

COUNTY AUDIT

# OKMULGEE COUNTY

For the fiscal year ended June 30, 2011



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

**OKMULGEE COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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



# Oklahoma State Auditor & Inspector

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

January 23, 2014

TO THE CITIZENS OF  
OKMULGEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Okmulgee County, Oklahoma for the fiscal year ended June 30, 2011. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones", is written over a horizontal line.

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

**OKMULGEE COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**OKMULGEE COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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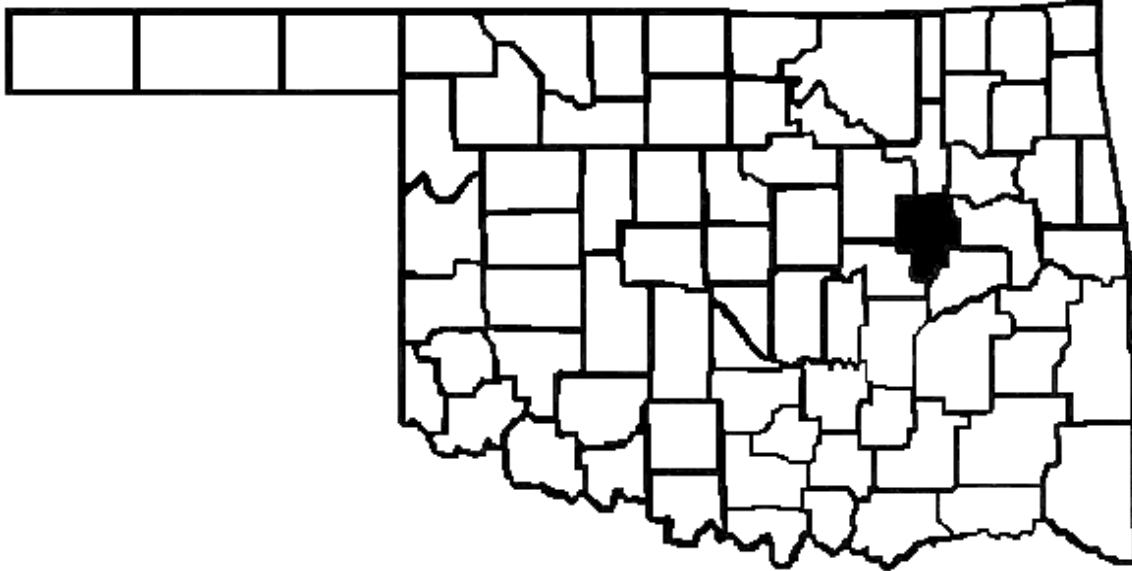
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**INTRODUCTORY SECTION**  
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**OKMULGEE COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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The name Okmulgee comes from a Creek word meaning "boiling water." Created at statehood from lands in the Creek Nation, Indian Territory. The county seat, Okmulgee, has been the capital of the Creek Nation since the Civil War. The Indians chose the site in the belief that tornadoes would not strike the area and so far history has proven them correct.

Two local lakes furnish most of the water for the county. Major highways are I-40, east-west, and S.H. 75, north-south. Burlington Northern Railroad maintains a station for shipping.

Points of interest are: the Creek Council House Museum (former meeting place of the Intertribal Council of the Five Civilized Tribes), the Creek Tribal Complex, Samuel Checote grave site, Oklahoma State University – Okmulgee, Nuyaka Mission, and Okmulgee State Park. A Pecan Festival is held mid-June annually in Okmulgee and a Labor Day celebration is observed in Henryetta each year. Both cities support public libraries. The City of Okmulgee is a participant in the Oklahoma Department of Commerce's Main Street project.

*History of Okmulgee County* offers information about the area. For additional information, call the County Clerk's office at (918) 756-0788.

County Seat – Okmulgee

Area – 702.32 Square Miles

County Population – 39,292  
(2009 est.)

Farms – 1,449

Land in Farms – 294,324 Acres

Primary Source: Oklahoma Almanac 2011-2012

**OKMULGEE COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Board of County Commissioners**

District 1 – J.W. Hill  
District 2 – Bobby Hardridge  
District 3 – James Connors

**County Assessor**

Lisa Smart

**County Clerk**

Becky Thomas

**County Sheriff**

Eddy Rice

**County Treasurer**

Vonna Lampkins

**Court Clerk**

Linda Beaver

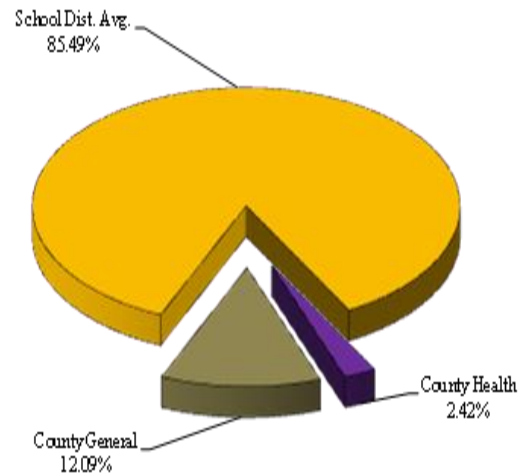
**District Attorney**

O.R. Barris III



**OKMULGEE COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

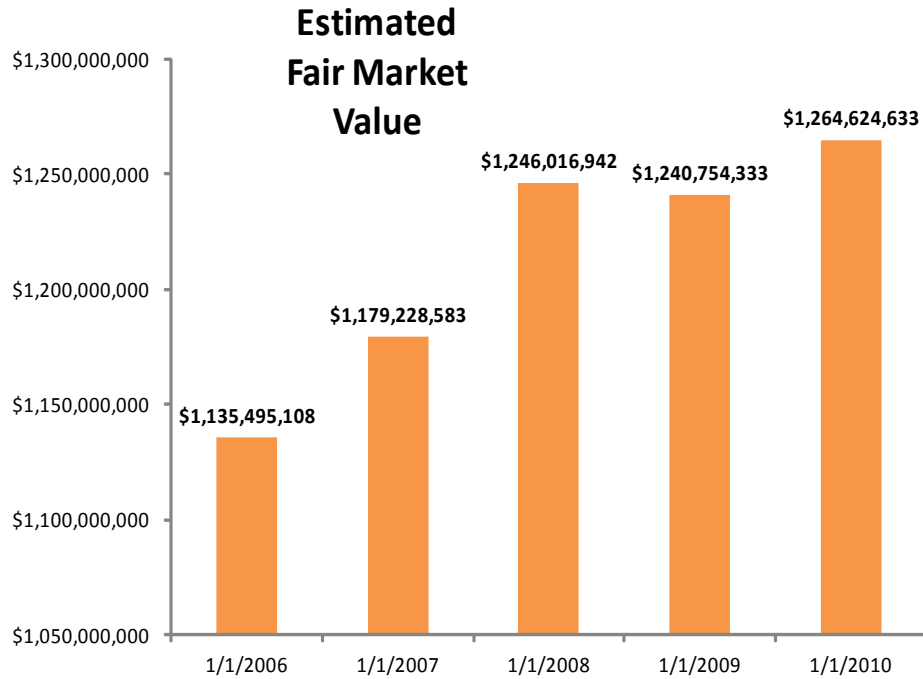
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.00								
County Health	2.00	Okmulgee	I-1	35.00	5.00	11.63	10.00	4.00	65.63
		Henryetta	I-2	35.00	5.00	15.40	10.00	4.00	69.40
		Morris	I-3	35.00	5.00	18.41	10.00	4.00	72.41
		Beggs	I-4	35.00	5.00	27.42	10.00	4.00	81.42
		Preston	I-5	35.00	5.00	22.81	10.00	4.00	76.81
		Schulter	I-6	35.00	5.00	26.37	10.00	4.00	80.37
		Wilson	I-7	35.00	5.00	20.88	10.00	4.00	74.88
		Dewar	I-8	35.00	5.00	20.49	10.00	4.00	74.49
		Twin Hills	D-11	35.00	5.00	11.43	10.00	4.00	65.43
		Tulsa	JT-14	35.00	5.00	23.12	8.00	4.00	75.12
		Creek	JT-5	35.00	5.00	28.61	10.00	4.00	82.61
		Muskogee	JT-27	35.00	5.00	21.84	8.00	4.00	73.84
		McIntosh	JT-19	35.00	5.00	24.43	8.00	4.00	76.43
		McIntosh	JT-27	35.00	5.00	8.86	8.00	4.00	60.86
		Okfuskee	JT-31	35.00	5.00	35.59	5.00	4.00	84.59
		Okfuskee	JT-32	35.00	5.00	15.67	5.00	4.00	64.67

**OKMULGEE COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
TREND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

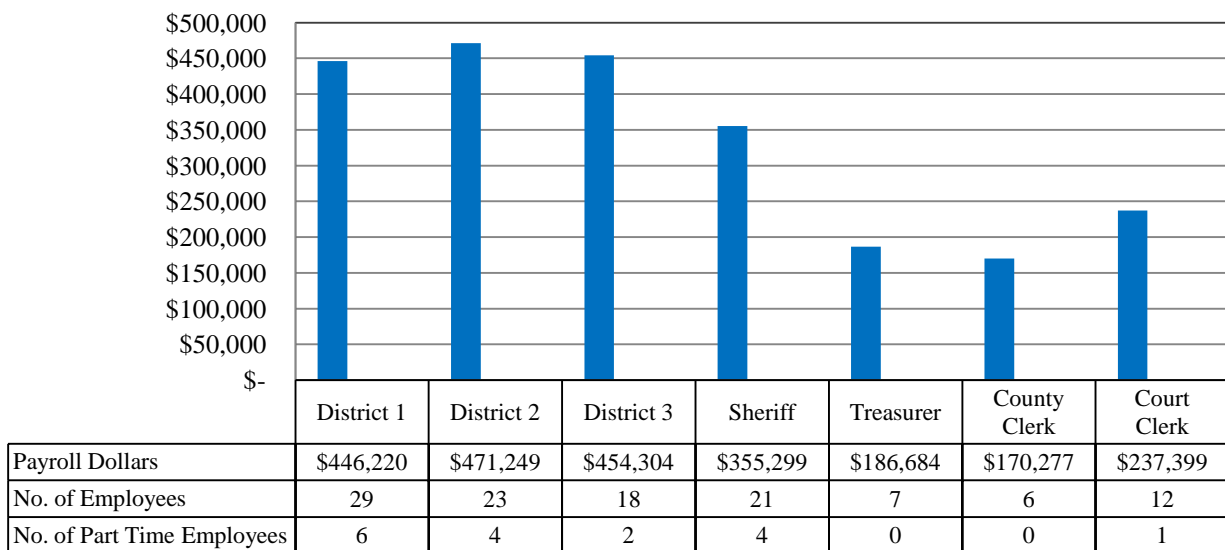
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2010	\$31,585,071	\$22,030,198	\$107,885,510	\$9,745,823	\$151,754,956	\$1,264,624,633
1/1/2009	\$31,141,237	\$21,849,210	\$105,665,713	\$9,765,640	\$148,890,520	\$1,240,754,333
1/1/2008	\$34,704,281	\$22,918,855	\$101,573,355	\$9,674,458	\$149,522,033	\$1,246,016,942
1/1/2007	\$32,908,481	\$21,616,242	\$96,443,501	\$9,460,794	\$141,507,430	\$1,179,228,583
1/1/2006	\$30,747,662	\$24,616,108	\$90,481,908	\$9,584,265	\$136,261,413	\$1,135,495,108



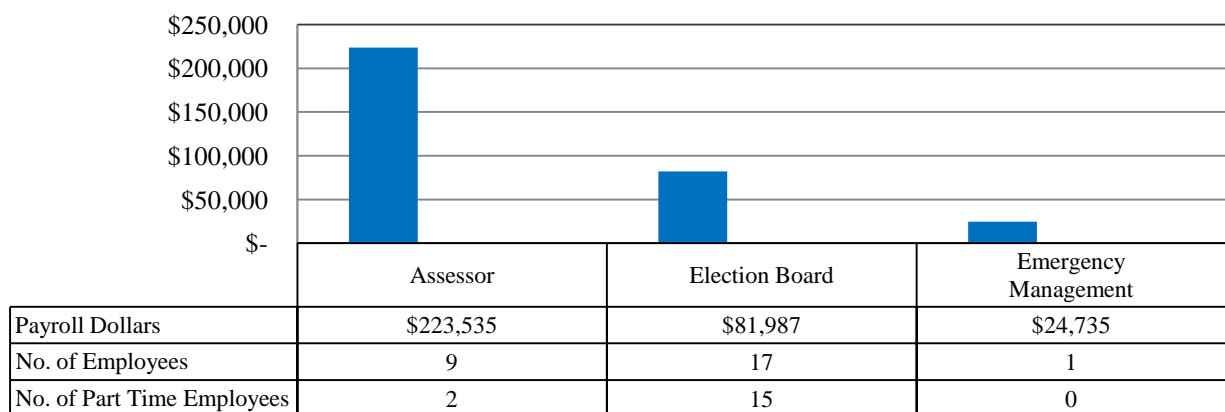
**OKMULGEE COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2011.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

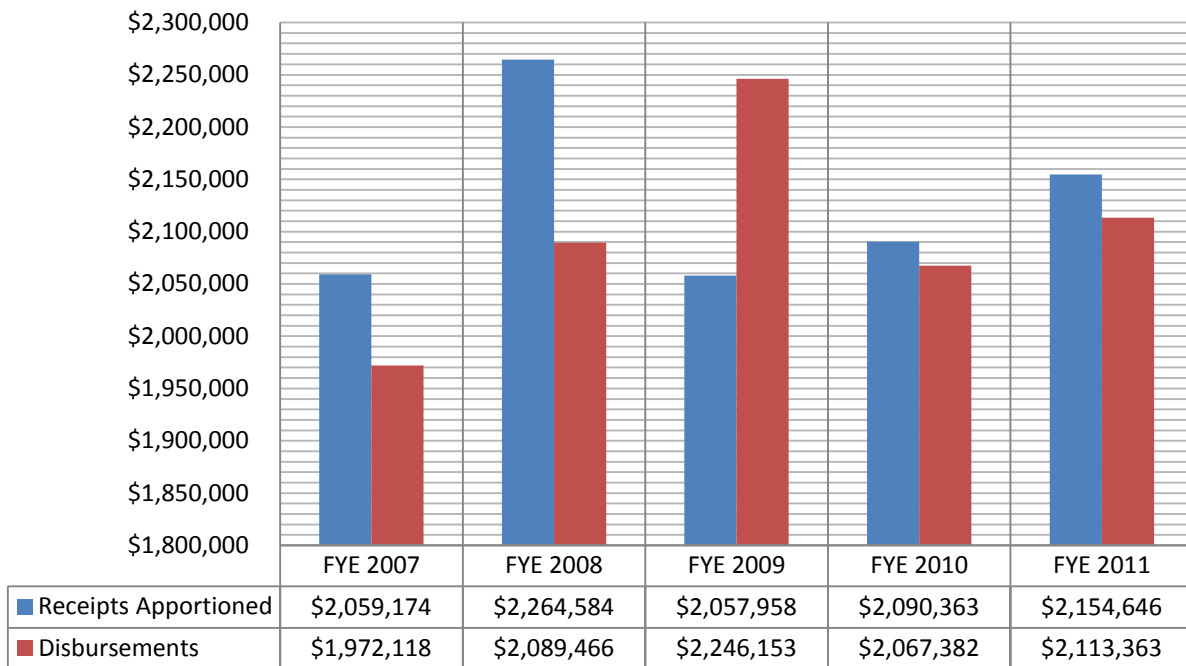


**OKMULGEE COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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## County General Fund

The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.

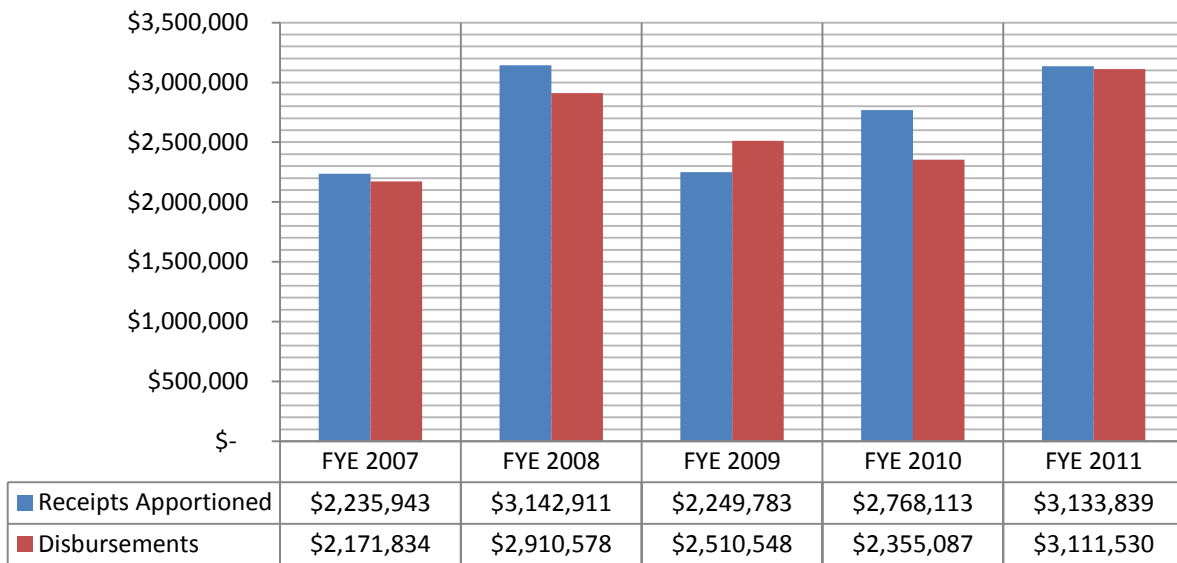


**OKMULGEE COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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## County Highway Fund

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. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



## **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  
OKMULGEE COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Okmulgee County, Oklahoma, as of and for the year ended June 30, 2011, listed in the table of contents as the financial statement. This financial statement is the responsibility of Okmulgee County's management. Our responsibility is to express an opinion on the combined total—all county funds 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 differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects 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 Okmulgee County as of June 30, 2011, 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 balances for all county funds of Okmulgee County, for the year ended June 30, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2014, on our consideration of Okmulgee 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 county funds on the financial statement. 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 financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

January 15, 2014



## **REGULATORY BASIS FINANCIAL STATEMENT**

**OKMULGEE COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**(WITH COMBINING INFORMATION)—MAJOR FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2011
Combining Information:				
Major Funds:				
County General Fund	\$ 616,542	\$ 2,154,646	\$ 2,124,006	\$ 647,182
Highway Cash Fund	692,959	3,133,839	3,111,530	715,268
Highway TCR Fund	501,597	2,135,832	1,678,752	958,677
CBRIF-103	-	164,549	164,529	20
Half Cent Road Tax	186,335	1,284,797	1,328,495	142,637
County Health	249,595	369,671	362,477	256,789
Resale Property	422,597	371,370	285,723	508,244
CBRIF-105	-	1,436,955	410,372	1,026,583
County Use Tax	255,937	153,210	103,166	305,981
CDBG RWD #2 Preston	-	149,348	123,758	25,590
County Clerk Preservation Fee	83,594	38,225	66,124	55,695
Sheriff Service Fee	72,829	113,584	124,928	61,485
CDBG Schuler	-	74,500	74,500	-
Sheriff 1/4 Cent Sales Tax	-	67,674	-	67,674
Remaining Aggregate Funds	408,264	293,920	372,461	329,723
<b>Combined Total - All County Funds</b>	<b>\$ 3,490,249</b>	<b>\$ 11,942,120</b>	<b>\$ 10,330,821</b>	<b>\$ 5,101,548</b>

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

**OKMULGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Okmulgee County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. 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, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including libraries, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

**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 county funds included as combining information within the financial statement:

County General Fund – revenues are from ad valorem, officer's fees, interest earnings and miscellaneous collections of the County. Disbursements are for the general operations of the County.

Highway Cash Fund – accounts for state, local and miscellaneous receipts and disbursements are for the maintenance and construction of county roads and bridges.

Highway TCR Fund – revenues are from fuel taxes imposed, Federal Emergency Management Agency (FEMA) reimbursements, bank interest earned, and miscellaneous reimbursements. Disbursements are for maintenance, material, and equipment for county roads and highways.

CBRIF-103 – revenues are from bank interest earned and Oklahoma Department of Transportation (ODOT) disbursements to counties and disbursements are for road projects.

**OKMULGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Half Cent Road Tax – revenues are from a special sales tax from the State of Oklahoma and bank interest earned. Disbursements are for the Okmulgee County Road System.

County Health – revenues are from ad valorem taxes, miscellaneous fees charged by the health department, and state and federal funds. Disbursements are for the operation of the county health department.

Resale Property – revenues are from fees and penalties collected and from resale of county owned properties acquired through the annual sale. Disbursements are for personal services, maintenance and operation, and capital outlay.

CBRIF-105 – revenues are from state imposed taxes, Oklahoma Department of Transportation disbursements to counties, and bank interest earned and disbursements are for road and bridge projects.

County Use Tax – revenues are from the State of Oklahoma Use Tax and disbursements are for special projects.

CDBG RWD #2 Preston – revenues are from Community Development Block Grants (CDBG) and disbursements are awarded to entities for special projects.

County Clerk Preservation Fee – revenues are from recorded documents and disbursements are for personal services and maintenance and operation.

Sheriff Service Fee – revenues are from court fees earned and miscellaneous receipts and disbursements are for personal services and maintenance and operation.

CDBG Schulter – revenues are from Community Development Block Grants and disbursements are awarded to entities for special projects.

Sheriff ¼ Cent Sales Tax – revenues are from a special sales tax and disbursements are for personal services and maintenance and operation.

**C. Basis of Accounting**

The 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 regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement on a regulatory basis. County governments (primary only) are required to

**OKMULGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

**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.

**E. Cash and Investments**

For the purposes of financial reporting, "Ending Cash Balances, June 30" includes cash and cash equivalents and investments as allowed by statutes. 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).

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

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 are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

**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

**OKMULGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

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.

**3. Other Information**

**A. 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.

**B. 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.

**C. 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.

**OKMULGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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.

**D. Sales Tax**

**Sheriff ¼ Cent Sales Tax**

The voters of Okmulgee County approved ¼ cent sales tax through a special election on December 14, 2010, that went into effect April 1, 2011. This sales tax has an unlimited duration. The sales tax was established to provide revenue for lawful duties and responsibilities of the Sheriff's office of Okmulgee County, Oklahoma.

**Half Cent County Road Sales Tax**

The voters of Okmulgee County approved a ½ cent sales tax through a special election on December 14, 2010, that went into effect April 1, 2011. This sales tax has an unlimited duration. The sales tax was established to provide revenue solely for the Okmulgee County Road System, pledging one hundred percent (100%) of the monthly income of the revenue of said tax to county roads.

**E. Judgment**

During the fiscal year the County retired the following judgment in the amount of \$2,800.

<u>Case Number</u>	<u>Original Judgment</u>
CV-10-11	\$2,800

## **OTHER SUPPLEMENTARY INFORMATION**



**OKMULGEE 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, 2011**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 616,542	\$ 616,542	\$ -
Less: Prior Year Outstanding Warrants	(129,753)	(129,753)	-
Less: Prior Year Encumbrances	(80,025)	(80,025)	-
Beginning Cash Balances, Budgetary Basis	406,764	406,764	-
Receipts:			
Ad Valorem Taxes	1,379,591	1,564,168	184,577
Charges for Services	115,000	108,134	(6,866)
Intergovernmental Revenues	367,150	418,323	51,173
Miscellaneous Revenues	43,649	64,021	20,372
Total Receipts, Budgetary Basis	1,905,390	2,154,646	249,256
Expenditures:			
District Attorney	12,165	10,472	1,693
County Sheriff	503,332	502,923	409
County Treasurer	61,629	61,462	167
County Commissioners	54,645	48,654	5,991
County Commissioners OSU Extension	40,414	39,927	487
County Clerk	150,736	150,131	605
Court Clerk	90,062	88,466	1,596
County Assessor	64,421	63,475	946
Revaluation of Real Property	267,444	264,603	2,841
General Government	828,678	703,436	125,242
Excise-Equalization Board	3,430	2,884	546
County Election Board	108,177	107,690	487
County Purchasing Agent	27,837	27,759	78
Charity	500	250	250
Highway Budget Account	40,167	39,378	789
County Audit Budget Account	45,017	2,234	42,783
Free Fair Budget Account	13,500	13,472	28
Total Expenditures, Budgetary Basis	2,312,154	2,127,216	184,938
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	434,194	\$ 434,194
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Warrants Estopped		436	
Add: Current Year Outstanding Warrants		190,714	
Add: Current Year Encumbrances		21,838	
Ending Cash Balance		\$ 647,182	

**OKMULGEE 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, 2011**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 249,595	\$ 249,595	\$ -
Less: Prior Year Outstanding Warrants	(3,319)	(3,319)	-
Less: Prior Year Encumbrances	(7,784)	(7,784)	-
Beginning Cash Balances, Budgetary Basis	238,492	238,492	-
Receipts:			
Ad Valorem Taxes	291,717	312,451	20,734
Charges for Services	16,646	53,285	36,639
Intergovernmental Revenue	-	1,746	1,746
Miscellaneous Revenues	22,206	2,189	(20,017)
Total Receipts, Budgetary Basis	330,569	369,671	39,102
Expenditures:			
County Heath Budget Account	569,061	357,282	211,779
Total Expenditures, Budgetary Basis	569,061	357,282	211,779
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	250,881	\$ 250,881
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		701	
Add: Current Year Encumbrances		4,423	
Add: Current Year Outstanding Warrants		784	
Ending Cash Balance		\$ 256,789	

**OKMULGEE COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2011
Remaining Aggregate Funds:				
Anna McBride M.H. CT Grant	\$ 38,665	\$ 54,642	\$ 51,270	\$ 42,037
Family Treatment Court	16,518	40,215	37,206	19,527
Court Clerk Revolving Fund	166,857	34,017	83,504	117,370
Emergency Management	15,095	20,730	18,789	17,036
County Clerk Lien Fee	8,090	9,622	8,395	9,317
Drug Court	114,393	114,463	146,456	82,400
County Treasurer Certification Fee	6,594	5,461	7,733	4,322
Sheriff DOC Cash	206	2,104	1,256	1,054
Assessor Revolving Fund	4,457	1,518	-	5,975
County Sinking	11,087	303	2,800	8,590
Assessor Visual Inspection	12,176	102	-	12,278
Trash Cops Fund	7,400	100	-	7,500
Sheriff Training Fund	4,030	-	4,000	30
Sheriff Domestic Violence	422	-	-	422
Sheriff Substance Abuse Grant	81	-	-	81
DARE	253	-	250	3
Sheriff Police School	843	-	12	831
Anti Gang	151	-	-	151
Sheriff COPS Program	118	-	-	118
Child Abuse Prevention	122	-	-	122
Sheriff Commissary	21	-	-	21
Sheriff Reserve Account	685	-	-	685
Bryant RWD #5 CDBG #12882	-	10,643	10,790	(147)
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 408,264</b>	<b>\$ 293,920</b>	<b>\$ 372,461</b>	<b>\$ 329,723</b>

**OKMULGEE COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**1. Budgetary Schedules**

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

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

**2. Remaining County Funds**

Remaining aggregate funds as presented on the financial statement are as follows:

Anna McBride M.H. CT Grant – revenues are from state contractual payments, fees, and donations from individuals enrolled in the program. Disbursements are for personal services and maintenance and operation.

Family Treatment Court – revenues are from state contractual payments, fees, and donations from individuals enrolled in the program. Disbursements are for personal services and maintenance and operation.

Court Clerk Revolving Fund – revenues are from court fees earned and disbursements are for personal services and maintenance and operation.

Emergency Management – revenues are from state matching grants, general budgets, and miscellaneous fees and disbursements are for personal services and maintenance and operation.

County Clerk Lien Fee – revenues are from recorded documents and disbursements are for maintenance and operation.

Drug Court – revenues are from state contractual payments, fees, and donations from individuals enrolled in the program and disbursements are for personal services and maintenance and operation.

County Treasurer Certification Fee – revenues are from mortgage certification fees and notary fees and disbursements are for maintenance and operation.

**OKMULGEE COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Sheriff DOC Cash – revenues are from state reimbursements for juvenile transports and disbursements are for maintenance and operation.

Assessor Revolving Fund – revenues are from miscellaneous fees and disbursements are for maintenance and operation.

County Sinking – revenues are from interest earned and disbursements are for retiring a judgment.

Assessor Visual Inspection – revenues come from bank interest earned and disbursements are for maintenance and operation.

Trash Cops Fund – accounts for the trash cop grant and disbursed for the purpose of trash patrol.

Sheriff Training Fund – court approved fund accounts for unclaimed inmate money and disbursed for training purposes only.

Sheriff Domestic Violence – revenues come from grants and disbursements are for domestic violence programs.

Sheriff Substance Abuse Grant – revenues come from grants and disbursements are for substance abuse programs.

DARE – revenues are from donations and disbursements are for program operations.

Sheriff Police School – revenues come from grants and disbursements are for training.

Anti Gang – revenues are from state grants and disbursements are for program operations.

Sheriff COPS Program – revenues are from grants and disbursements are for personal services.

Child Abuse Prevention – accounts for monies received from jury decisions to aid in the prevention of child abuse.

Sheriff Commissary – revenues are from Sheriff commissary sales.

Sheriff Reserve Account – revenues are from donations and disbursements are for equipment and the reserve program.

Bryant RWD #5 CDBG #12882 – revenues are from CDBG grants and disbursements are to the awarded entity for special projects.

## **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  
OKMULGEE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Okmulgee County, Oklahoma, as of and for the year ended June 30, 2011, which comprises Okmulgee County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 15, 2014. 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. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2011, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. 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 Okmulgee 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 Okmulgee 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 described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses 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 deficiencies in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting. 2011-1.

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. 2011-8 and 2011-10.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Okmulgee 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*.

We noted certain matters that we reported to the management of Okmulgee County, which are included in Section 2 of the schedule of findings and responses contained in this report.

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

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. 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, appearing to read "Gary A. Jones", with a stylized flourish at the end.

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

January 15, 2014



**OKMULGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION 1—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 2011-1—Inadequate Segregation of Duties Over Payroll Expenditures**

**Condition:** Upon inquiry and observation of the County's payroll process, it was noted that the Payroll Clerk enrolls new hires, makes payroll changes, performs verification reports, prints and distributes payroll checks, and maintains personnel files.

**Cause of Condition:** Policies and procedures have not been designed with regard to segregation of duties and/or compensating controls of the payroll process.

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

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve of accounting functions.

**Management Response:**

**County Clerk:** This is an issue in the smaller counties, with only one bookkeeper. Each elected official or department head makes the changes for his/her office each month. The Commissioners' Administrative Assistant calculates the highway payroll and we balance to it. The bookkeeper reviews them for mistakes. When the bookkeeper gives the payroll claims to the County Clerk with the monthly changes for the end of month meeting, they are examined an additional time. Having been the bookkeeper in the past, the County Clerk understands how to read them and look for changes or irregularities. Also, payroll is included in the minutes so the County Clerk looks at each employee and salary to double check that all is correct.

**Auditor Response:** Key accounting functions regarding the payroll process are not adequately segregated.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

**OKMULGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Finding 2011-8—Inadequate Internal Controls Over Sales Tax Calculation**

**Condition:** During our testwork, we noted one month where the sales tax apportionment was calculated incorrectly by \$6,767.40.

**Cause of Condition:** Procedures have not been designed to review the calculation of the sales tax apportionments.

**Effect of Condition:** This condition resulted in a misstatement of sales tax apportionments between the Half Cent Road Tax and Sheriff ¼ Cent Sales Tax Fund.

**Recommendation:** OSAI recommends the County Treasurer's office implement procedures to have someone review the calculation of the sales tax apportionment for accuracy. Further, the Treasurer should correct this error by transferring the amount of \$6,767.40 from the Sheriff ¼ Cent Sales Tax Fund to the Half Cent Road Tax Fund and Okmulgee County Criminal Justice Authority (OCCJA).

**Management Response:**

**County Treasurer:** The County Treasurer and her First Deputy implemented procedures according to the Oklahoma Tax Commission when collections started coming in to be apportioned. Pending the advice of Okmulgee County District Attorney; the tax procedure corrections will be made in accordance to law.

**Auditor Response:** Internal Controls have not been designed and implemented to ensure the sales tax collections are accurately apportioned to the funds designated on the ballot.

**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 a part of internal controls, such as procedures to calculate the sales tax apportionment is a deficiency in internal controls.

**Finding 2011-10—Inadequate Internal Controls Over Travel Policy**

**Condition:** During our examination of travel claims, we noted the County does not have a formal travel policy for reimbursement for travel expenses within the County. Further, it was noted that a Commissioner was reimbursed for commuter mileage from his home to the county barn.

**Cause of Condition:** The County has not adopted policies and procedures for travel.

**Effect of Condition:** This condition could result in potential tax liability for the County, noncompliance with Internal Revenue Service regulations, or abuse of travel reimbursements.

**Recommendation:** OSAI recommends the County adopt a travel policy by consulting with the Internal Revenue Service and the District Attorney to ensure compliance with all applicable laws and regulations.

**OKMULGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Management Response:** The County of Okmulgee will update the Personnel Policy to include a travel policy that defines both “in County” and “out of County” rules and regulations to satisfy both IRS and OSAI standards.

**Criteria:** The Internal Revenue Service Publication 463 states in part, “...your tax home is your regular place of business or post of duty, regardless of where you maintain your family home. It includes the entire city or general area in which your business or work is located...”

Title 19 O.S. § 165.A states, “In lieu of reimbursement for traveling expenses within their county each county commissioner and sheriff may receive a monthly travel allowance of Six Hundred Dollars (\$600.00). In lieu of the reimbursement for traveling expenses authorized by law for each county officer, each county assessor may receive a monthly travel allowance of Five Hundred Dollars (\$500.00), and each county clerk, court clerk and county treasurer may receive a monthly travel allowance of Four Hundred Dollars (\$400.00). Each such county officer may be subject to the penalty provided by Section 166 of this title for failure to attend the meetings specified in that section.”

Title 19 O.S. § 180.43.B states in part, “In lieu of the travel reimbursement or monthly travel allowance provided for by law, the board of county commissioners may purchase and provide for the operation, maintenance, insurance, equipping, and repair of an automobile for each county commissioner to be used in performing the duties of his office. In lieu of the travel reimbursement or monthly travel allowance provided for by law, the board of county commissioners, with the concurrence of the county sheriff, may purchase and provide for the operation, maintenance, insurance, equipping, and repair of automobiles for the use of the sheriff in performing the duties of his office. Any automobile purchased pursuant to the authority granted in this section shall be purchased by competitive bids. The use of any said automobile for private or personal purposes is hereby prohibited. Any travel reimbursement other than in-county driving as provided for in this section shall be for actual and necessary expenses as provided for in the State Travel Reimbursement Act. Any person violating the provisions of this subsection, upon conviction, shall be guilty of a misdemeanor and shall be punished by a fine of not more than One Hundred Dollars (\$100.00) or by imprisonment in the county jail for not more than thirty (30) days, or by both said fine and imprisonment, and in addition thereto shall be discharged from county employment.”

**OKMULGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION 2—**This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

**Finding 2011-3—Inadequate Segregation of Duties Over Court Clerk’s Purchasing Process**

**Condition:** Upon inquiry and observation of the Court Clerk’s purchasing process, it was noted that all employees are able to issue a claim, prepare the voucher, sign the voucher, and mail the voucher.

**Cause of Condition:** Policies and procedures have not been designed with regard to segregation of duties and/or compensating controls of the purchasing process.

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

**Recommendation:** OSAI recommends management be aware of this condition and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Further, the duties of posting to the ledgers should be separated from the printing and distribution of payments.

**Management Response:**

**Court Clerk:** Our office will try to change a few procedures on our voucher process, but I do feel we are doing all we can in this process. If a voucher is skipped or misplaced, we cannot register another one and not all deputies can print vouchers.

**Auditor Response:** The duties regarding the Court Clerk’s expenditures process are not adequately segregated. OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated.

**OKMULGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Finding 2011-4—Inadequate Internal Controls Over Signature Stamps**

**Condition:** While gaining an understanding of the purchasing process, we noted that the Court Clerk's office has control of the signature stamps for the District Judges and the stamps are located in an unsecured area.

**Cause of Condition:** District Judges do not have physical control of their signature stamps.

**Effect of Condition:** This condition could result in the unauthorized transactions, misappropriation of funds, or clerical errors that are not detected in a timely manner.

**Recommendation:** OSAI recommends that signature stamps only be used by the official. Officials who utilize signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use.

**Management Response:**

**Court Clerk:** We will place our stamps in a discreet area with limited access.

**Auditor Response:** Signature stamps should only be used by owner of the stamp. Access to signature stamps should not be provided to anyone.

**Criteria:** An aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

**Finding 2011-5—Inadequate Internal Controls Over Court Fund Claims**

**Condition:** During our test of Court Fund claims for the fiscal year 2011, the following was noted:

- Two of the twenty-five claims tested did not have proper approval.
- One claim could not be located.

**Cause of Condition:** Policies and procedures have not been designed to ensure detailed supporting documentation is maintained and proper approval obtained for all expenditures.

**Effect of Condition:** These conditions could result in misappropriation of assets.

**Recommendation:** OSAI recommends that the Court Clerk place more emphasis on ensuring that all expenditures have properly approved claims and maintain supporting documentation.

**OKMULGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Management Response:**

**Court Clerk:** The Court Clerk always tries to get all claims approved and the right paperwork with each claim and will continue to do so.

**Auditor Response:** Claims are not always properly approved and one claim could not be located for audit purposes.

**Criteria:** Effective accounting procedures are necessary to ensure the stewardship and accountability of public funds. An important aspect of effective accounting procedures includes maintaining detailed supporting documentation for expenditures.



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