

COUNTY AUDIT

# OKFUSKEE 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

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

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# 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 17, 2011

TO THE CITIZENS OF  
OKFUSKEE COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

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

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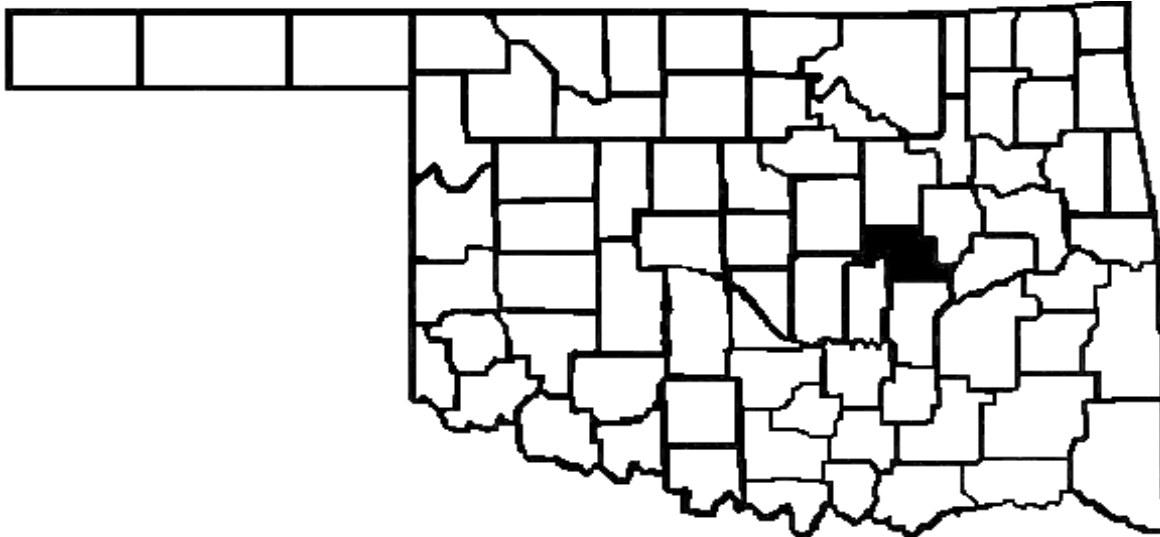
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**REPORT TO THE CITIZENS  
OF  
OKFUSKEE COUNTY, OKLAHOMA**

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Named for a Creek town in Cleburn County, Alabama, Okfuskee County was originally part of the Creek Nation, Indian Territory.

Much of its history is tied to that of the Creek Nation. For example, Thlophlocco Town, established in the 1830s in this area in the Creek Nation, became the headquarters of Colonel D. H. Cooper's confederate forces in 1861, prior to battles with Opothleyahola and the "Loyal Creeks."

Okemah, the county seat, is named for the Creek Chief Okemah, meaning "Big Chief." Two of Okemah's most noted residents were Leon Chase Phillips, eleventh governor of Oklahoma, and legendary songwriter Woody Guthrie. Glen D. Johnson, a two-term Oklahoma Speaker of the House, is also from Okemah.

Boley, founded in 1904 on eighty acres of land belonging to a Creek freedman, is one of the few black towns remaining in the United States. Established to show the ability of the black community to govern itself, it thrived for many years until, in 1932, George Birdwell, "chief lieutenant" of Pretty Boy Floyd, not only robbed the Farmer's State Bank, but in the process shot and killed D.J. Turner, bank president and mayor of Boley. For more information, call the county clerk's office at (918) 623-1724.

County Seat – Okemah

Area – 628.91 Square Miles

County Population – 11,434  
(2005 est.)

Farms – 901

Land in Farms – 289,778 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

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

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**COUNTY ASSESSOR**  
Peggy Williams

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**  
Dianne Flanders

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.

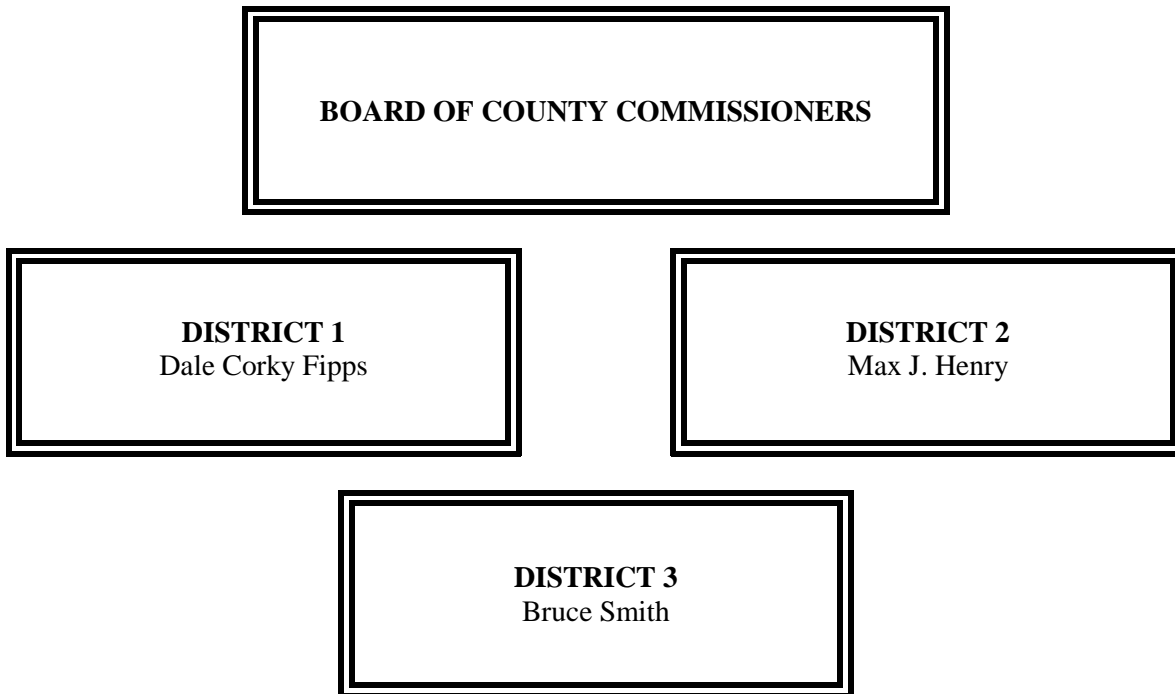
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. 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.

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

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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.

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

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**COUNTY SHERIFF**  
Jack D. Choate

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**  
Judy Renee Alcorn

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.



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

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**COURT CLERK**  
Kay Adams

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

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

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

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

**DISTRICT ATTORNEY**  
Max Cook

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

See independent auditor's report.

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

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**ELECTION BOARD SECRETARY**  
Deborah L. Dean

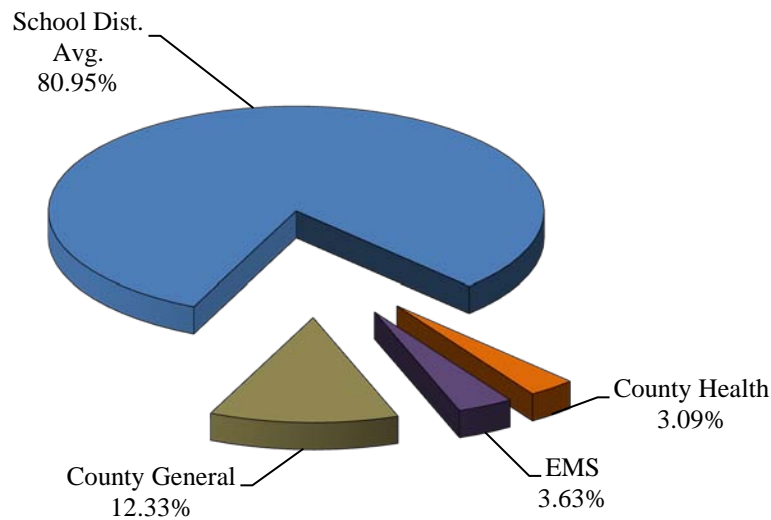
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

**OKFUSKEE 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						
		Gen.	Bldg.	Skg.	Career Tech	Career Tech Bldg.	Common	Total
County General	10.55							
County Health	2.64	Mason	39.01	5.57	10.30	5.28	4.22	64.38
EMS	3.11	Boley	36.26	5.18	25.31	10.55	5.28	86.80
		Paden	37.27	5.32		10.55	5.28	62.64
		Okemah	36.80	5.26	29.91	5.28	4.22	81.47
		Bearden	37.74	5.39		5.28	4.22	52.63
		Weleetka	36.13	5.16		5.28	4.22	50.79
		Graham	37.75	5.39	20.05	5.28	4.22	72.69
		Hughes	39.35	5.62	25.56	5.28	4.22	80.03
		Seminole	36.68	5.24	10.01	10.55	5.28	71.98

See independent auditor's report.

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

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Total net assessed value as of January 1, 2006		<u>\$ 43,343,938</u>
Debt limit - 5% of total assessed value		2,167,197
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 2,167,197</u>

See independent auditor's report.

**OKFUSKEE 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)**

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	2007
Estimated population	11,434
Net assessed value as of January 1, 2006	\$ 43,343,938
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

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

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<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2006	\$9,792,788	\$12,771,855	\$23,543,168	\$2,763,873	\$43,343,938	\$358,948,478

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  
OKFUSKEE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Okfuskee 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 Okfuskee 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 Okfuskee 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 Okfuskee 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 March 10, 2011, on our consideration of Okfuskee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial



reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.



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

March 10, 2011

## **Basic Financial Statement**

**OKFUSKEE 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	\$ 718,664	\$ 1,446,471	\$ 1,505,024	\$ 660,111
Highway Cash	841,607	2,125,127	2,181,507	785,227
County Health	92,299	121,934	124,008	90,225
Resale Cash Fund	114,421	40,569	41,836	113,154
County Clerk Lien Fee	38,029	21,034	2,929	56,134
County Clerk Record Preservation Fee	82,420	26,505	21,469	87,456
Sheriff Service Fee	38,951	67,363	27,056	79,258
Sheriff Revolving	58,950	21,666	27,157	53,459
Assessor Revolving	9,931	3,854	5,961	7,824
Mortgage Certification Fee	10,620	2,814	1,593	11,841
BIA	34,365	519		34,884
CDBG - Road Project	17,213		17,213	
CDBG - Solid Waste		3,600	3,600	
CDBG		106,119	106,119	
JAIB Grant	5,598	85		5,683
Insurance Damage	8,500			8,500
Hospital Fund	1,071,416	74,004		1,145,420
Use Tax	27,532	26,476	14,820	39,188
Court Clerk Revolving	24,646	28,847	30,964	22,529
REAP		35,694	35,525	169
Emergency Management Grant		9,000	2,668	6,332
<b>Combined Total - All County Funds</b>	<b>\$ 3,195,162</b>	<b>\$ 4,161,681</b>	<b>\$ 4,149,449</b>	<b>\$ 3,207,394</b>

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

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

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**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 Okfuskee County, Oklahoma. The financial statement referred to includes only the primary government of Okfuskee 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**

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

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

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

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

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

County Clerk Record Preservation Fee - accounts for fees collected for instruments filed in the County Clerk's office as restricted by statute for preservation of records.

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

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

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Sheriff Revolving – revenues are from various fees collected by the Sheriff. Disbursements are for any legal expense of the Sheriff's office.

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

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

BIA – revenues are from a Bureau of Indian Affairs grant. Disbursements are for county road improvement projects.

CDBG Road Project – accounts for monies from a Community Development Block Grant provided for water system improvements for the county road projects.

CDBG Solid Waste – revenues are from a federal grant. Disbursements are for a solid waste station at the County Industrial Park.

CDBG – accounts for monies from a Community Development Block Grant.

JAIB Grant – revenues are from a Juvenile Accountability and Incentive Block grant.

Insurance Damage – revenues are from the County's insurance coverage. Disbursements are for the repairs of damaged properties.

Hospital Fund – revenues are from payments received from the buyer of the hospital. Disbursements are for capital acquisition.

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

Court Clerk Revolving – accounts for the charge of \$5 for each warrant. Money is disbursed for the purpose of fees for various entities, salaries and operation of the Court Clerk's office.

REAP – revenues are from State Rural Economic Action Plan grant provided for the building.

Emergency Management Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts and school districts. The cash receipts and disbursements attributable to those other entities do not

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

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appear in funds on the County's financial statement; those funds play no part in the County's operations.

**C. Basis of Accounting**

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

**D. Budget**

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

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

**E. Cash**

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

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC). However, at June 30, 2007, \$769,818 of the County's deposits were uninsured and undercollateralized.

**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

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

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- 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.

All investments, as classified by state statute, in the General Fund Investment Fund are nonnegotiable Certificates of Deposits. Nonnegotiable Certificates of Deposits are not subject to interest rate risk or credit risk.

**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 6.66 hours per month and employees may accumulate up to 130 days. Sick leave is 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 \$43,343,938.

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

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Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.55 mills for general fund operations, 2.64 mills for county health department, and 3.11 mills for emergency medical service. 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 93.07 percent of the tax levy.

**3. Fuel Tax**

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the county highway fund.

**4. Risk Management**

The County is exposed to the various risks of loss shown in the following table:

<b>Types of Loss</b>	<b>Method of Management</b>	<b>Risk of Loss Retained</b>
General Liability <ul style="list-style-type: none"> <li>• Torts</li> <li>• Errors and Omissions</li> <li>• Law Enforcement Officers' Liability</li> <li>• Vehicle</li> </ul>	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"> <li>• Theft</li> <li>• Damage to Assets</li> <li>• Natural Disasters</li> </ul>		

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 \$10,000.00 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay



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

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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.

**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 \$148,483, \$136,260, and \$135,020, 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.

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

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**7. Other Post Employment Benefits (OPEB)**

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

**8. Contingent Liabilities**

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

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

**9. Sales Tax**

The voters of Okfuskee County approved a one and one-quarter percent sales tax effective March 1, 1993. The tax is permanent and is designated for the following purposes:

General Government	59.0%
Courthouse Repair and Maintenance	6.0%
OSU Extension	12.5%
Free Fair	4.5%
Rural Fire Districts	3.0%
Senior Citizen Centers	3.0%
Highway T-4 Special Projects	12.0%

**OTHER SUPPLEMENTARY INFORMATION**

**OKFUSKEE 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	\$ 718,664	\$ 718,664	\$ 718,664	\$ -
Less: Prior Year Outstanding Warrants	(27,721)	(27,721)	(27,451)	270
Less: Prior Year Encumbrances	(30,665)	(30,665)	(30,665)	
Beginning Cash Balances, Budgetary Basis	<u>660,278</u>	<u>660,278</u>	<u>660,548</u>	<u>270</u>
Receipts:				
Ad Valorem Taxes	424,659	424,659	450,315	25,656
Sales Tax	530,486	530,486	650,398	119,912
Charges for Services	89,244	89,244	76,566	(12,678)
Intergovernmental Revenues	142,037	142,037	141,088	(949)
Miscellaneous Revenues	43,038	43,038	128,104	85,066
Total Receipts, Budgetary Basis	<u>1,229,464</u>	<u>1,229,464</u>	<u>1,446,471</u>	<u>217,007</u>
Expenditures:				
County Sheriff	390,147	390,147	390,147	
Total County Sheriff	<u>390,147</u>	<u>390,147</u>	<u>390,147</u>	<u>-</u>
County Treasurer	86,068	86,068	85,485	583
Total County Treasurer	<u>86,068</u>	<u>86,068</u>	<u>85,485</u>	<u>583</u>
County Commissioners	25,000	25,000	19,968	5,032
Total County Commissioners	<u>25,000</u>	<u>25,000</u>	<u>19,968</u>	<u>5,032</u>
County Clerk	16,702	16,702	16,701	1
Total County Clerk	<u>16,702</u>	<u>16,702</u>	<u>16,701</u>	<u>1</u>
Court Clerk	57,076	57,076	56,528	548
Total Court Clerk	<u>57,076</u>	<u>57,076</u>	<u>56,528</u>	<u>548</u>
County Assessor	58,576	58,576	58,505	71
Total County Assessor	<u>58,576</u>	<u>58,576</u>	<u>58,505</u>	<u>71</u>
Revaluation of Real Property	88,564	88,564	84,965	3,599
Total Revaluation of Real Property	<u>88,564</u>	<u>88,564</u>	<u>84,965</u>	<u>3,599</u>
Juvenile Shelter Bureau	8,000	8,000	7,669	331
Total Juvenile Shelter Bureau	<u>8,000</u>	<u>8,000</u>	<u>7,669</u>	<u>331</u>
General Government	26,147	26,147	4,015	22,132
Total General Government	<u>26,147</u>	<u>26,147</u>	<u>4,015</u>	<u>22,132</u>
Excise-Equalization Board	3,500	3,500	2,364	1,136
Total Excise-Equalization Board	<u>3,500</u>	<u>3,500</u>	<u>2,364</u>	<u>1,136</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.

**OKFUSKEE 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**

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continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Election Board	53,170	53,170	45,691	7,479
Capital Outlay	9,735	9,735	9,735	
Total County Election Board	<u>62,905</u>	<u>62,905</u>	<u>55,426</u>	<u>7,479</u>
County Purchasing Agent	3,500	3,500	2,269	1,231
Total County Purchasing Agent	<u>3,500</u>	<u>3,500</u>	<u>2,269</u>	<u>1,231</u>
Charity	1,500	1,500	524	976
Total Charity	<u>1,500</u>	<u>1,500</u>	<u>524</u>	<u>976</u>
Sales Tax Fund	1,021,780	1,021,780	724,817	296,963
Total Sales Tax Fund	<u>1,021,780</u>	<u>1,021,780</u>	<u>724,817</u>	<u>296,963</u>
Civil Defense	31,500	31,500	15,947	15,553
Total Civil Defense	<u>31,500</u>	<u>31,500</u>	<u>15,947</u>	<u>15,553</u>
County Audit Budget Account	8,777	8,777	8,771	6
Total County Audit Budget Account	<u>8,777</u>	<u>8,777</u>	<u>8,771</u>	<u>6</u>
Total Expenditures, Budgetary Basis	<u>1,889,742</u>	<u>1,889,742</u>	<u>1,534,101</u>	<u>355,641</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	572,918	<u>\$ 572,918</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			39,838	
Add: Current Year Outstanding Warrants			47,355	
Ending Cash Balance			<u>\$ 660,111</u>	

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

**OKFUSKEE 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			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 92,299	\$ 92,299	\$ 92,299	\$ -
Less: Prior Year Encumbrances	(2,681)	(2,681)	(2,644)	37
Beginning Cash Balances, Budgetary Basis	<u>89,618</u>	<u>89,618</u>	<u>89,655</u>	<u>37</u>
Receipts:				
Ad Valorem Taxes	106,264	106,264	108,374	2,110
Charges for Services			5,041	5,041
Intergovernmental		4,941	4,626	(315)
Miscellaneous Revenues	2,277	2,277	3,893	1,616
Total Receipts, Budgetary Basis	<u>108,541</u>	<u>113,482</u>	<u>121,934</u>	<u>8,452</u>
Expenditures:				
Health and Welfare	145,000	149,941	124,088	25,853
Capital Outlay	53,159	53,159	11,490	41,669
Total Expenditures, Budgetary Basis	<u>198,159</u>	<u>203,100</u>	<u>135,578</u>	<u>67,522</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	76,011	<u>\$ 76,011</u>
Reconciliation to Statement of Receipts Disbursements and Changes in Cash Balances				
Add: Current Year Encumbrances			<u>14,214</u>	
Ending Cash Balance			<u>\$ 90,225</u>	

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

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

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**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.

See independent auditor's report.

**INTERNAL CONTROL AND COMPLIANCE SECTION**





# Oklahoma State Auditor & Inspector

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## **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  
OKFUSKEE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Okfuskee County, Oklahoma, as of and for the year ended June 30, 2007, which comprises Okfuskee County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 10, 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 Okfuskee 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying schedule of findings and responses to be a material weakness in internal control over financial reporting. 2007-6

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. 2007-3, 2007-4, 2007-9, 2007-10

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Okfuskee County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2007-5.

Okfuskee County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Okfuskee 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 the County, and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

March 10, 2011

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

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**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 2007-3 – Revenue Receipts**

Criteria: An internal control objective is to ensure all transactions are analyzed and accurately posted to the correct account in the correct amount. A basic objective of Governmental Generally Accepted Accounting Principles is to provide accurate and reliable information.

Condition: During our audit of the General Fund it was noted that the Revenue Receipt totaled \$9,629.45, but the Treasurer's Monthly Report total for this transaction was \$10,582.99.

Effect: The Treasurer's Monthly Report for the General Fund was overstated by \$953.54.

Recommendation: OSAI recommends that all revenue receipts be reconciled to the Miscellaneous Receipt Ledger and then to the totals on the Treasurer's Monthly Report to provide effective internal controls over accurate and reliable information.

Views of responsible officials and planned corrective actions: The County Treasurer has corrected this.

**Finding 2007-4 – Encumbrances**

Criteria: Safeguarding controls are an aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as assuring sufficient unencumbered balance is remaining in the account prior to issuing purchase orders, are deficiencies in internal control.

Condition: During the walk-through of internal controls interview process, it was discovered that the County makes some local purchases of supplies without obtaining a purchase order in advance of incurring the obligation; therefore, the remaining account balance is not verified in advance of the purchase to assure sufficient dollars remain to pay for the purchase and the purchase is not timely encumbered.

Effect: Purchases could be made in excess of available account balance.

Recommendation: OSAI recommends the County refrain from making purchases in advance of encumbering the funds against the account balance to provide effective safeguarding of assets.

Views of responsible officials and planned corrective actions: The County Clerk requires the use of Blanket Purchase Orders for local purchases of supplies.

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

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**Finding 2007-5 – Pledged Collateral-Cash and Investments**

Criteria: Title 62 O.S. § 72.4 states in part:

...The amount of collateral securities or instruments to be pledged for the security of public deposits shall not be less than the amount of the deposit to be secured, less the amount insured by FDIC...

Condition: During our procedures performed, we noted that Cash Account Funds/Investments deposited in Okemah National Bank were under-collateralized by \$769,818 on June 30, 2007.

Effect: The County would forfeit all funds not covered by collateral and FDIC if the Okemah National Bank failed.

Recommendation: OSAI recommends that the County Treasurer verify each month that all of the funds deposited in each bank are collateralized to sufficiently secure deposits in the event of a bank failure in accordance with Title 62 O.S. § 72.4.

Views of responsible officials and planned corrective actions: The County Treasurer has resolved this issue.

**Finding 2007-6 – Investments (Segregation of Duties)**

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

Condition: The County Treasurer performs all functions concerning the County's investments. The Treasurer has the responsibility to record, authorize and execute all transactions concerning the County investments.

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 this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of office operations and periodic review of those operations.

Views of responsible officials and planned corrective actions: The County Treasurer will implement steps to correct this. The Treasurer will take another Elected Official with her when renewing a CD.

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

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**Finding 2007-9 – County Clerk – Reconciliation of Appropriation Ledger to General Ledger**

Criteria: Safeguarding controls are an aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not prepared or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Condition: The County Clerk does not reconcile the appropriation ledger to the County Treasurer's general ledger for General Fund and Highway Cash Fund on a monthly basis.

Effect: The cash account balances could reflect erroneous balances.

Recommendation: OSAI recommends the County Clerk's appropriation ledger cash account balances be reconciled to the County Treasurer's general ledger cash account balances each month to help prevent and/or detect errors in a timely manner.

Views of responsible officials and planned corrective actions: The County Clerk will reconcile all accounts with the County Treasurer on a monthly basis.

**Finding 2007 – 10 – Password on Payroll System**

Criteria: Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the environment established by management. In addition, management attitude, qualifications, and operating style become the foundation of all other internal control components.

Condition: The password to access the County Clerk's payroll system is the same password used to access the County Clerk's purchase order system. The County Clerk (who also acts as the purchasing agent) and the payroll clerk use this password to access each of the bookkeeping systems. Employee passwords are not changed once initiated.

Effect: Security for the computer, computer programs, and data could be compromised.

Recommendation: OSAI recommends the County Clerk set up a separate (unique) password for each bookkeeping system with each user having a unique password assigned to gain access to the system. Employee passwords should be changed routinely with no other person gaining knowledge of the employee's password to provide adequate security over county payroll information.

Views of responsible officials and planned corrective actions: The County Clerk has discussed this with Kellpro. Kellpro is working with the State Auditor's office to correct this issue.



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