

COUNTY AUDIT

# OKFUSKEE COUNTY

For the fiscal year ended June 30, 2008



*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, 2008**

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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, 2008. 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". The signature is fluid and cursive.

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

**OKFUSKEE COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**OKFUSKEE COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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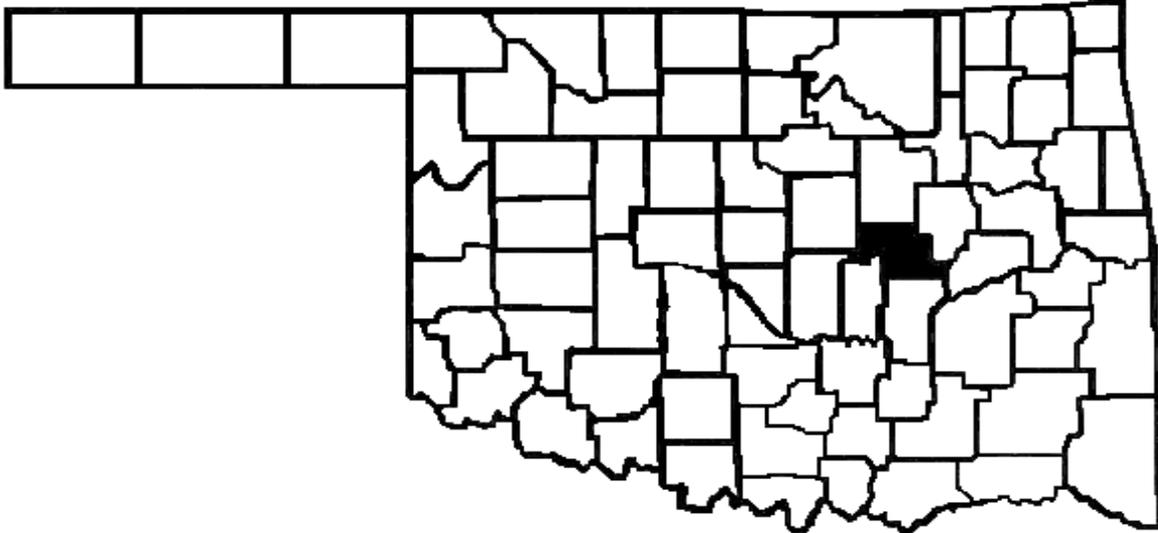
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**REPORT TO THE CITIZENS  
OF  
OKFUSKEE COUNTY, OKLAHOMA**

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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, 2008**

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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.

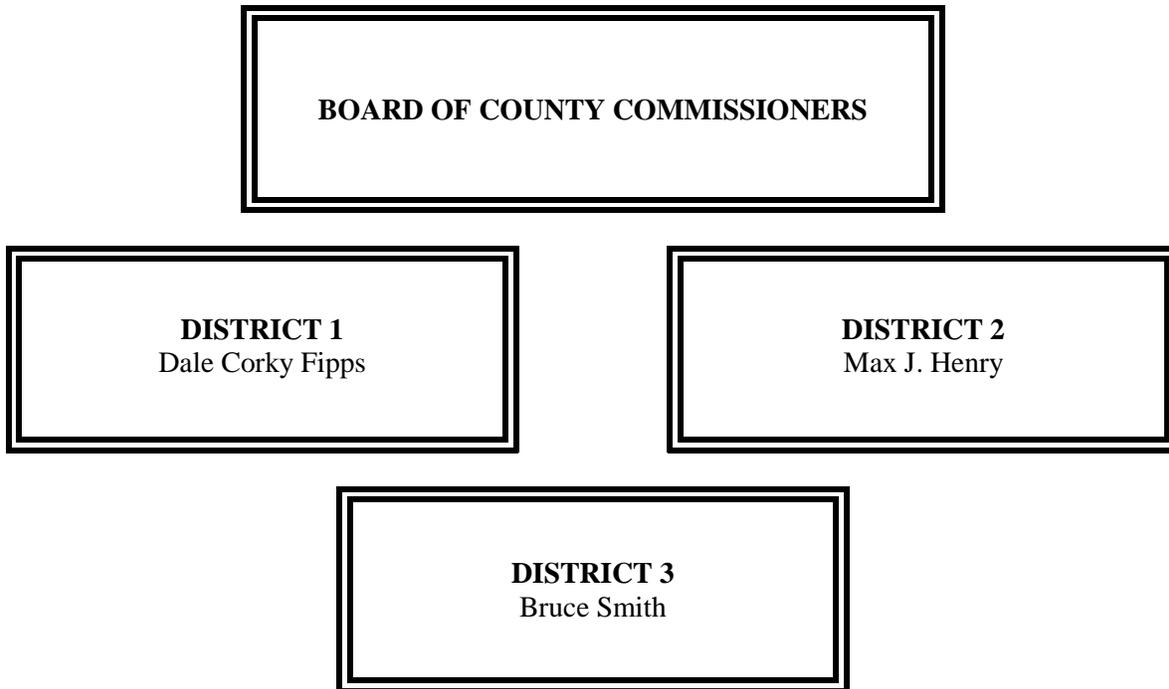
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. 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, 2008**

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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, 2008**

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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, 2008**

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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, 2008**

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**ELECTION BOARD SECRETARY**  
Deborah L. Dean

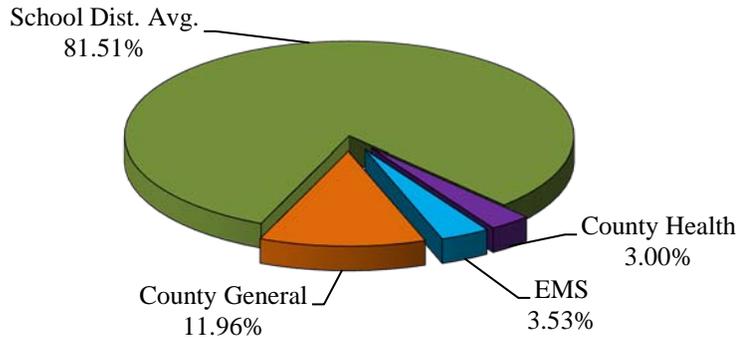
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within 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, 2008**

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	I-1	39.01	5.57	9.54	5.28		4.22	63.62
EMS	3.11	Boley	I-2	36.26	5.18	24.35	10.55	5.28	4.22	85.84
		Paden	I-37	37.27	5.32		10.55	5.28	4.22	62.64
		Okemah	I-51	36.80	5.26	26.26	5.28		4.22	77.82
		Bearden	I-56	37.74	5.39	17.97	5.28		4.22	70.60
		Weleetka	I-68	36.13	5.16		5.28		4.22	50.79
		Graham	I-95	37.75	5.39	18.73	5.28		4.22	71.37
		Hughes	I-96	39.35	5.62	29.99	5.28		4.22	84.46
		Seminole	I-97	36.68	5.24	18.01	10.55	5.28	4.22	79.98

See independent auditor's report.

**OKFUSKEE COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

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Total net assessed value as of January 1, 2007		<u>\$ 44,246,545</u>
Debt limit - 5% of total assessed value		2,212,327
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 2,212,327</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, 2008  
(UNAUDITED)**

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	2008
Estimated population	11,434
Net assessed value as of January 1, 2007	\$ 44,246,545
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, 2008  
 (UNAUDITED)**

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Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2007	\$10,137,551	\$12,591,448	\$24,509,163	\$2,991,617	\$44,246,545	\$370,074,933

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, 2008, 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, 2008, 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, 2008, 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. 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.



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, 2008**

	Beginning Cash Balances July 1, 2007	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2008
Combining Information:				
County General Fund	\$ 660,111	\$ 2,853,710	\$ 1,630,185	\$ 1,883,636
Highway Cash	785,227	3,086,267	2,777,995	1,093,499
County Health	90,225	138,317	137,964	90,578
Resale Cash Fund	113,154	38,454	10,170	141,438
County Clerk Lien Fee	56,134	23,322	12,824	66,632
County Clerk Record Preservation Fee	87,456	49,363	23,433	113,386
Sheriff Service Fee	79,258	109,451	87,833	100,876
Sheriff Revolving	53,459	14,766	20,350	47,875
Assessor Revolving	7,824	4,586	1,760	10,650
Mortgage Certification Fee	11,841	2,720		14,561
BIA	34,884	528		35,412
JAIB Grant	5,683	86		5,769
Insurance Damage	8,500	598,234	52,085	554,649
Hospital Fund	1,145,420	54,687	1,200,107	
Use Tax	39,188	22,815	15,130	46,873
Court Clerk Revolving	22,529	24,503	31,116	15,916
REAP	169	131,643	131,812	
Homeland Security		26,000	26,000	
Emergency Management Grant	6,332	7,100	5,572	7,860
<b>Combined Total -- All County Funds</b>	<u>\$ 3,207,394</u>	<u>\$ 7,186,552</u>	<u>\$ 6,164,336</u>	<u>\$ 4,229,610</u>

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, 2008**

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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**

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

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

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

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

County Health - 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.

**OKFUSKEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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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.

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.

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.

Homeland Security -accounts for grant monies received and disbursed as restricted by the grant agreement.

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

**OKFUSKEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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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.

**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).

**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, 2008**

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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 Deposit. Nonnegotiable Certificate of Deposit 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, 2007, was approximately \$44,246,545.

**OKFUSKEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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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, 2008, 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, 2008**

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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 8.5% and 13.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 13.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2008, 2007, and 2006, were \$157,514, \$148,483, and \$136,260, 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, 2008**

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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, 2008**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 659,597	\$ 659,597	\$ 660,111	\$ 514
Less: Prior Year Outstanding Warrants	(47,355)	(47,355)	(47,355)	
Less: Prior Year Encumbrances	(39,838)	(39,838)	(39,838)	
Beginning Cash Balances, Budgetary Basis	<u>572,404</u>	<u>572,404</u>	<u>572,918</u>	<u>514</u>
Receipts:				
Ad Valorem Taxes	442,216	442,216	521,206	78,990
Sales Tax	585,358	585,358	761,216	175,858
Charges for Services	68,909	69,919	129,366	59,447
Intergovernmental Revenues	126,979	126,979	96,321	(30,658)
Miscellaneous Revenues	63,864	63,864	1,345,601	1,281,737
Total Receipts, Budgetary Basis	<u>1,287,326</u>	<u>1,288,336</u>	<u>2,853,710</u>	<u>1,565,374</u>
Expenditures:				
County Sheriff	372,002	394,505	394,505	
Total County Sheriff	<u>372,002</u>	<u>394,505</u>	<u>394,505</u>	<u>-</u>
County Treasurer	90,868	91,235	89,904	1,331
Total County Treasurer	<u>90,868</u>	<u>91,235</u>	<u>89,904</u>	<u>1,331</u>
County Commissioners	20,000	20,868	20,868	
Total County Commissioners	<u>20,000</u>	<u>20,868</u>	<u>20,868</u>	<u>-</u>
Court Clerk	60,676	60,676	59,676	1,000
Total Court Clerk	<u>60,676</u>	<u>60,676</u>	<u>59,676</u>	<u>1,000</u>
County Assessor	62,176	62,176	61,163	1,013
Total County Assessor	<u>62,176</u>	<u>62,176</u>	<u>61,163</u>	<u>1,013</u>
Revaluation of Real Property	91,400	91,430	83,337	8,093
Total Revaluation of Real Property	<u>91,400</u>	<u>91,430</u>	<u>83,337</u>	<u>8,093</u>
Juvenile Shelter Bureau	8,000	8,000	2,377	5,623
Total Juvenile Shelter Bureau	<u>8,000</u>	<u>8,000</u>	<u>2,377</u>	<u>5,623</u>
General Government	44,884	21,013	12,093	8,920
Total General Government	<u>44,884</u>	<u>21,013</u>	<u>12,093</u>	<u>8,920</u>
Excise-Equalization Board	3,500	3,500	2,566	934
Total Excise-Equalization Board	<u>3,500</u>	<u>3,500</u>	<u>2,566</u>	<u>934</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, 2008**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Election Board	50,967	51,580	47,071	4,509
Total County Election Board	50,967	51,580	47,071	4,509
County Purchasing Agent	3,500	3,500	3,481	19
Total County Purchasing Agent	3,500	3,500	3,481	19
Charity	1,500	1,500	258	1,242
Total Charity	1,500	1,500	258	1,242
Sales Tax Fund	1,014,640	1,014,640	837,452	177,188
Total Sales Tax Fund	1,014,640	1,014,640	837,452	177,188
Civil Defense	31,000	31,500	16,483	15,017
Total Civil Defense	31,000	31,500	16,483	15,017
County Audit Budget Account	4,617	4,617	1,739	2,878
Total County Audit Budget Account	4,617	4,617	1,739	2,878
Total Expenditures, Budgetary Basis	1,859,730	1,860,740	1,632,973	227,767
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	1,793,655	1,793,655
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Warrants Estopped, Cancelled or Covered			193	
Add: Current Year Encumbrances			36,951	
Add: Current Year Outstanding Warrants			52,837	
Ending Cash Balance			\$ 1,883,636	

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, 2008**

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 90,225	\$ 90,225	\$ 90,225	\$ -
Less: Prior Year Encumbrances	(14,214)	(14,214)	(14,204)	10
Beginning Cash Balances, Budgetary Basis	<u>76,011</u>	<u>76,011</u>	<u>76,021</u>	<u>10</u>
Receipts:				
Ad Valorem Taxes	110,659	110,659	126,063	15,404
Charges for Services		4,844	5,151	307
Intergovernmental			3,447	3,447
Miscellaneous Revenues	1,341	1,341	3,656	2,315
Total Receipts, Budgetary Basis	<u>112,000</u>	<u>116,844</u>	<u>138,317</u>	<u>21,473</u>
Expenditures:				
Health and Welfare	135,000	138,244	127,133	11,111
Capital Outlay	53,011	54,611	10,097	44,514
Total Expenditures, Budgetary Basis	<u>188,011</u>	<u>192,855</u>	<u>137,230</u>	<u>55,625</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	77,108	<u>\$ 77,108</u>
Reconciliation to Statement of Receipts Disbursements and Changes in Cash Balances				
Add: Current Year Encumbrances			<u>13,470</u>	
Ending Cash Balance			<u>\$ 90,578</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, 2008**

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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.

**OKFUSKEE COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Community Development Block Grant/Technical Assistance Program	14.227	N/A	\$ 57,500
Total U.S. Department of Housing and Urban Development			<u>57,500</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Oklahoma Emergency Management:			
State Domestic Preparedness Equipment Support Program	97.004	N/A	26,000
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	PA-1678	1,378,153
Emergency Management Performance Grant	97.042	N/A	5,572
Total U.S. Department of Homeland Security			<u>1,409,725</u>
Total Expenditures of Federal Awards			<u>\$ 1,467,225</u>

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

**OKFUSKEE COUNTY, OKLAHOMA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**Summary of Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards has been prepared in conformity with the requirements set forth in the Single Audit Act of 1984, Public Law 98-502, the Single Audit Act Amendments of 1996, Public Law 104-156 and the Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*.

**A. Reporting Entity**

The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. The reporting entity is the primary government of Okfuskee County as presented in the basic financial statement.

**B. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the primary government of Okfuskee County and is presented on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles.

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  
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, 2008, 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. 2008-5

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. 2008-3, 2008-4, 2008-8, and 2008-9

#### 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 2008-6.

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.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent part.

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

March 10, 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  
OKFUSKEE COUNTY, OKLAHOMA

### Compliance

We have audited the compliance of Okfuskee 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, 2008. Okfuskee 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 Okfuskee County's management. Our responsibility is to express an opinion on Okfuskee 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 Okfuskee 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 Okfuskee County's compliance with those requirements.

In our opinion, Okfuskee 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, 2008.

### Internal Control Over Compliance

The management of Okfuskee 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 Okfuskee 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 Okfuskee County's internal control over compliance.

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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. 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.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use 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

March 10, 2011

**OKFUSKEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**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?..... Yes
- Significant deficiency(ies) 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
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ..... None Reported

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?..... No

Identification of Major Programs

CFDA Number(s)  
97.036

Name of Federal Program or Cluster  
Disaster Grants – Public Assistance  
(Presidentially Declared Disasters)

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

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

**OKFUSKEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**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 2008-3 – 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 and Health Fund Revenues, it was noted that the fiscal year 2006 Special Apportionment for Exempt Manufacturing was not included on the Treasurer's Monthly Report.

Effect: The Treasurer's Monthly Report for the General Fund was understated by \$5,739.24 and the Health Fund was understated by \$1,436.17.

Recommendation: OSAI recommends that all special apportionments made by the County Treasurer are included on the 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 2008-4 – Encumbrances (Repeat Finding)**

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.

**OKFUSKEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

**Finding 2008-5 – Investments (Segregation of Duties) (Repeat Finding)**

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

**Finding 2008-6 – Investments**

Criteria: Title 62 O.S. § 348.3 states in part:

...written policy, ordinance or resolution shall include provision for utilization of a system of competitive bidding in the investment of municipal funds...

Condition: During our interview with the County Treasurer, we noted that existing investments were not competitively bid during the renewal process. We noted that in the County Commissioners Resolution to Invest County Funds there are not any provisions that require the County Treasurer to acquire competitive bidding on County investments.

Effect: The County may not be receiving the maximum amount of interest from their investments.

Recommendation: OSAI recommends that the County Commissioners include a provision for the utilization of a system of competitive bidding for the County investments in the County Treasurer's Resolution to Invest County funds.

**OKFUSKEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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Views of responsible officials and planned corrective actions: The County Treasurer will take steps to correct this. The Treasurer will utilize a system of competitive bidding and advise the BOCC each time a CD is to be renewed.

**Finding 2008-8 – County Clerk – Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding)**

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 2008-9 – Password on Payroll System (Repeat Finding)**

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.

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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.

**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**

No matters were reported.



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