

COUNTY AUDIT

BECKHAM COUNTY

For the fiscal year ended June 30, 2012



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



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

**BECKHAM COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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



Oklahoma State Auditor & Inspector

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

May 23, 2014

TO THE CITIZENS OF
BECKHAM COUNTY, OKLAHOMA

Transmitted herewith is the audit of Beckham County, Oklahoma for the fiscal year ended June 30, 2012. 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".

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

**BECKHAM COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**BECKHAM COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

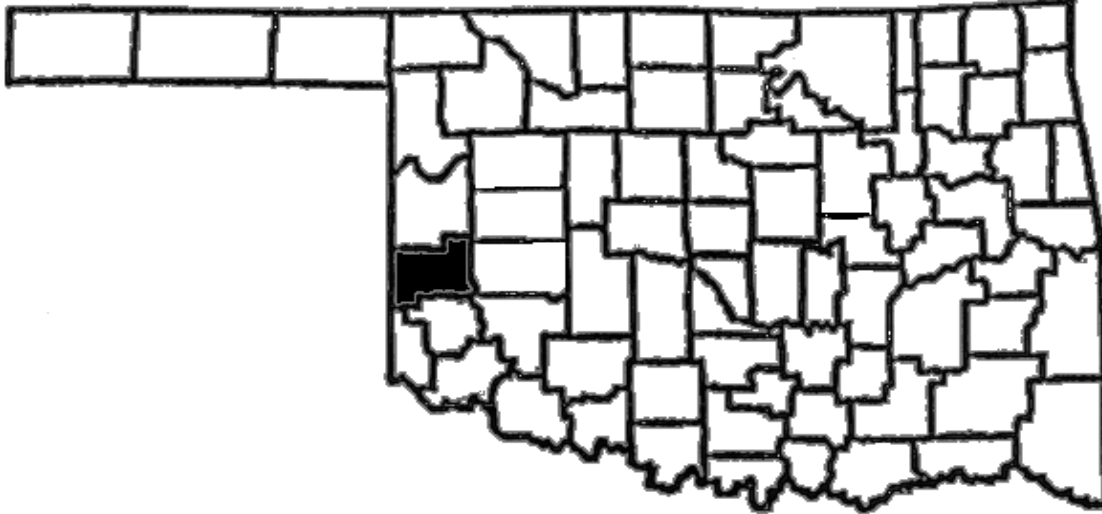
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**BECKHAM COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**



Named for Kentucky Governor John C. W. Beckham at the suggestion of a delegate to the Oklahoma Constitutional Convention, Beckham County was formed at statehood from portions of Greer and Roger Mills counties and is the site of the Oklahoma Traveler Information Center for persons entering Oklahoma on Interstate 40 from Texas.

Sayre, the county seat, was named for Robert H. Sayre, a stockholder in the railroad constructed through Sayre at the time of its founding. The city is the home of Southwestern Oklahoma State University, Sayre Campus.

Agriculture, oil, and gas are the major industries of the county. Merrick 14 Ranch, located east of Sayre, has produced world champion quarter horses and Elk City is the host of the Rodeo of Champions held each September.

Construction on the Beckham County Courthouse began in 1907 and was completed in 1911. Originally, four clocks were to be installed in the courthouse dome. Yet, due to a lack of funding the clocks were never installed. However, Beckham County residents raised the necessary funds, and the clocks were installed in the dome in time for the state's centennial celebration. For more information, call the county clerk's office at 580-928-3383.

County Seat – Sayre

Area – 904.14 Square Miles

County Population – 21,116
(2009 est.)

Farms – 1,053

Land in Farms – 519,503 Acres

Primary Source: Oklahoma Almanac 2011-2012

**BECKHAM COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Board of County Commissioners

District 1 – Carl Don Campbell
District 2 – Carl Simon
District 3 – Johnny Davis

County Assessor

Gayla Gillie

County Clerk

Leasa Hartman

County Sheriff

Scott Jay

County Treasurer

Janette Cornelius

Court Clerk

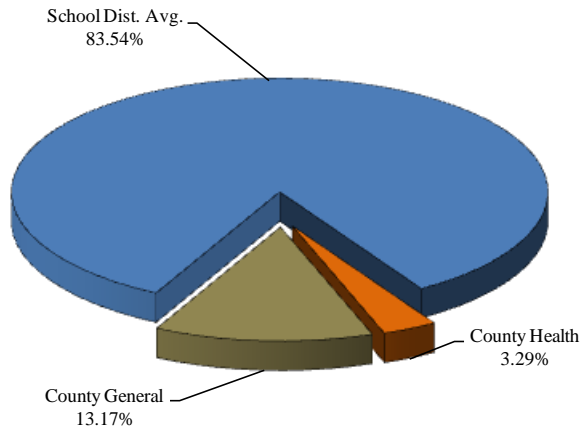
Donna Howell

District Attorney

Dennis Smith

**BECKHAM COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

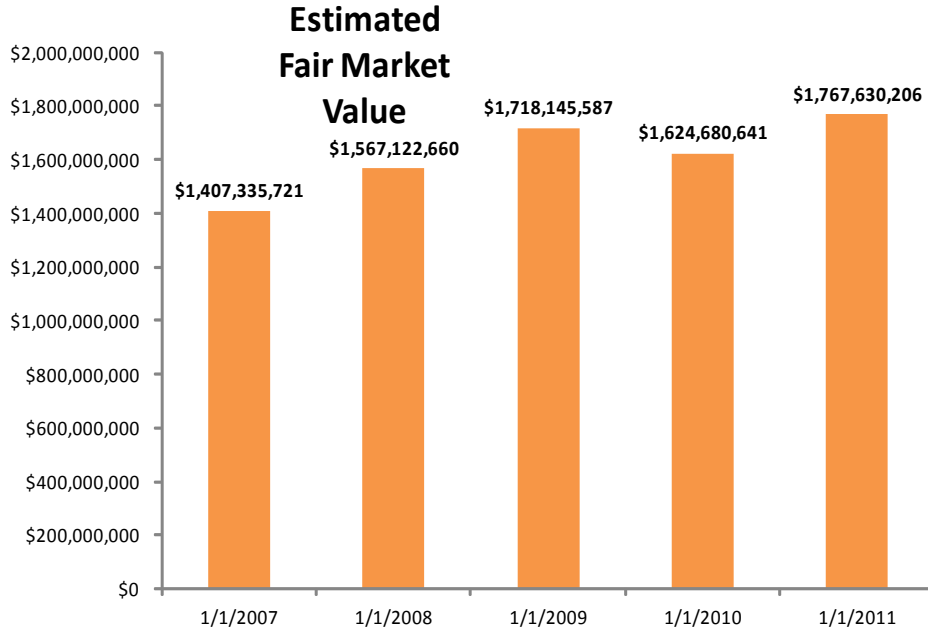
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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							
County General	County Health			Gen.	Bldg.	Skg.	Career Tech	Common	Total
10.38	2.59	Rural Merritt	2RV12	36.11	5.16	-	12.36	4.15	57.78
		EC Merritt	2CV12	36.11	5.16	-	12.36	4.15	57.78
		Carter Merritt	2R12C	36.11	5.16	-	12.36	4.15	57.78
		Carter Merritt	2V12C	36.11	5.16	-	12.36	4.15	57.78
		Elk City	6CV	36.04	5.15	-	12.36	4.15	57.70
		Rural Elk City	6RV	36.04	5.15	-	12.36	4.15	57.70
		Sayre	31C	36.42	5.20	1.90	12.36	4.15	60.03
		Rural Sayre	31R	36.42	5.20	1.90	12.36	4.15	60.03
		Carter Sayre	31RC	36.42	5.20	1.90	12.36	4.15	60.03
		Erick	51EC	36.90	5.27	9.73	-	4.15	56.05
		Rural Erick	51R	36.90	5.27	9.73	-	4.15	56.05
		Texola Erick	51TC	36.90	5.27	9.73	-	4.15	56.05
		Sweetwater	15	35.99	5.14	-	12.36	4.15	57.64
		Hammon	66V12	37.50	5.36	-	12.36	4.15	59.37
		Mangum	G-1	35.29	5.04	11.92	-	4.15	56.40
		Canute	11V12	36.07	5.15	6.60	12.36	4.15	64.33
		Sentinel Carter	J11C	38.63	5.16	-	12.36	4.15	60.30
		Sentinel Carter	J11RC	38.63	5.16	-	12.36	4.15	60.30

**BECKHAM COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

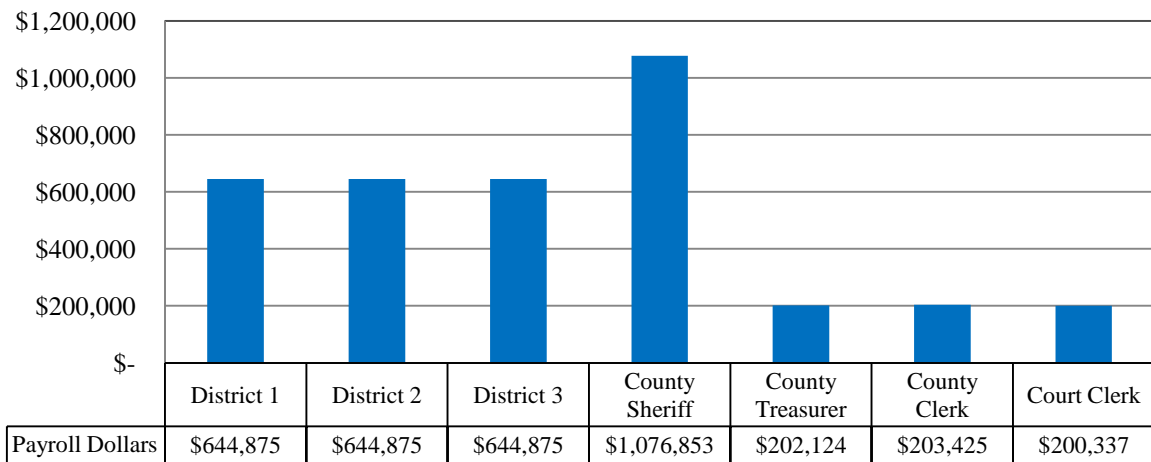
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2011	\$85,255,021	\$40,838,660	\$105,413,605	\$4,304,504	\$227,202,782	\$1,767,630,206
1/1/2010	\$74,349,415	\$38,269,138	\$100,514,684	\$4,329,255	\$208,803,982	\$1,624,680,641
1/1/2009	\$90,540,029	\$38,057,805	\$95,650,848	\$4,310,732	\$219,937,950	\$1,718,145,587
1/1/2008	\$78,275,953	\$39,035,118	\$89,278,923	\$4,212,847	\$202,377,147	\$1,567,122,660
1/1/2007	\$75,068,676	\$32,905,471	\$76,530,838	\$4,230,379	\$180,274,606	\$1,407,335,721



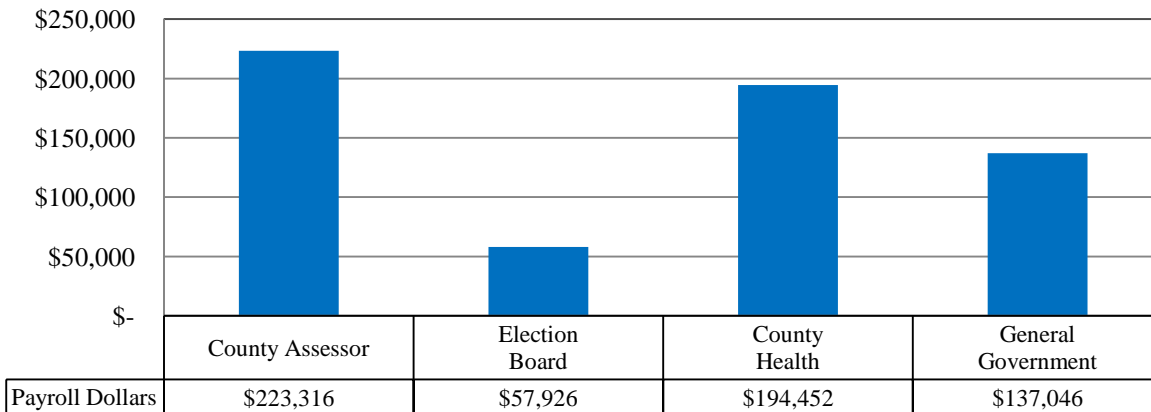
**BECKHAM COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012.

Payroll Expenditures by Department



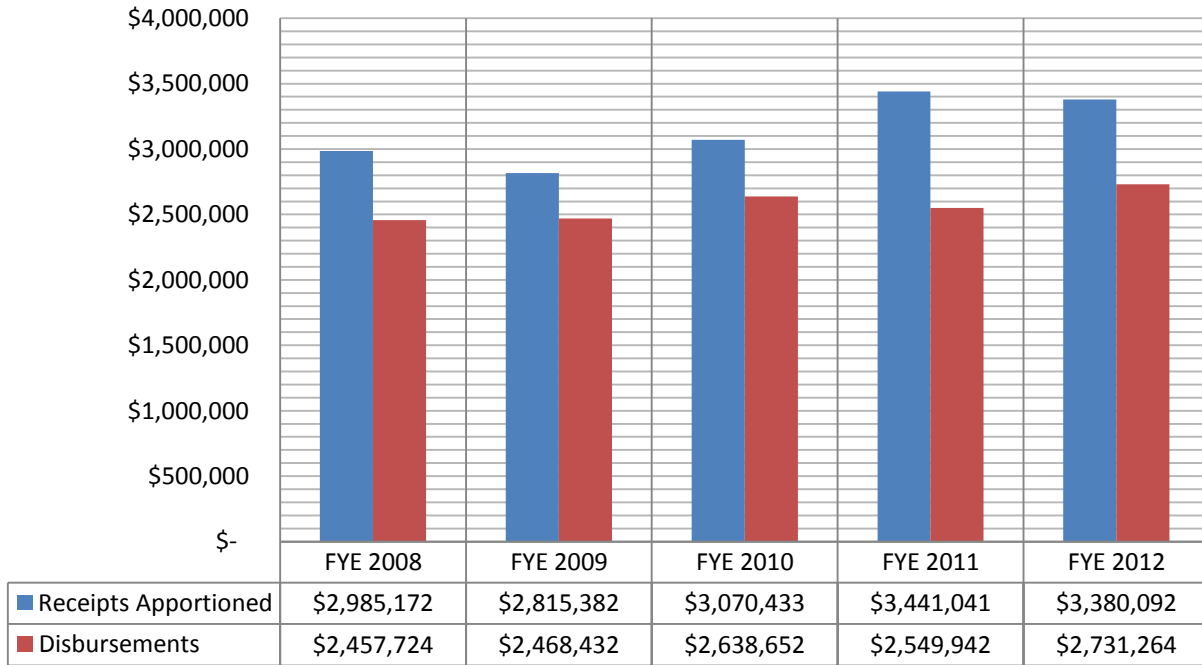
Payroll Expenditures by Department



**BECKHAM COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

County General Fund

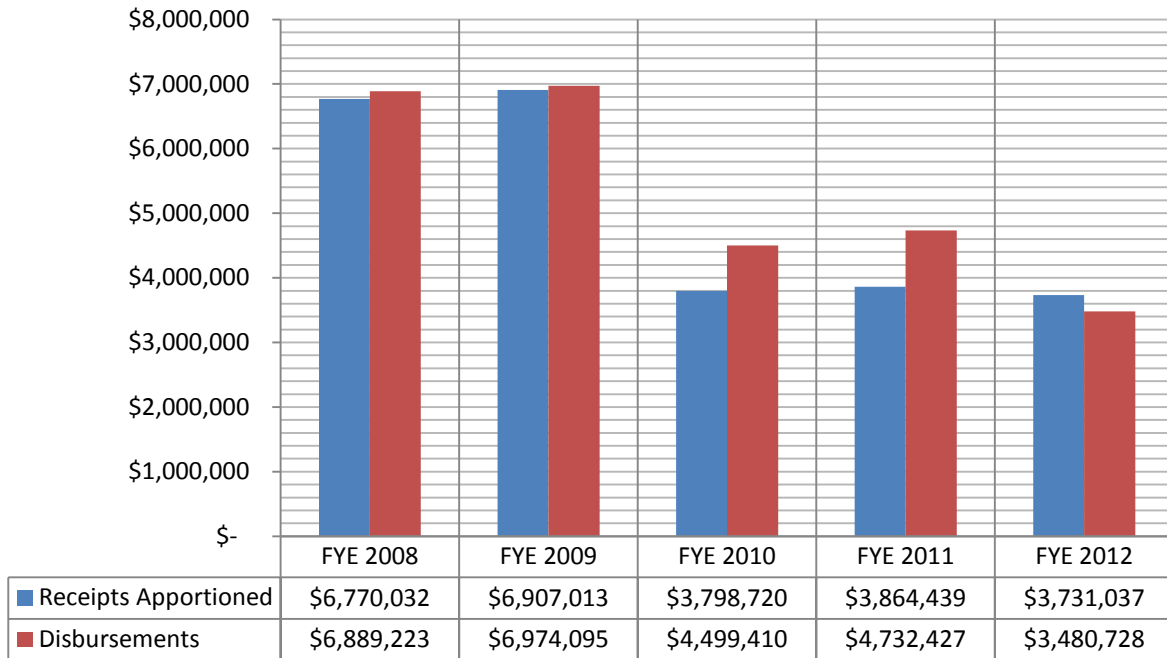
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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.



**BECKHAM COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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
BECKHAM 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 Beckham County, Oklahoma, as of and for the year ended June 30, 2012, listed in the table of contents as the financial statement. This financial statement is the responsibility of Beckham 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 Beckham County as of June 30, 2012, 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 Beckham County, for the year ended June 30, 2012, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2014, on our consideration of Beckham 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 remaining 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". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

May 19, 2014

REGULATORY BASIS FINANCIAL STATEMENT

BECKHAM 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, 2012

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2012
Combing Information:						
Major Funds:						
County General Fund	\$ 5,181,704	\$ 3,380,092	\$ 1,932	\$ 171,812	\$ 2,731,264	\$ 5,660,652
County Highway Cash	2,852,365	3,731,037	530,130	-	3,480,728	3,632,804
County Bridge and Road Improvement Fund 105	935,275	274,221	-	33,430	-	1,176,066
County Health Department	764,061	753,028	-	-	490,591	1,026,498
Sheriff Service Fee	175,021	218,249	-	-	241,271	151,999
Sheriff Department of Corrections	48,956	325,217	-	-	301,766	72,407
Sheriff Jail Funds	71,059	780,000	-	-	739,837	111,222
County Sales Tax	-	2,000,174	-	-	2,000,174	-
Remaining Aggregate Funds	1,171,193	261,252	75,601	402,369	260,871	844,806
Combined Total - All County Funds, as Restated	\$ 11,199,634	\$ 11,723,270	\$ 607,663	\$ 607,611	\$ 10,246,502	\$ 12,676,454

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

**BECKHAM COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Beckham 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 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 – accounts for the general operations of the government.

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

County Bridge and Road Improvement Fund 105 – accounts for state receipts and disbursements are for the purpose of maintaining bridges and roads.

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

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

**BECKHAM COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Sheriff Department of Corrections – accounts for the state receipts and disbursements for the purpose of maintaining Department of Corrections’ inmates.

Sheriff Jail Funds – accounts for the collection of reserve sales tax monies received from the Facilities Authority in excess of bond issue payments. Disbursements are for the general operations of the County jail.

County Sales Tax – accounts for the collection of sales tax money disbursed to the Beckham County Facilities Authority for the payment of revenue bonds issued for the construction of the County jail.

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 in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to 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

**BECKHAM COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 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.

3. Other

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

**BECKHAM COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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.

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

On February 12, 2002, the citizens of Beckham County voted a sales tax of three-tenths of one percent (3/10 of 1%) to be collected until March 31, 2017, after which time, said tax shall be reduced to one-fourth of one-percent (1/4 of 1%) being unlimited in duration. Said tax of the three-tenths of one percent (3/10 of 1%) shall be to fund the acquisition, construction, equipping, furnishing, general operations and maintenance of a jail facility in Beckham County, Oklahoma. The one-fourth of one percent (1/4 of 1%) sales tax shall be to pay for general operations and capital improvements benefiting Beckham County, Oklahoma. These funds are accounted for in the County Sales Tax Fund.

**BECKHAM COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

E. Interfund Transfers

During the fiscal year, the County made the following interfund transfers between cash funds.

- \$960 from Sheriff Estray, \$600 from Saferoom Rebate Program, \$320 from Community Sentencing Program, and \$52 from Special Fire Equipment; an agency fund totaling \$1,932 to County General Fund for the purpose of closing the accounts due to inactivity.
- \$400,000 from Highway Investments to County Highway Cash to fund highway projects.
- \$45,112 from the County General Fund to Northfork Redriver Conservation fund to transfer a REAP grant apportioned to the County General Fund to the proper fund for disbursement of expenses associated with the Northfork Redriver Conservation fund.
- \$96,700 from County General Fund to County Highway Cash to transfer by Board of County Commissioners Resolution road permit revenue that was originally apportioned into the County General Fund.
- \$30,000 from County General Fund to Beckham County Juvenile Detention fund to account for state revenue designated to be spent for the expenses of the Beckham County Juvenile Detention operations.
- \$489 from SLA-Project 4 to Emergency Management for the purposes of combining the residual funds from a grant project with a fund utilized for similar purposes.
- \$33,430 from County Bridge and Road Improvement Fund 105 to County Highway Cash for funding bridge projects.

Total interfund transfers do not reconcile due to the \$52 transfer from a trust and agency fund that was not recorded as a County fund.

F. Restatement Footnote

The beginning fund balance for the Remaining Aggregate funds has been restated to include Beckham County Juvenile Detention in the amount of \$1,885. The total adjustment is included in the restated beginning fund balance of \$11,199,634.

OTHER SUPPLEMENTARY INFORMATION

BECKHAM 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, 2012

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 5,181,705	\$ 5,181,704	\$ (1)
Less: Prior Year Outstanding Warrants	(36,160)	(36,229)	(69)
Less: Prior Year Encumbrances	(37,592)	(33,200)	4,392
Beginning Cash Balances, Budgetary Basis	<u>5,107,953</u>	<u>5,112,275</u>	<u>4,322</u>
Receipts:			
Ad Valorem Taxes	2,143,968	2,404,330	260,362
Charges for Services	50,000	231,873	181,873
Intergovernmental Revenues	105,000	406,799	301,799
Miscellaneous Revenues	130,000	337,090	207,090
Total Receipts, Budgetary Basis	<u>2,428,968</u>	<u>3,380,092</u>	<u>951,124</u>
Expenditures:			
District Attorney	3,000	3,000	-
County Sheriff	535,802	533,933	1,869
County Treasurer	187,021	186,108	913
County Commissioners	12,800	9,589	3,211
OSU Extension	24,000	21,588	2,412
County Clerk	195,100	194,038	1,062
Court Clerk	209,425	206,029	3,396
County Assessor	199,494	192,385	7,109
Revaluation of Real Property	146,417	118,857	27,560
General Government	5,120,992	443,370	4,677,622
Excise-Equalization Board	3,800	3,090	710
County Election Board	74,875	68,458	6,417
Insurance	571,521	571,521	-
County Purchasing Agent	35,900	35,327	573
Court Clerk Deputies	130,166	129,559	607
Civil Defense	12,300	3,361	8,939
County Audit Budget Account	58,308	31,575	26,733
Free Fair	16,000	12,792	3,208
Total Expenditures, Budgetary Basis	<u>7,536,921</u>	<u>2,764,580</u>	<u>4,772,341</u>

Continued on next page

**BECKHAM COUNTY, OKLAHOMA
 COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
 GENERAL FUND - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Operating Transfers			
Transfer In	-	1,932	1,932
Transfer Out	-	(171,812)	(171,812)
Net Transfers	-	(169,880)	(169,880)
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	5,557,907	\$ 5,557,907
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		48,634	
Add: Current Year Encumbrances		54,111	
Ending Cash Balance		\$ 5,660,652	

**BECKHAM 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, 2012**

County Health Department Fund			
	Budget	Actual	Variance
Beginning Cash Balances	\$ 764,060	\$ 764,061	\$ 1
Less: Prior Year Outstanding Warrants	(7,952)	(7,952)	-
Less: Prior Year Encumbrances	(34,326)	(34,291)	35
Beginning Cash Balances, Budgetary Basis	721,782	721,818	36
Receipts:			
Ad Valorem Taxes	534,959	599,924	64,965
Charges for Services	-	7,778	7,778
Intergovernmental	7,953	144,004	136,051
Miscellaneous Revenues	-	1,322	1,322
Total Receipts, Budgetary Basis	542,912	753,028	210,116
Expenditures:			
Health and Welfare	1,264,694	499,245	765,449
Total Expenditures, Budgetary Basis	1,264,694	499,245	765,449
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	975,601	\$ 975,601
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		1,832	
Add: Current Year Outstanding Warrants		49,065	
Ending Cash Balance		\$ 1,026,498	

BECKHAM COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2012
Remaining Aggregate Funds:						
County Road and Bridge Improvement Fund 103	\$ 144,202	\$ 138	\$ -	\$ -	\$ -	\$ 144,340
Highway Investments	400,000	-	-	400,000	-	-
Resale Property	242,103	89,809	-	-	86,069	245,843
Treasurer Mortgage Tax Certification Fee	22,606	5,160	-	-	12,087	15,679
County Clerk Lien Fee	174,090	41,144	-	-	25,137	190,097
County Clerk Records Preservation Fee	143,747	48,700	-	-	34,347	158,100
Assessor Revolving	20,191	8,038	-	-	10,097	18,132
Assessor Visual Inspection	641	1	-	-	-	642
Sheriff Commissary	11,880	16,052	-	-	14,839	13,093
Sheriff Estray	960	1,451	-	960	5	1,446
Community Service Sentencing Program	320	-	-	320	-	-
SLA-Project 4	489	-	-	489	-	-
Emergency Management	7,479	4,448	489	-	5,666	6,750
Saferoom Rebate Program	600	-	-	600	-	-
Sheriff Medical Expense Liability	-	37,311	-	-	37,311	-
Hazard Mitigation	-	8,000	-	-	8,000	-
Beckham County Rural Water District #1 (REAP Grant)	-	1,000	-	-	-	1,000
Northfork Redriver Conservation	-	-	45,112	-	-	45,112
Beckham County Juvenile Detention	1,885	-	30,000	-	27,313	4,572
Combined Total - Remaining Aggregate Funds	\$ 1,171,193	\$ 261,252	\$ 75,601	\$ 402,369	\$ 260,871	\$ 844,806

**BECKHAM COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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:

County Bridge and Road Improvement Fund 103 – accounts for state receipts and disbursements for the purpose of maintaining bridges and roads.

Highway Investments – accounts for surplus Highway funds held in certificates of deposit.

Resale Property – accounts for the collection of interest and penalties on delinquent taxes and the disposition of same as restricted by statute.

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

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

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

Assessor Revolving – accounts for the collection of fees for copies restricted by state statute.

**BECKHAM COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Assessor Visual Inspection – accounts for the collection and expenditure of monies by the Assessor as restricted by statute for the visual inspection program.

Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor and can be used for the maintenance and operations of the County jail.

Sheriff Estray – accounts for the sale of estray cattle. Disbursements are for lawful operations of the County Sheriff.

Community Service Sentencing Program – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

SLA-Project 4 – accounts for the collections of grant money to be disbursed for the purpose of County-wide emergency management.

Emergency Management – accounts for the collections of grant money to be disbursed for the purpose of County-wide emergency management.

Saferoom Rebate Program – accounts for the collections of grant money to be disbursed for saferoom rebates.

Sheriff Medical Expense Liability – accounts for the collection of medical reimbursement for inmates and the disbursement of the funds as restricted by statute.

Hazard Mitigation – accounts for federal funds for the purpose of hazard mitigation.

Beckham County Rural Water District #1 (REAP Grant) – accounts for the collections of grant monies and to be disbursed in accordance with grant agreement.

Northfork Redriver Conservation – accounts for the collections of grant monies and to be disbursed in accordance with grant agreement.

Beckham County Juvenile Detention – fund was established to disburse funds for juvenile detention contracts

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

TO THE OFFICERS OF
BECKHAM COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Beckham County, Oklahoma, as of and for the year ended June 30, 2012, which comprises Beckham County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated May 19, 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, 2012, 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 Beckham 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 Beckham 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.

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. *2012-1 and 2012-3.*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beckham County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2012-3.

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

Beckham County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Beckham 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., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

May 19, 2014

**BECKHAM COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 2012-1 - Inadequate County-Wide Controls (Repeat Finding)

Condition: County-wide controls regarding Risk Management and Monitoring have not been designed.

Cause of Condition: Procedures have not been designed to address risks of the County.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

Board of County Commissioners: The Board of County Commissioners will work towards assessing and identifying risks to design written policies and procedures regarding county-wide controls.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

Finding 2012-3 - Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry and observation of the County's payroll disbursement process, we noted the following:

- The duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, and prepares OPERS reports and state and federal tax reports.
- The Payroll Clerk is also responsible for logging onto the financial institution website and initiating the direct deposit process.

**BECKHAM COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

In the audit of fifty purchase orders, we noted the following:

- Fifteen instances were noted in which goods and/or services were received prior to the encumbrance of funds.
- One instance was noted in which supporting documentation of the disbursement was not attached to the purchase order. (i.e., invoice and receiving report).

Cause of Condition: Procedures have not been designed over the disbursements process to strengthen internal controls and ensure compliance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the following key accounting functions over payroll disbursement processes be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system
- Access to personnel files
- Performing the direct deposit process
- Preparing state reports and state and federal tax reports

Further, OSAI recommends the following in accordance with 19 O.S. § 1505C and § 1505E:

- County funds should be encumbered prior to the receipt of goods and/or services.
- Disbursements of county funds should be supported with invoices and receiving reports.

Management Response:

Chairman of the Board: The Board of County Commissioners will express to fellow County Officials the importance of County funds being encumbered prior to the receipt of goods and/or services and that invoices and receiving reports are to be attached to purchase orders to support disbursements in accordance with Oklahoma Statutes.

County Clerk: The County Clerk is aware of these conditions and has implemented some review processes over payroll. In the review of purchase orders, the Purchasing Agent will place an emphasis on ensuring documentation such as invoices and receiving reports are attached to support the disbursements of County funds.

Criteria: Accountability and stewardship are overall goals of management in the account of funds. Internal controls should be designated 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.

**BECKHAM COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Additionally, an aspect of internal control is the safeguard 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. Effective internal controls would include procedures that ensure compliance with Title 19 O.S. § 1505C and § 1505E.

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 2012-5 - Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund (Repeat Finding)

Condition: Upon inquiry and observation of the collection process, we noted the duties of balancing the kiosk, and depositing and reconciling, are not adequately segregated within the office of the County Sheriff.

Further, the audit of all checks issued from the Inmate Trust Fund for the fiscal year, indicated that forty checks totaling \$8,109.98 were issued to payees not authorized by statute.

Cause of Condition: Procedures have not been designed and implemented to ensure that controls are in place with regard to Inmate Trust Fund financial operations. The Sheriff issued checks from the Inmate Trust Fund rather than transferring the proceeds from the inmate sales to the Sheriff Commissary Fund for disbursement.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. Further, issuing checks directly from the Inmate Trust Fund resulted in noncompliance with state statute.

Recommendation: OSAI recommends management be aware of these conditions and determine how to properly segregate duties. In the event that limited resources are available to properly segregate the duties, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve the accounting functions to ensure the duties of issuing receipts, depositing, and reconciling are performed by separate individuals or that transactions are reviewed by separate individuals.

**BECKHAM COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Further, OSAI recommends the County Sheriff comply with Title 19 O.S. § 531A which specifically establishes the purpose for disbursements from the Inmate Trust Fund.

Management Response:

County Sheriff: The County Sheriff is aware of the condition in regard to the collections process; however, prefers to operate his office in this manner. The County Sheriff will comply with Title 19 O.S. § 531A and expend funds for only authorized purchases.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated. Further, the County should comply with Title 19 O.S. § 531A which outlines purposes for disbursements of Inmate Trust funds.

Finding 2012-6 - Inadequate Internal Controls and Noncompliance Over Inventories (Repeat Finding)

Condition: Upon inquiry and observation of fixed assets inventory items, we noted the following:

District 1 Commissioner:

- Ten of the ten items selected were not properly marked “Property of Beckham County.”

District 2 Commissioner:

- Ten of the ten items selected were not properly marked “Property of Beckham County.”

District 3 Commissioner:

- Ten of the ten items selected were not properly marked “Property of Beckham County.”

County Sheriff:

- Documentation of the annual physical fixed assets inventory count is not maintained.
- Two of the five items selected were not marked with county identification numbers.

Cause of Condition: Policies and procedures have not been designed to ensure compliance with the state statutes regarding maintaining and properly identifying fixed assets.

Effect of Condition: When fixed assets are not monitored and equipment is not properly marked with identification numbers and “Property of,” opportunities for misuse or loss of equipment can occur.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1, 19 O.S. § 1502(B)(1), and 69 O.S. § 645.1 by maintaining inventory records and marking assets with county identification numbers. OSAI further recommends performing and documenting a periodic inventory of fixed assets.

**BECKHAM COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Management Response:

Board of County Commissioners: The Chairman of the Board stated new decals for Districts 1, 2, and 3 have been ordered for replacement on all required vehicles, machinery, and equipment.

County Sheriff: The County Sheriff will maintain documentation of the physical count of fixed assets performed on an annual basis and will sign and date the review. The County Sheriff will implement procedures to ensure that all fixed assets in excess of \$500 are properly marked with county identification numbers.

Criteria: Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.



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