal awarding agencies, and pass-through entities 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.



GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

February 16, 2011

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

SECTION 1—Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unqualified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... No
- Reportable condition(s) identified that are not considered to be material weaknesses?..... Yes

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... No
- Reportable condition(s) identified that are not considered to be material weakness(es)? Yes

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?..... Yes

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance
14.228	Community Development Block Grants/State's Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?..... No

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

SECTION 2 - Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2007-1 – Unsecured Deposits

Criteria: Title 62 O.S. § 517.4.A. states:

A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.

Condition: During the month of January 2007, the County had unsecured deposits of \$139,019.09.

Effect: This condition could result in the possible loss of county funds.

Recommendation: OSAI recommends management establish policies and procedures to periodically compare the amount of pledged collateral to amounts deposited, to ensure pledges are adequate and all deposits are secured.

Views of responsible officials and planned corrective actions:

Karen S. Talley – First Deputy, County Treasurer’s Office

One bank was under secured by \$139,019.29 for January 2007. The pledge was increased on February 12, 2007.

The purchase of new software upgrades to programs that monitor pledge have been implemented since 2007.

Finding 2007-2 – Bank Accounts not on General Ledger

Criteria: Accountability and stewardship are overall goals in evaluating management’s accounting of funds. To help ensure a proper accounting of funds, all banks identified with the County’s tax identification number should be included on the general ledger.

Criteria: Title 19 O.S. § 642 states in part:

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

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Condition: Four bank accounts in the County's name and tax identification number (Employee Taxes, General Obligation Bond 2005A, Solid Waste Committee, and Employee Cafeteria Account) were not on the Treasurer's general ledger at June 30, 2007.

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

Recommendation: OSAI recommends that bank accounts in the County's name, identified with the County's tax identification number be included on the general ledger. Should accounts not be the County's fund, then the County's tax identification needs to be removed from the account.

Views of responsible officials and planned corrective actions:

Karen S. Talley – First Deputy, County Treasurer's Office

1. Employee Tax – Put on General Ledger in 2007
2. General Obligation Bond 2005-A – Put on the General Ledger in 2007 and closed in 2007
3. Solid Waste Committee – The owners of this account were contacted and told not to use our federal ID#
4. Employee Cafeteria Account – was closed 9/28/07. The money was AFLAC money now being sent by a warrant.

Finding 2007-3 – Bank Reconciliations

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, reconciliations should be performed on a monthly basis and reviewed by someone other than the preparer.

Condition: From test work performed, we noted that the bank reconciliations were not reviewed by someone other than the preparer.

Effect: This condition could result in undetected errors and/or misappropriation of assets.

Recommendation: OSAI recommends that someone other than the preparer review the reconciliation and include an indication of review.

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

Finding 2007-4 – Investment Policy, Resolution of Depository Banks

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

Except as otherwise provided for by law, a county treasurer, when authorized by the board of county commissioners by a written investment policy, ordinance or resolution or

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

the treasurer of any city or town, when authorized by the appropriate governing body by a written investment policy, ordinance or resolution, shall invest monies in the custody of the treasurer...

Title 19 O.S. § 121 states in part:

The county treasurer of each county shall deposit daily,... in one (1) or more banks located in the county and designated by the board of county commissioners as county depositories.

Condition: A list of depository banks was not prepared by the Treasurer's office for approval by the County Commissioners. Also, a written investment policy was not approved by the Board of County Commissioners.

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

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

Views of responsible officials and planned corrective actions:

Karen S. Talley – First Deputy, County Treasurer's Office

This letter of depository accounts is sent to the County Clerk's Office to be made a part of the agenda in the County Commissioner's meeting. It is possible that we did not do it for the year in question. The investment policy issue has been addressed and will be corrected.

Finding 2007-5 – Timesheets

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, employees' timesheets should be signed by both the employee and the supervisor.

Condition: Supervisors did not sign timesheets in all offices. In the Election Board and Assessor's offices, employees did not sign timesheets.

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

Recommendation: OSAI recommends all employees and supervisors sign timesheets to provide proper accounting of funds disbursed for payroll claims.

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Views of responsible officials and planned corrective actions:

Dan Ashwood – Muskogee County Assessor

Effective this year, I will have each employee initial their time cards each month. The Chief Deputy currently provides each employee a monthly report to verify any time off. These will be signed by both the Chief Deputy and the employee. The time card itself will also be initialed.

Karen S. Talley – First Deputy, County Treasurer’s Office

This has been addressed and corrected.

Karen Anderson – Muskogee County Clerk

In my individual office, we have always required the employees to initial and verify their time sheets before receiving their pay checks.

We are not in charge of policing the other department’s time cards, we are simply the repository for these records.

The issue of a Supervisor’s signature has been corrected.

Finding 2007-6 – Payroll Reports

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, amounts reported on Federal 941 Reports and amounts electronically drafted from the EFTPS county bank account should be supported by accurate payroll reports.

Condition: Nine out of 12 EFTPS transfers tested were not properly supported by the Federal 941 Reports. The County submitted \$4,903.30 more to the Internal Revenue Service than reported on the Federal 941 Reports.

Effect: The County could be overpaying the Internal Revenue Service.

Recommendation: OSAI recommends the Federal 941 Reports and the amounts electronically drafted to the Internal Revenue Service be adequately supported by payroll records to provide effective controls over federal tax payments.

Views of responsible officials and planned corrective actions:

Karen Anderson – Muskogee County Clerk

This was caused by a one-time computer issue which was resolved. Any monies overpaid were reimbursed 100% by the IRS.

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

OSAI Response: During our test work, we noted seven overpayments and two underpayments to the Internal Revenue Service.

Finding 2007-11 – Passwords

Criteria: In Control Objectives for Information and related Technology (COBIT) Deliver and Support 5.4, there is outlined a procedure for ensuring security for applications. This security also involves the complexity of passwords. Passwords should be alpha numeric, including special characters and at least six characters in length. There should be some form of enforced complexity and change at specified intervals. The recommended interval is once every six months.

Condition: Passwords are not set to expire in the Treasurer's Office.

Effect: This condition could allow for unauthorized access to the office's information systems, resulting in the possible loss and corruption of recorded information.

Recommendation: OSAI recommends that passwords be changed at regular intervals and are at a minimum of eight characters in length in order to provide effective safe guards over county information.

Views of responsible officials and planned corrective actions:

Karen S. Talley – First Deputy, County Treasurer's Office

The passwords for all banking accounts are changed through the bank periodically. Through new software, programs used by this office now have passwords that expire.

Finding 2007-20 – Purchasing

Criteria: Statutory control procedures have been established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation, and capital expenditures of county government.

Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the County should have a travel policy in place which provides rules and guidelines for officials to follow.

Title 19 O.S. § 1505.C.2 states in part:

The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order.

Title 19 O.S. § 1505.C.3 states in part:

...In instances where it is impossible to ascertain the exact amount of the indebtedness sought to be incurred at the time of recording the encumbrance, an estimated amount may

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

be used. No purchase order shall be valid unless signed by the county purchasing agent and certified by the county clerk.

Title 19 O.S. § 1505.C.3 states in part:

Part E provides for the procedure for the receipt of items.

Title 19 O.S. § 1505.E.9 states in part:

The invoice shall state the name and address of the vendor and must be sufficiently itemized...

Title 19 O.S. § 1505.E.10 states:

Upon receipt of an invoice, the county clerk shall compare the following documents: a. requisition, b. purchase order, c. invoice with noncollusion affidavit, as required by law, d. receiving report and e. delivery document.

Title 19 O.S. § 339.A.20 states in part:

The county commissioners shall have power: To establish by resolution the use of per diem for specific purposes in accordance with the limitations provided by Sections 500.8 and 500.9 of Title 74 of the Oklahoma Statutes;...

Condition: The test of 69 purchase orders revealed the following exceptions:

Travel Policy

1. Maid service tips were charged to the County on a travel claim in one (1) instance.
2. Receipts for a travel claim were illegible in one (1) instance.
3. The purchasing agent signed their own purchase order for approval in one (1) instance.

Encumbrances

1. Prior year claims of the Sheriff's Office were paid with current year funds in three (3) instances.
2. The Board of County Commissioners did not put a date on the purchase order approval section in one (1) instance.
3. One (1) bill from the Sheriff's Office was past due. The bill was requisitioned in August for June bill.
4. The invoice date and/or service date were prior to the encumbrance date in two (2) instances.

Receiving Report

1. The County Clerk or designee did not sign the purchase order to certify that all required invoices, receiving reports and delivery documents were adequate to support the purchase order in two (2) instances.

Itemized Invoice

1. Meals, food and beverage items were not itemized in eight (8) instances.
2. The original sales receipts for purchases claimed were not itemized in two (2) instances.

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Documentation

1. There was no supporting documentation to support the claim in seven (7) instances.
2. One (1) invoice for the Sheriff's Office showed charges for a ~~no~~ "show" at a hotel.
3. One (1) bill was for current charges; however, supporting documentation indicated the bill was \$8,893.93 in arrears as of July 7, 2006, and on August 13, 2006, the bill was \$9,330.51 in arrears.

Effect: The County is not following internal control and purchasing procedures and has not implemented a travel policy for the County, which could result in undetected errors and/or misappropriation of assets.

Recommendation: OSAI recommends management follow established purchasing procedures. We further recommend that a county-wide travel policy be developed and implemented, which provides rules and guidelines for officials to follow.

Views of responsible officials and planned corrective actions:

Karen Anderson – Muskogee County Clerk

*Some of the issues raised are not valid.

SA&I has, in the past stated that credit card receipts are legitimate claims.

SA&I has, in the past stated that maid tips are legitimate claims and this office disagrees they are not legitimate as per Title 19 Section 161-3.

*It appears that SA&I has, changed their policy regarding these issues and therefore, as of this date, the County Clerk's Office will implement procedures to follow their suggestions.

The Purchasing Agent did not sign her own purchase order.

OSAI Response: In the matter of the Purchasing Agent signing her own purchase order, another employee encumbered the amount of the purchasing agent's purchase order, but the purchasing agent certified the purchase order.

With regards to credit card receipts, itemized statements should support credit card receipts. Also, maid tips are not acceptable expenditures.

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

SECTION 3—Findings related to the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.

Finding 2007-21

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State's Program

FEDERAL AWARD NUMBER: 11990 CDBG ED 05 & 12268 CDBG 06

FEDERAL AWARD YEAR: 2005 and 2006

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$-0-

Criteria: Statutory control procedures have been established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation, and capital expenditures of county government.

Condition: Four of the five expenditures tested were paid prior to the approval of the Board of County Commissioners.

Effect: This condition could result in unallowed expenditures charged to the federal program.

Recommendation: OSAI recommends all federal expenditures be approved by the Board of County Commissioners prior to payment to provide effective compliance with the auditee's responsibility for monitoring allowable costs.

Views of responsible officials and planned corrective actions:

Karen Anderson – Muskogee County Clerk

Our office is audited by the Department of Commerce and the manner of dispensing the funds was prescribed by them.

We are provided copies of the audits performed on the Port Authority.

This office has, in writing and verbally requested all Grant Documents to be provided to us. They have not all complied. We are willing to take any advice you have in this area.

OSAI Response: Upon our request, the County was unable to provide us with a copy of the Department of Commerce audit.

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Finding 2007-22

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State's Program

FEDERAL AWARD NUMBER: 11990 CDBG ED 05 & 12268 CDBG 06

FEDERAL AWARD YEAR: 2005 and 2006

CONTROL CATEGORY: Sub-recipient Monitoring

QUESTIONED COSTS: \$-0-

Criteria: Compliance requirements in OMB Circular A-133 state that a pass-through entity is responsible for:

- *Award Identification* – At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.

- *During-the-Award Monitoring* – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003, as provided in OMB Circular A-133, as revised) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient's audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions. (The revised circular at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>).

- *Pass-Through Entity Impact* – Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Condition: Muskogee County is the pass-through entity for the Community Development Block Grant received from the Oklahoma Department of Commerce. The grant monies are then remitted to the Muskogee City-County Port Authority and Wagoner Rural Water District #8 after a request for funds is approved by the Oklahoma Department of Commerce. There was no record in the Muskogee County files that reflected any monitoring for the federal award of the Community Development Block Grants expended in fiscal year 2007. In addition, the County was not aware of their responsibility to ensure that an audit should be made of the Port Authority's books and records.

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Effect: By not monitoring the subrecipient's use of federal funds, Muskogee County is not in compliance with the OMB Circular A-133 requirements for pass-through funds.

Recommendation: OSAI recommends Muskogee County ensure all subrecipients are made aware of their requirements as recipients of federal funds and the County begin monitoring their use of federal funds through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

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

Finding 2007-23

FEDERAL AGENCY: All
CFDA NO: All
FEDERAL PROGRAM NAME: All
FEDERAL AWARD NUMBER: All
FEDERAL AWARD YEAR: All
CONTROL CATEGORY: All
QUESTIONED COSTS: \$-0-

Criteria: *OMB A-133, Subpart C, §___.300* reads as follows:

Subpart C—Auditees

§___.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §___.310.

Condition: During our review and reconciliation of the Schedule of Expenditures of Federal Awards (SEFA) as initially prepared by Muskogee County, we noted the following exceptions:

- No CFDA numbers were identified on the SEFA.
- CFDA #15.226 was excluded thereby understating the SEFA by \$32,492
- CFDA #97.036 was understated by \$807,052

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

- CFDA #20.600 was excluded thereby understating the SEFA by \$10,095
- CFDA #16.738 was overstated by \$59
- CFDA #16.710 was overstated by \$20,496
- Muskogee County did not identify the pass-through entity's identifying number assigned by the pass-through entity for Federal awards received as a subrecipient for grants listed on the SEFA.

Effect: Internal controls were not effective in the detection of misstatements reported on the Schedule of Federal Awards.

Recommendation: OSAI recommends Muskogee County establish a policy for complying with auditee responsibilities for federal awards received and expended by the County. This policy could incorporate by reference applicable federal regulations to be followed, as well as the appropriate policy for the application, receipt, and expenditure of federal funds. OSAI also recommends that amounts reported on the Schedule of Expenditures of Federal Awards be reconciled to accounting records.

Views of responsible officials and planned corrective actions:

Karen Anderson – Muskogee County Clerk

Administrators of these grants are responsible for reporting to the Board of County Commissioners.

This office has notified the organizations and offices involved regarding the necessity to house all documents pertaining to grants and FEMA. They have not responded.

As of today, in an open Commissioner meeting this topic was addressed and steps have been implemented to address these issues.

Finding 2007-24

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State's Program

FEDERAL AWARD NUMBER: 11990 CDBG ED 05 & 12268 CDBG 06

FEDERAL AWARD YEAR: 2005 and 2006

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, management should review reports prior to submission.

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Condition: The grant coordinator prepares the budget to actual reports as well as the quarterly and annual reports without any form of review from management.

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

Recommendation: OSAI recommends management be aware of this condition and implement a review process of reports prior to submission.

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

SECTION 4 – This section contains certain matters not required to be reported in accordance with *Government Auditing Standards* or OMB A-133. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2007-9 – OPERS

Criteria: Title 74 O.S. § 925 states:

All employees of participating employers who are eligible or may hereafter become eligible to be members of the system as provided by this act shall, as a condition of continuing employment or as a condition of obtaining employment with a participating employer, become members of the system.

Title 74 O.S. § 902(14) states in part:

—Employee" means any officer or employee of a participating employer, whose employment is not seasonal or temporary and whose employment requires at least one thousand (1,000) hours of work per year and whose salary or wage is equal to the hourly rate of the monthly minimum wage for state employees...

Condition: OSAI noted eight part-time employees worked more than 1,000 hours in a one-year period based on the employee’s anniversary date, but did not receive eligible benefits.

Effect: All eligible employees may not have been participating in the pension plan. This could result in a possible liability to the County.

Recommendation: OSAI recommends the County contact OPERS regarding the status of benefits to which these employees were eligible.

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

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Finding 2007-10 – OPERS Overpayment

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, employee and employer contributions paid to the Oklahoma Public Employees Retirement System (OPERS) should be supported by accurate payroll records.

Condition: OSAI noted discrepancies in payroll reports and the amount paid to OPERS.

Effect: The County overpaid contributions to the Oklahoma Public Employees Retirement System.

Recommendation: OSAI recommends management take action to determine the amount of overpayments made to OPERS and request a refund or credit. We further recommend that management implement procedures to prevent the overpayment.

Views of responsible officials and planned corrective actions:

Karen Anderson – Muskogee County Clerk

This issue was a computer issue which has been resolved.

This office is currently in the process of putting all related employee information together to request a refund from OPERS.

Finding 2007-12 – Inmate Trust Fund Receipts

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, pre-numbered receipts should be issued for all inmate trust collections. In addition, all collections should be deposited daily.

Condition: Pre-numbered receipts for funds received for the inmate trust account were not issued by the Sheriff. Receipts were not deposited on a daily basis.

Effect: This condition increases the risk of misappropriation of funds.

Recommendation: OSAI recommends that pre-numbered receipts be issued for all inmate trust collections and all collections be deposited on a daily basis.

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

Finding 2007-13 – Inmate Trust Disbursements

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, more than one signature should be required to issue checks from the inmate trust account.

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Condition: Only one signature was required when issuing checks funds from the inmate trust account.

Effect: This condition increases the risk of misappropriation of funds.

Recommendation: OSAI recommends disbursements from the inmate trust account require the signature/approval of two or more individuals to provide accountability over funds disbursed.

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

Finding 2007-14 – Commissary Account and Annual Report

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

The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.

Condition: The County Sheriff has not filed an annual report of the commissary with the Board of County Commissioners.

Effect: This could result in misappropriation of funds and misstated financial reports.

Recommendation: OSAI recommends an annual report of commissary operations be submitted by the Sheriff to the Board of County Commissioners no later than January 15th of each year.

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

Finding 2007-15 – Monthly Reports

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

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

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

Effect: By not submitting a monthly report to the Board of County Commissioners, the Sheriff and the Treasurer are not reporting sources and amounts of revenue received and vouchers issued in accordance with state statutes.

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

Views of responsible officials and planned corrective actions:

Karen S. Talley – First Deputy, County Treasurer’s Office

This has been addressed and reports will be submitted as of this month.

Finding 2007-17 – Segregation of Duties – Official Depository Accounts

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

Condition: A lack of segregation of duties exists in the following offices:

- a. The County Sheriff’s office has two deputies who write all the receipts, prepare official depository tickets, take deposits to the bank, and post deposits to the cash book. Further, the same deputies can prepare the vouchers, sign the vouchers, post the vouchers to the cash book, and mail the vouchers for this account, as well as prepare claims and approve claims for payment.
- b. The District Attorney’s office has an administrative assistant who opens the mail, writes receipts, prepares official depository ticket, takes deposit to the bank, posts to the official depository ledger, and reconciles the account to the Treasurer’s balance at month end. Further, the administrative assistant also prepares the vouchers, signs the vouchers, posts the vouchers to the cash book, and mails the vouchers for this account.
- c. The County Treasurer’s office has one deputy who has the opportunity to perform all of the following related functions with respect to expenditure transactions: the deputy calculates vouchers, prepares vouchers, signs vouchers, and distributes vouchers. Also, there is no evidence of review by anyone other than the deputy preparing the vouchers.
- d. The Election Board office has one clerk who opens the mail, writes all the receipts, takes deposits to the bank, posts deposits to the cash book, and balances the account at month end to the Treasurer’s balance. The Clerk also prepares claims and mails vouchers.

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

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

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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:

Karen S. Talley – First Deputy, County Treasurer’s Office

This has been addressed and corrected.



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV