

OKFUSKEE COUNTY

FOR THE FISCAL YEAR ENDED
JUNE 30, 2005

COUNTY AUDIT



Oklahoma State Auditor
& Inspector

**OKFUSKEE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

This publication is printed and issued by the State Auditor and Inspector as authorized by 19 O.S. § 171. Pursuant to 74 O.S. § 3105.B, thirteen copies have been prepared and distributed at a cost of \$42.76. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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October 17, 2008

TO THE CITIZENS OF
OKFUSKEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Okfuskee County, Oklahoma, for the fiscal year ended June 30, 2005. 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 "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

A handwritten signature in blue ink that reads "Michelle R. Day".

MICHELLE R. DAY, ESQ.
DEPUTY STATE AUDITOR & INSPECTOR

**OKFUSKEE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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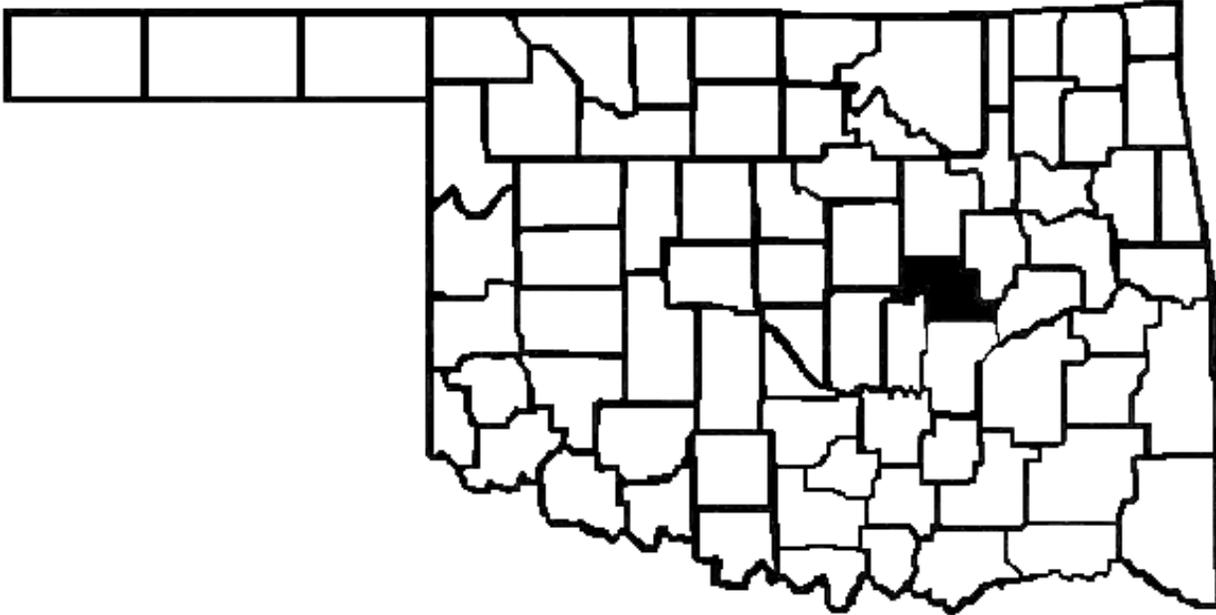
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**OKFUSKEE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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



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, Thlopthlocco 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 the Opothleyahola and the "Loyal Creeks."

Also, 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, 11th 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 80 acres of land belonging to a Creek freedman, is one of the few black towns remaining in the U.S. 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 – 11,637
(2004 est.)

Farms – 901

Land in Farms – 289,778 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

**OKFUSKEE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

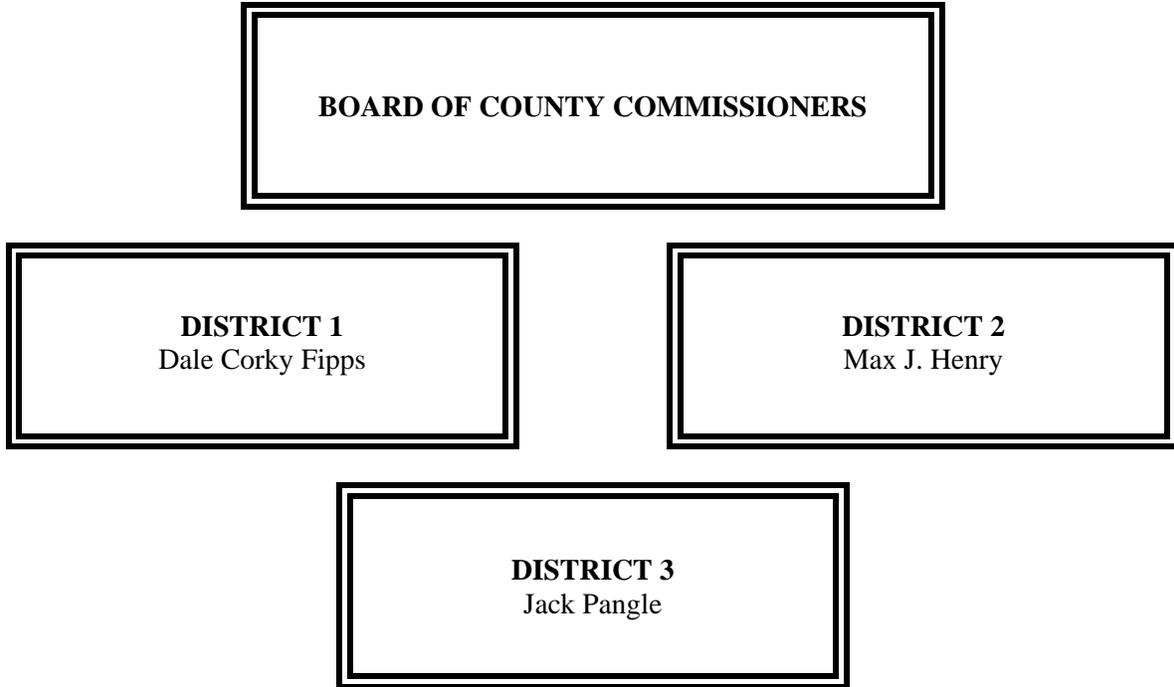
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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, 2005**



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, 2005**

COUNTY SHERIFF
J. C Muggs Fox

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
Dorothy J. Ross

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

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. The State Auditor and Inspector's Office prescribes all the forms used by the County Treasurer, and at least twice a year inspects the County Treasurer's accounts.

See independent auditor's report.

**OKFUSKEE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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. Court Clerks use forms and follow procedures prescribed by the Court Administrator's Office, the Oklahoma Supreme Court, and the State Auditor and Inspector.

DISTRICT ATTORNEY
Max Cook

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, 2005**

ELECTION BOARD SECRETARY
Deborah Dean

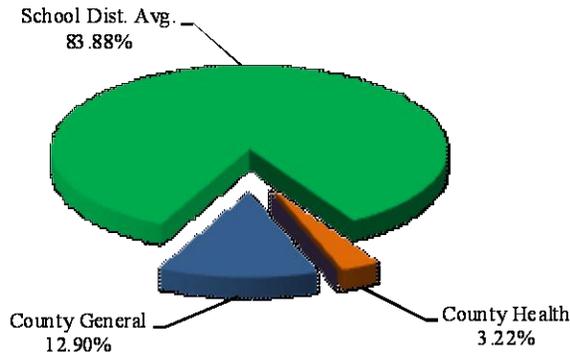
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within 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, 2005**

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



County-Wide Millages		School District Millages								
								Career		
				Gen.	Bldg.	Skg.	Tech	Common	Total	
County General	10.55	Mason	I-2	39.01	5.57	12.43	5.28	4.22	66.51	
County Health	2.64	Boley	I-13	36.26	5.18	14.62	15.83	4.22	76.11	
		Paden	I-14	37.27	5.32		15.83	4.22	62.64	
		Okemah	I-26	36.80	5.26	22.66	5.28	4.22	74.22	
		Bearden	D-29	37.74	5.39		5.28	4.22	52.63	
		Weleetka	I-31	36.13	5.16		5.28	4.22	50.79	
<u>Other</u>		Graham	I-32	37.75	5.39	21.94	5.28	4.22	74.58	
Weleetka/Graham EMS	3.11	Hughes	JT-5	39.35	5.62	25.60	5.28	4.22	80.07	
Weleetka/Graham EMS Skg	0.45	Seminole	JT-15	36.68	5.24	18.02	15.83	4.22	79.99	

See independent auditor's report.

**OKFUSKEE COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)**

Total net assessed value as of January 1, 2004		<u>\$ 41,767,445</u>
Debt limit - 5% of total assessed value		2,088,372
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 2,088,372</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, 2005
(UNAUDITED)**

	2005
Estimated population	11,637
Net assessed value as of January 1, 2004	\$ 41,767,445
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, 2005
 (UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2004	\$7,477,976	\$14,025,071	\$23,135,882	\$2,871,484	\$41,767,445	\$315,953,723

See independent auditor's report.

FINANCIAL SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

Independent Auditor's Report

TO THE OFFICERS OF 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, 2005, 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. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

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

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Okfuskee County as of June 30, 2005, 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, 2005, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2006, 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.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR



MICHELLE R. DAY, ESQ.
DEPUTY STATE AUDITOR & INSPECTOR

October 18, 2006

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, 2005

	Beginning Cash Balances July 1, 2004	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2005
Combining Information:				
County General Fund	\$ 590,185	\$ 1,183,800	\$ 1,083,544	\$ 690,441
Highway Cash	1,086,269	2,023,079	2,321,989	787,359
Resale Cash Fund	106,555	31,601	31,151	107,005
County Health	139,608	114,848	116,289	138,167
County Clerk Lien Fee	9,678	13,621	3,830	19,469
County Clerk Record Preservation	53,042	28,540	15,539	66,043
Mortgage Certification Fee	5,772	3,145	407	8,510
Sheriff Service Fees	39,171	38,570	63,505	14,236
Sheriff Revolving Fund	37,542	37,076	22,410	52,208
Assessor Revolving Fund	6,001	2,451	1,672	6,780
BIA	33,344	503		33,847
CDBG- Road Project	81,910	121,203	203,113	
CDBG-Solid Waste		346,255	346,255	
CDBG		19,611		19,611
Safe Room		8,702	8,702	
JAIB Grant	5,432	82		5,514
Insurance Damage	8,500			8,500
Hospital Fund	1,071,416			1,071,416
Use Tax	20,544	11,017	6,225	25,336
Court Clerk Revolving		33,958	14,522	19,436
Combined Total--All County Funds	\$ 3,294,969	\$ 4,018,062	\$ 4,239,153	\$ 3,073,878

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, 2005**

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 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.

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

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

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

County Clerk Record Preservation – revenues are from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

**OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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.

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

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

Assessor Revolving Fund – 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.

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.

Safe Room – accounts for grant funds received from the Federal Emergency Management Agency. Disbursements are made to individuals for safe room 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 asset 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.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, school districts, and cities and towns. The cash receipts and disbursements attributable to those other

**OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations.

C. Basis of Accounting

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

D. Budget

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved 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
- Certificates of deposit

**OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured.

G. Compensated Absences

Vacation leave is accrued monthly and must be earned before it is taken. Employees with 0-1 year of service earn 5 days per year. Employees with 1-10 years of service earn 10 days per year. Employees with over 10 years of service earn 15 days per year. A maximum of 5 days may be carried over from one year to the next.

Sick leave benefits are accrued at the rate of 6.67 hours per month and employees may accumulate up to 130 days. Sick leave is not paid upon termination.

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

The assessed property value as of January 1, 2004, was approximately \$41,767,445.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.55 mills (the legal maximum) for general fund operations and 2.64 mills for county health department. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

**OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

Current year tax collections for the year ended June 30, 2005, were approximately 95.68 percent of the tax levy.

3. Fuel Tax

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

4. Risk Management

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

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers Liability • Vehicle 	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 		
Workers' Compensation <ul style="list-style-type: none"> • Employees' Injuries 	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.

**OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

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

5. Long-term Obligations

Capital Leases

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

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

**OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2005, 2004, and 2003 were \$135,020, \$134,430, and \$111,900, respectively, equal to the required contributions for each year.

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.

**OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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, 2005

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 590,185	\$ 590,185	\$ 590,185	\$ -
Less: Prior Year Outstanding Warrants	(46,260)	(46,260)	(46,247)	13
Less: Prior Year Encumbrances	(911)	(911)	(906)	5
Beginning Cash Balances, Budgetary Basis	<u>543,014</u>	<u>543,014</u>	<u>543,032</u>	<u>18</u>
Receipts:				
Ad Valorem Taxes	400,585	400,588	416,649	16,061
Sales Tax	443,668	443,668	522,854	79,186
Charges for Services	58,674	58,674	79,925	21,251
Intergovernmental Revenues	91,595	91,595	106,855	15,260
Miscellaneous Revenues	41,138	41,138	57,517	16,379
Total Receipts, Budgetary Basis	<u>1,035,660</u>	<u>1,035,663</u>	<u>1,183,800</u>	<u>148,137</u>
Expenditures:				
Total County Sheriff	<u>241,235</u>	<u>241,235</u>	<u>241,234</u>	<u>1</u>
Total County Commissioners	<u>36,200</u>	<u>36,200</u>	<u>14,076</u>	<u>22,124</u>
Total County Treasurer	<u>76,668</u>	<u>76,668</u>	<u>76,539</u>	<u>129</u>
County Clerk	98,260	98,260	94,789	3,471
Capital Outlay	680	680		680
Total County Clerk	<u>98,940</u>	<u>98,940</u>	<u>94,789</u>	<u>4,151</u>
Total Court Clerk	<u>51,076</u>	<u>51,076</u>	<u>50,976</u>	<u>100</u>
Total County Assessor	<u>52,576</u>	<u>52,576</u>	<u>52,495</u>	<u>81</u>
Total Revaluation of Real Property	<u>44,409</u>	<u>44,409</u>	<u>40,909</u>	<u>3,500</u>
Total Juvenile Shelter Bureau	<u>7,500</u>	<u>7,500</u>	<u>5,760</u>	<u>1,740</u>
Total General Government	<u>34,269</u>	<u>34,269</u>	<u>6,481</u>	<u>27,788</u>
Total Excise-Equalization Board	<u>3,500</u>	<u>3,500</u>	<u>2,649</u>	<u>851</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, 2005

continued from previous page

	Original	Final		
Total County Election Board	42,068	42,068	40,427	1,641
Total County Purchasing Agent	3,000	3,000	2,638	362
Total County Charity	1,500	1,500	89	1 411
County Civil Defense	8,000	8,000	7,403	597
Capital Outlay	1	1		1
Total Free Fair Budget	8,001	8,001	7,403	598
Total Sales Tax General Government	496,997	496,997	279,772	217,225
Total Sales Courthouse Repairs	86,410	86,410	10,092	76,318
Total Sales Tax OSU Extension	88,667	88,667	51,192	37,475
Total Sales Tax Free Fair	26,938	26,938	22,477	4,461
Total Sales Tax Rural Fire	29,534	29,534	15,267	14,267
Total Sale Tax Senior Citizens	25,016	25,016	14,230	10,786
Total Sales Tax Highway Special Projects	112,494	112,494	48,892	63,602
Total County Audit	4,707	4,707	4,707	-
Provision for Interest	6,973	6,973	6,973	-
Total Expenditures, Budgetary Basis	1,578,677	1,578,677	1,090,067	488,610
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	636,765	\$ 636,765
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			25,257	
Add: Current Year Outstanding Warrants			28,419	
Ending Cash Balance			\$ 690,441	

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

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 139,608	\$ 139,608	\$ 139,608	\$ -
Less: Prior Year Outstanding Warrants	(6,821)	(6,821)	(6,821)	
Less: Prior Year Encumbrances	(650)	(650)	(650)	
Add: Prior Year Lapsed Appropriations			375	375
Beginning Cash Balances, Budgetary Basis	<u>132,137</u>	<u>132,137</u>	<u>132,512</u>	<u>375</u>
Receipts:				
Ad Valorem Taxes	100,242	105,844	100,955	(4,889)
Charges for			8,125	8,125
Intergovernmental			1,122	1,122
Miscellaneous Revenues			4,646	4,646
Total Receipts, Budgetary Basis	<u>100,242</u>	<u>105,844</u>	<u>114,848</u>	<u>9,004</u>
Expenditures:				
Health and Welfare	148,150	153,752	121,003	32,749
Capital Outlay	84,229	84,229	7,551	76,678
Total Expenditures, Budgetary Basis	<u>232,379</u>	<u>237,981</u>	<u>128,554</u>	<u>109,427</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	118,806	<u>\$ 118,806</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			19,361	
Add: Current Year Outstanding Warrants				
Ending Cash Balance			<u>\$ 138,167</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, 2005**

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, 2005**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through State Department of Commerce:			
Community Development Block Grants	14.228	8930 CDBG 99	\$ 311,812
Community Development Block Grants	14.228	10773 CDBG 02	199,926
Community Development Block Grants	14.228	10894 CDBG 03	<u>37,631</u>
Total U.S. Department of Housing and Urban Development			<u>549,369</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Oklahoma Department of Civil Emergency Management:			
Hazard Mitigation Grant (Safe Room)	97.039	N/A	<u>8,702</u>
Total U.S. Department of Homeland Security			<u>8,702</u>
Total Expenditures of Federal Awards			<u><u>\$ 558,071</u></u>

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

**OKFUSKEE COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Basis of Presentation

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

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

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

TO THE OFFICERS OF
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, 2005, 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 October 18, 2006. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Okfuskee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Okfuskee County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2002-1.

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

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

This report is intended solely for the information and use of the management of Okfuskee 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., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



STEVE BURRAGE, CPA
STATE AUDITOR AND INSPECTOR



MICHELLE R. DAY, ESQ.
DEPUTY STATE AUDITOR & INSPECTOR

October 18, 2006

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

Report on 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, 2005. 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 on Okfuskee County's compliance with those requirements.

As described in item 2005-7, in the accompanying schedule of findings and questioned costs, Okfuskee County did not comply with requirements regarding the activities allowed or unallowed that are applicable to its Community Development Block Grant/ State's program. Compliance with such requirements is necessary, in our opinion, for Okfuskee County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2005. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2005-1, 2005-2, 2005-3, 2005-4, 2005-5, and 2005-6.

Internal Control Over Compliance

The management of Okfuskee County is responsible for establishing and maintaining effective internal control over compliance with 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 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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of Okfuskee 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., section 24A.1 et seq.), and shall be open to any person for inspection and copying.


STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR


MICHELLE R. DAY, ESQ.
DEPUTY STATE AUDITOR & INSPECTOR

August 18, 2008

**OKFUSKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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
- Reportable condition(s) identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted?..... No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... No
- Reportable condition(s) identified that are not considered to be material weakness(es)? None reported

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

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

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant

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, 2005**

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 2002-1—Segregation of Duties (Repeat Finding)

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping, and reconciliation are important elements of effective internal control over government assets and resources.

Condition: Based upon inquiries of County personnel and test work performed, it was noted that the County offices have not properly segregated the duties of receiving, receipting, recording, and depositing cash and checks, which is necessary to assure adequate internal control structure.

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

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 desired from a control point of view. The most effective controls lie in management's knowledge of office operations and a periodic review of operations.

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

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

Finding 2005-1 – Allowable Cost Requirements

Federal Program: Community Development Block Grant/State's Program, CFDA #14.228

Federal Agency: Department of Housing and Urban Development passed through State Department of Commerce

Criteria: OMB Circular A-133 compliance requirements have general criteria to determine allowability of costs under federal awards. One of the requirements is that costs must conform to any limitations or exclusions set forth in circulars, federal laws, and state or local laws.

Condition: From the compliance testwork performed, 20 items, comprising 100 percent of the federal disbursements were selected for fiscal year 2005. Of the 20 items tested, the following instances were noted:

- In eight instances the invoice date was prior to the requisition date.
- In nine instances the receiving report had no date.

**OKFUSKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

- In five instances there was no signature on the receiving report.
- In three instances the invoice date was prior to the receiving report date.

Effect: The resulting effect is noncompliance with Oklahoma Statutes and OMB Circular A-133.

Recommendation: OSAI recommends all purchases conform to Oklahoma Statutes purchasing laws; require requisitions to be made prior to ordering or receiving the goods or services; and also require receiving reports to be signed and dated when the goods are received.

Views of responsible officials and planned corrective actions:

Diane Flanders- Okfuskee County Clerk

Because this grant was administered by COEDD, I didn't always know in advance when a purchase was made, causing the invoice to be dated prior to the requisition date. The receiving reports were done when the invoices were received, causing the invoice date to be prior to the receiving report date. There is no explainable reason for the receiving reports to be unsigned and/or not dated.

Finding 2005-2 – Davis-Bacon Act

Federal Program: Community Development Block Grant/State's Program, CFDA #14.228

Federal Agency: Department of Housing and Urban Development passed through State Department of Commerce

Criteria: 40 USC 276a – 276a-7 refers to the Davis Bacon Act which requires all laborers and mechanics employed by contractors and subcontractors, who work on construction contracts in excess of \$2,000 financed by federal assistance funds, must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor. The OMB Circular A-133 requires that the Davis-Bacon Act be followed in these circumstances.

Condition: Although the grant administrator and the County were aware of the Davis-Bacon Act, there did not appear to be an independent monitoring process in place to ensure that contractors and subcontractors are being paid the prevailing wage rate.

Effect: The resulting effect is possible noncompliance with the requirements of the grant.

Recommendation: OSAI recommends all construction contracts in excess of \$2,000 funded through the County with federal funds, be monitored by both the County and the grant administrator to ensure that the prevailing wage rate is being paid. This should be done as an independent verification of the certified wage reports that the contractor must submit.

Views of responsible officials and planned corrective actions:

Diane Flanders- Okfuskee County Clerk

I have been unable to reach Ryan Bixler at the Department of Commerce to obtain copies of the wage reports required by the Davis Bacon Act. However, Commerce would not release funds to the County without the required wage reports.

**OKFUSKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Finding 2005-3 – Equipment Management

Federal Program: Community Development Block Grant/State's Program, CFDA #14.228

Federal Agency: Department of Housing and Urban Development passed through State Department of Commerce

Criteria: Compliance requirements per OMB Circular A-133 require that all equipment (meaning tangible nonexpendable property) charged directly to the federal award that has a useful life of more than one year and an acquisition cost of \$5,000 or more per unit should follow the federal grant requirements and state and local laws with regards to use, managing, and disposing of the equipment.

Condition: Compliance test work revealed that a physical inventory is not taken on a periodic basis to determine the existence of equipment purchased with federal funds. A visual verification of the facility showed an unidentified Bobcat was in the facility, but did not show up on the equipment inventory purchased with federal funds.

Effect: Lack of accountability for federal expenditures.

Recommendation: OSAI recommends that all equipment charged to the federal award with a useful life of more than one year and an acquisition cost of \$5,000 be inventoried on a periodic basis.

Views of responsible officials and planned corrective actions:

Diane Flanders- Okfuskee County Clerk

The Bobcat in question was not purchased until FY 05-06 and added to inventory on August 18, 2008.

Finding 2005-4 – Procurement

Federal Program: Community Development Block Grant/State's Program, CFDA #14.228

Federal Agency: Department of Housing and Urban Development passed through State Department of Commerce

Criteria: According to OMB Circular A-133, "Under rules in effect prior to November 26, 2003, contractors receiving individual awards for \$100,000 or more and all subrecipients must certify that the organization and its principals are not suspended or debarred. Effective November 26, 2003, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (§__300). The information contained in the EPLS is available in printed and electronic formats. The printed version is published monthly."

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Condition: The auditor examined the information in the CDBG files maintained by the County Clerk, as well as speaking with the COEDD Grant Administrator concerning evidence of certification that contractors awarded in excess of \$100,000 in federal funds were not suspended or debarred. The auditor could not find any evidence that the EPLS System had been checked, a certification from the contractor collected or a clause in the contract to the awarded contractor.

Effect: The resulting effect is noncompliance with certification and verification requirements of the grant.

Recommendation: OSAI recommends for all construction contracts in excess of \$100,000, the County document the contractor is certified and not suspended or debarred from doing business on federal government contracts. This can be done by checking the EPLS System and documenting this check, collecting a certification from the contractor or adding a clause to the construction contract.

Views of responsible officials and planned corrective actions:

Diane Flanders- Okfuskee County Clerk

The County was unaware of this rule.

Finding 2005-5 – Reporting

Federal Program: Community Development Block Grant/State's Program, CFDA #14.228

Federal Agency: Department of Housing and Urban Development passed through State Department of Commerce

Criteria: OMB Circular A-133, requires for Community Development Block Grants that a certain financial report is required to be submitted to the Oklahoma Department of Commerce for each program year. This report is due from each grantee within 90 days of the close of the program year. The report is the Performance and Evaluation Report (OMB No. 2506-0085).

Condition: Per discussions with the grant administrator, we were informed that this report has never been filed with Oklahoma Department of Commerce.

Effect: The resulting effect is noncompliance with reporting requirements of the grant.

Recommendation: OSAI recommends the "Performance and Evaluation Report" be filed with the Oklahoma Department of Commerce within 90 days following the close of the program year.

Views of responsible officials and planned corrective actions:

Diane Flanders- Okfuskee County Clerk

The County was unaware of this rule. The auditor was unable to explain the report to Commissioner Henry.

OSAI response: Grantees are required to be cognizant of all grant requirements.

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Finding 2005-6 – Reporting

Federal Program: Community Development Block Grant/State's Program, CFDA #14.228

Federal Agency: Department of Housing and Urban Development passed through State Department of Commerce

Criteria: Per the CDBG grant contract with the Oklahoma Department of Commerce, a Monthly Expenditure Report is to be filed by the 10th day of the following month following the receipt or disbursement of federal funds.

Condition: We were unable to locate Report Number 4 of the CDBG Monthly Expenditure Report for the Grant 10894 CDBG 03.

Effect: We could not determine if the expenditures for that reporting period were consistent with the County's disbursement records.

Recommendation: OSAI recommends the County, as well as the grant administrator, maintain a copy of all required reports submitted to the federal government or to the awarding agency.

Views of responsible officials and planned corrective actions:

Diane Flanders- Okfuskee County Clerk

Monthly Expenditure Report Number 4 was found in the disbursement records.

OSAI response: The grant agreement requires that a monthly expenditure report be filed with the Oklahoma Department of Commerce. Management should maintain all reports and records in a manner to be readily accessible and available during the audit in order to document compliance with grant requirements. Furthermore, accountability and safeguarding of records are elements of an effective internal control system.

Finding 2005-7 – Eligible Activities and Property Management

Federal Program: Community Development Block Grant/State's Program, CFDA #14.228

Federal Agency: Department of Housing and Urban Development passed through State Department of Commerce

Criteria: Section 105(a) of the Housing and Community Development Act of 1974 lists the activities eligible under the CDBG State Program (State administered small cities program). The list of eligible activities is numerous. A few of the eligible activities include:

- the acquisition of real property;
- the acquisition, construction, reconstruction, or installation of public works, facilities and site, or other improvements, including those that promote energy efficiency;
- code enforcement in deteriorated or deteriorating areas;
- clearance, demolition, reconstruction, rehabilitation, and removal of buildings and improvements;

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- acquisition, construction, reconstruction, rehabilitation, or installation of commercial or industrial buildings.

Each activity that the State funds must either benefit low to moderate income families; aid in the prevention or elimination of slums or blight; or meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available.

According to the CDBG grant contract *Part II - Terms and Conditions*, paragraph 4a, "The Contractor agrees to perform those duties, obligations and representations contained in its application and to be bound by the provisions of its application, all amendments thereto and all correspondence relating thereto, which were submitted to and accepted by the Department of Commerce (ODOC) in contemplation of this contract, said application being incorporated herein and made a part hereof by reference.

Condition: Okfuskee County applied for the CDBG grant from ODOC with the intent to benefit low to moderate income families of Okfuskee County. Per an official with the Department of Commerce, the application for the grant included a "Direct Project Beneficiary Income Survey," which specified the total number of families in the low and moderate income level to be targeted as beneficiaries of the Solid Waste Facility.

The Solid Waste Facility, was initiated as a result of an interlocal agreement with the City of Okemah, the City of Boley and Okfuskee County, is not in operation, is surrounded by tall weeds, and the interior of the building is covered with bird residue. A locked gate surrounds the facility. In order to make the Solid Waste Facility operable, additional expenses will have to be incurred. This condition is especially crucial, because the Solid Waste Facility was built at a cost of approximately \$750,000 with federal funds and has never been used. The County is carrying property insurance on the facility. Expenditures for fiscal year 2005 were \$549,369. Expenditures for prior and subsequent years were \$200,073. Therefore, we are questioning the total grant award of \$749,442.

Effect: The resulting effect is possible noncompliance with the terms of the grant agreement concerning management and use, and also a questionable cost per the Housing and Community Development Act of 1974.

Recommendation: OSAI recommends that the Solid Waste Facility Board (which includes a representative from Okfuskee County) meet to determine the future of the Solid Waste Facility and whether it is feasible for the facility to become operational.

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



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