



BLAINE COUNTY

Financial Report

For the fiscal year ended June 30, 2022

Cindy Byrd, CPA
State Auditor & Inspector

**BLAINE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



October 28, 2024

TO THE CITIZENS OF
BLAINE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Blaine County, Oklahoma for the fiscal year ended June 30, 2022. 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.

This report is 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.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**BLAINE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Board of County Commissioners

District 1 – Mike Allen
District 2 – Brandon Schultz
District 3 – Raymond Scheffler

County Assessor

Rian Parker

County Clerk

Jennifer Haigler

County Sheriff

Travis Daugherty

County Treasurer

Donna Hoskins

Court Clerk

Christy Matli

District Attorney

Michael Fields

**BLAINE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
BLAINE COUNTY, OKLAHOMA

Report on the Audit of the Financial Statement

Opinion

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Blaine County, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the regulatory basis total receipts, disbursements, and changes in cash balances for all county funds of Blaine County, as of and for the year ended June 30, 2022, in accordance with the financial reporting provisions of Title 19 O.S. § 171 of Oklahoma Statutes described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles (U.S. GAAP) section of our report, the financial statement referred to above does not present fairly, in accordance with U.S. GAAP, the financial position of Blaine County as of June 30, 2022, or changes in financial position for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Blaine County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statement is prepared by Blaine County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than U.S. GAAP to meet the requirements of the State of Oklahoma. The effects on the financial statement of the variances

between the regulatory basis of accounting described in Note 1 and U.S. GAAP, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting prescribed or permitted by Oklahoma state law, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Blaine County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Blaine County's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Blaine County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the total of all county funds on the financial statement. The 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 information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Blaine County has not presented the budgetary comparison information for the Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—General Fund. Although not a part of the financial statement, such information is an integral part of the regulatory presentation for county government.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2024, on our consideration of Blaine 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 solely 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Blaine County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 14, 2024

REGULATORY BASIS FINANCIAL STATEMENT

BLAINE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Beginning Cash Balances July 1, 2021	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2022
County Funds:						
County General	\$ 16,185,258	\$ 4,751,915	\$ -	\$ -	\$ 4,033,268	\$ 16,903,905
County Building	360,932	9,000	-	-	3,768	366,164
County Highway Unrestricted	20,389,927	12,053,548	-	-	6,202,538	26,240,937
County Bridge and Road Improvement	1,731,343	406,993	-	-	39,288	2,099,048
911 Phone Fees	233	-	-	-	-	233
Assessor Revolving Fee	32,191	3,487	-	-	6,746	28,932
County Clerk Lien Fee	255,257	16,999	-	-	48,730	223,526
County Clerk Records Management and Preservation	170,094	41,661	-	-	37,498	174,257
Court Clerk Payroll	5,930	52,729	-	-	51,267	7,392
Emergency Management	92,891	4,304	-	-	12,731	84,464
Health	1,148,068	454,717	-	-	294,155	1,308,630
Resale Property	290,746	87,845	15,859	-	68,337	326,113
Reward Fund	1,199	345	-	-	-	1,544
Sheriff Commissary	6,619	45,962	-	-	37,001	15,580
Sheriff Forfeiture	12,565	-	-	-	901	11,664
Sheriff Service Fee	121,771	417,580	-	74	427,608	111,669
Treasurer Mortgage Certification	20,209	1,295	-	-	-	21,504
Drug Court	19,081	-	-	19,081	-	-
County Donations	4,115	22,500	74	-	997	25,692
Lake Patrol	20,896	23,002	-	-	18,178	25,720
Lodging Tax - ST	315,175	60,005	-	-	30,734	344,446
Emergency Medical Service (EMS-522) - ST	706,072	359,819	-	-	90,590	975,301
Rural Fire - ST	2,263,687	743,523	-	-	819,222	2,187,988
Total - All County Funds	\$ 44,154,259	\$ 19,557,229	\$ 15,933	\$ 19,155	\$ 12,223,557	\$ 51,484,709

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

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Blaine 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 emergency medical service districts, 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 within the financial statement:

County General – accounts for revenue derived mostly from ad valorem tax as directed by the Oklahoma Constitution and state statutes. Other revenues include fees, in-lieu taxes, and other miscellaneous collections. Disbursements are for general operations of the County.

County Building – accounts for revenue generated from the collection of rent on county-owned buildings. Proceeds to be expended for building maintenance.

County Highway Unrestricted – accounts for revenue from motor fuel and motor vehicle taxes and is designated for those activities associated with building and maintaining county roads and bridges.

County Bridge and Road Improvement – accounts for revenue from gasoline and natural gas taxes to be used for costs associated with bridge inspections, improvements, and construction, as well as the construction of a bituminous surface treatment or gravel roadway.

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

911 Phone Fees – accounts for fees collected by phone service providers in accordance with state statute to support 911 emergency operations.

Assessor Revolving Fee – accounts for all fees collected by the Assessor to maintain electronic databases and geographic information systems associated with the Assessor’s statutory duties.

County Clerk Lien Fee – accounts for revenue generated from filing and copy fees. Proceeds to be expended for lawful operation of the County Clerk’s office.

County Clerk Records Management and Preservation – accounts for a special fee collected on all documents filed of record in the County Clerk’s office. Expenditures are restricted to activities related to preservation of records in the County Clerk’s office.

Court Clerk Payroll – accounts for funds transferred from the court fund for compensation of district court employees.

Emergency Management – accounts for revenues from state or federal grants for the purpose of providing the county emergency management services.

Health – accounts for an ad valorem tax levy for the purpose of aiding or maintaining a county department of health.

Resale Property – accounts for interest and penalties assessed on delinquent ad valorem tax payments as well as proceeds of selling real property in the county which has remained delinquent in ad valorem tax payments for three years. The fund is utilized by the County Treasurer for offsetting the costs associated with the collection of delinquent ad valorem taxes.

Reward Fund – accounts for revenue provided by fines assessed upon persons convicted of illegal dumping of trash, debris, waste, or other substances that may cause fire on public or private property. The Board of County Commissioners may use this fund to offer and pay a reward to individuals offering information that leads to an arrest and conviction. The fund may also be used for special enforcement programs related to investigating and/or preventing littering and illegal dumping.

Sheriff Commissary – accounts for profits from selling goods to prisoners incarcerated in the county jail. The revenue is to be used to improve and provide jail services. The Sheriff may also use any surplus of this fund not needed for jail purposes for administering expenses for training equipment, travel or for capital expenditures.

Sheriff Forfeiture – accounts for proceeds from the sale of property seized by law enforcement as ordered by the court. The fund is used for law enforcement purposes and/or drug prevention and eradication.

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Sheriff Service Fee – accounts for revenue generated by court fees and fees for services. Proceeds are to be used for lawful operation of the Sheriff’s office.

Treasurer Mortgage Certification – accounts for fees collected by the County Treasurer for evaluating mortgages or other liens upon real property filed with the County for the purpose of collateralizing debt. The fund is used for lawful operation of the County Treasurer’s office.

Drug Court – accounts for the funds received from the Oklahoma Department of Mental Health and Substance Abuse Services and fees from participants to be disbursed for the operations of the adult drug court.

County Donations – accounts for revenue from private donors which is sometimes designated for a specific governmental purpose such as K-9 officers, road improvements, law enforcement equipment, improvements to fairgrounds, etc. Donations restricted to a specific purpose by the donor are accounted for separately in subaccounts (or departments) under the county donations fund to ensure they are used for the intended purposes.

Lake Patrol – accounts for contracts with the U.S. Army Corps of Engineers for law enforcement coverage on the lakes.

Lodging Tax - ST – accounts for a tax upon public lodging approved by the voters of the County and designated for a particular purpose as stated on the ballot.

Emergency Medical Service (EMS-522) - ST – accounts for a tax assessed upon retail sales within the county as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

Rural Fire - ST – accounts for a tax assessed upon retail sales within the County as authorized by vote of the citizens of the county. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

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 (U.S. GAAP), 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 allows Oklahoma counties to present their financial statement in accordance with 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, which specifies the format and presentation of such regulatory basis financial statements: county governments (primary only)

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

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. §

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

Unpaid delinquent personal property taxes are usually published 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.

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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; however, 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

Sales Tax of November 2, 2004

On November 2, 2004, the voters of Blaine County approved a county sales tax of one-half of one percent (1/2 of 1%) for an indefinite period of time for the purpose of maintaining and operating the Blaine County Courthouse and Jail. These funds are accounted for in the County General fund.

On July 13, 2021, the voters of Blaine County approved an amendment to the purpose of the county sales tax of one-half of one percent (1/2 of 1%). This amendment was created in order to provide that proceeds of the existing tax be expended for the purpose of maintaining, improving, operating, equipping and furnishing courthouse facilities and acquiring, constructing, maintaining, improving, financing, operating, equipping, and furnishing jail facilities, including the payment of debt service on obligations issued to finance said courthouse and jail facilities. These changes shall become effective August 1, 2021. These funds are accounted for in the County General fund.

Sales Tax of November 6, 2012

On November 6, 2012, the voters of Blaine County approved an additional county sales tax of one-quarter of one percent (1/4 of 1%) to become effective on January 1, 2013 for a period of ten (10) years and terminating on December 31, 2023. This sales tax was established for the purpose of contracting with the following communities: Canton, Eagle City, Geary, Greenfield, Hitchcock, Hydro, Longdale, Okeene, and Watonga, for such rural fire protection as may be deemed necessary by the Board of County Commissioners. These funds are accounted for in the Rural Fire – ST fund.

Sales Tax of April 4, 2017

On April 4, 2017, the voters of Blaine County approved an additional sales tax of one-eighth of one percent (1/8 of 1%) to become effective on July 1, 2017 and continuing thereafter. This sales tax was established for the purpose of contracting with the following 522 Emergency Medical Services (EMS) Districts: Canton, Geary, Okeene, and Watonga for such emergency services as may be

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

deemed necessary by the Board of County Commissioners. These funds are accounted for in the Emergency Medical Service (EMS-522) – ST fund.

E. Interfund Transfers

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

- \$15,859 was transferred from the Excess Resale fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131(D).
- \$74 was transferred from the Sheriff Service Fee fund to the County Donations fund to close the donation account within the Sheriff Service Fee fund.
- \$19,081 was transferred from the Drug Court fund to the Drug Court fund (a trust and agency fund) in accordance with state statute.

SUPPLEMENTARY INFORMATION

BLAINE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 1,506,696	\$ 323,808	\$ 1,182,888
Total Expenditures, Budgetary Basis	\$ 1,506,696	\$ 323,808	\$ 1,182,888

**BLAINE COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

1. Budgetary Schedule

The Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis for the Health Fund present comparison 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 Statement of Receipts, Disbursements, and Changes in Cash Balances because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

The Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis for the County General Fund has not been presented. Therefore, the legally adopted budget cannot be compared with actual data for the County General fund. The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the County General fund and the Health 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 Statement of Receipts, Disbursements, and Changes in Cash Balances 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.

INTERNAL CONTROL AND COMPLIANCE SECTION



**Independent Auditor’s 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
BLAINE COUNTY, OKLAHOMA

We have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Blaine County, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise Blaine County’s financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 14, 2024.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). 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 as of and for the year ended June 30, 2022, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Blaine County’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Blaine County’s internal control. Accordingly, we do not express an opinion on the effectiveness of Blaine County’s internal control.

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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not

identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2022-001, 2022-002, and 2022-003.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Blaine County's financial statement is free from 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 financial statement. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-003.

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

Blaine County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Blaine County's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Blaine County's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 14, 2024

**BLAINE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 2022-001 – Lack of County–Wide Internal Controls (Repeat Finding – 2012-001, 2013-001, 2014-001, 2015-001, 2018-001, 2019-001, 2020-001, 2021-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed and implemented to address the risks of the County.

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which 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 and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design and implement 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:

Chairman of the Board of County Commissioners: We will plan meetings and discuss risks and other issues within the County.

County Clerk: The Blaine County Clerk's Office practices internal controls within the office on many levels. Once a problem arises, a solution (internal control) is suggested and implemented. If by chance that solution is not a "fit" or does not work, then another solution is found. The solutions or internal controls can be suggested by any employee in the office.

Some of the solutions or internal controls that have been implemented recently is the emailing of appropriation ledger after the purchase orders are encumbered in the purchasing program to all offices that submitted a purchase order. This report verifies to that office the account number, the vendor, and the amount. If there is a discrepancy that office will then notify the Blaine County Clerk's Office and the error will be resolved.

There has been a discussion among the Elected Officials to develop a committee that will meet quarterly to discuss County-Wide internal controls along with the possible solutions/procedures to utilize County-Wide controls.

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I am also going to contact the surrounding counties to receive examples of how those counties fulfill this requirement.

County Treasurer: Deputies alternate balancing duties of the Official and General Fund, daily. Deputies also balance another's money till. Procedures are being updated to ensure monies are secure. Each desk that contains a money till will have a locked drawer that only the assigned Deputy has access to. At the end of the workday, monies are secured in a fire-proof vault that only the Treasurer and Deputies have access to. Treasurer and Deputies double check each other to minimize discrepancies. If there is a discrepancy, action is taken immediately to correct it. If needed, our software vendor will be notified for assistance. Beginning July 3, 2024, continuing education through the OSU-County Training Program is now being utilized with the utmost importance for certification. Only authorized people are allowed behind the counter. A sign is posted. We hold Monday meetings within the office to discuss anything that is coming up that we need to be ready for. The office is not ever left unattended. If something came up, we have keys to lock both access doors to the office. Inventory is being updated.

Criteria: The United States Government Accountability Office's *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Section 1 – Fundamental Concepts of Internal Controls – OV1.01 states in part:

Definition of Internal Controls

Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

Components, Principles, and Attributes

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

**BLAINE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Finding 2022-002 – Reconciliation of the Appropriation Ledger to the General Ledger

Condition: Based on our documentation of controls, reconciliations are not being completed between the County Clerk’s appropriation ledger and the County Treasurer’s general ledger for all funds on a monthly basis.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the reconciliation of the County Clerk’s appropriation ledger to the County Treasurer’s general ledger for all funds on a monthly basis.

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

Recommendation: OSAI recommends management take steps to ensure monthly reconciliations are performed between all funds presented on the County Clerk’s appropriation ledger and the County Treasurer’s general ledger. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.

Management Response:

Chairman of the Board of County Commissioners: I have talked to all the Elected Officials about their findings. Each official will work towards correcting their individual office issues.

County Clerk: I have been in contact with the County Treasurer, and we will be contacting another County for the procedures that have been implemented in that county. Once a process and procedure between the County Clerk's office and Treasurer's office has been established, I will then cross train the Purchasing Agent and First Deputy on the processes and procedures for reconciliation of the appropriation ledger to the general ledger.

County Treasurer: I have called other counties on their procedure for reconciliation.

Criteria: The GAO Standards – Principle 16 – Perform Monitoring Activities – 16.05 states in part:

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions.

**BLAINE COUNTY, OKLAHOMA
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Finding 2022-003 – Lack of Internal Controls and Noncompliance Over the Disbursement and Payroll Processes (Repeat Finding – 2012-005, 2013-004, 2014-004, 2015-004, 2018-003, 2019-003, 2020-004, 2021-004)

Condition: Upon inquiry of County personnel, and observation of the disbursement and payroll processes, the following weaknesses were noted:

- The County does not have an adequate segregation of duties regarding payroll expenditures to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction. One employee has the ability to:
 - Process and complete all monthly payroll disbursements.
 - Add new hires, terminations, and payroll changes.
 - Issue warrants and electronic funds transfers.
- Funds can be encumbered without a signed requisition.
- There is no policy or procedure to notify each department when funds are encumbered, and good/services can be ordered.
- Digital signatures and signature stamps are used by employees other than the signatory and are not stored in a secure location.
- A receiving report is required for every purchase order, but the purchase order will still be paid if receiving report is unsigned.
- Payroll records can be certified prior to the payroll period ending.
- The Board of County Commissioners (BOCC) does not approve the federal and state matching amounts paid by the County monthly. Additionally, the deductions and payroll detail are not approved by the BOCC or department heads monthly.
- Correction fluid is used on payroll documents.

Additionally, the following exceptions were noted with regards to the disbursement and payroll processes:

- Of the thirty-nine (39) disbursements tested:
 - Two (2) disbursements totaling \$297,799 were not encumbered prior to ordering goods or services.
 - One (1) purchase order in the amount \$141,815 could not be located.
 - Four (4) disbursements totaling \$86,032 were not supported by adequate documentation.
 - Three (3) payroll disbursements totaling \$7,692 were not reviewed/approved by the Elected Official or Department Head.
 - One (1) payroll disbursement in the amount of \$5,461 was not approved by the BOCC.

Cause of Condition: Policies and procedures have not been designed and implemented to strengthen internal controls over the disbursements and payroll processes and to ensure compliance with state statute.

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

**BLAINE COUNTY, OKLAHOMA
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Recommendation: OSAI recommends the County design and implement a system of internal controls over the disbursement and payroll processes. Such controls should include ensuring that funds are encumbered prior to the receipt of goods and/or services, disbursements are supported by adequate documentation, and that purchase orders and warrants are issued in accordance with 19 O.S. § 1505. OSAI further recommends that the payroll process be adequately segregated to strengthen the internal controls over county disbursements.

Additionally, OSAI recommends the County secure all digital signatures and signature stamps and that they are only used by the respective individual and recommends that no correction fluid be used on payroll documents.

Management Response:

Chairman of the Board of County Commissioners: I have talked to all the Elected Officials about their findings. Each official will work towards correcting their individual office issues. Blaine County District 2 is converting to a new software on May 9, 2024. Purchase orders will be signed by the Requisitioning Officer or Commissioner on the signature pad. During Covid, we were needing to purchase a grader and in turn having the thought process that in doing so, we could keep our grader inventory in low hour rotation for resale value. When we were notified that a grader was making it to port, we encumbered the money on June 7, 2021, to the vendor in order to secure a grader, which during Covid were in low supply. The grader arrived on July 6, 2021, and at that time an agreement was signed. This is not normal procedure. We normally encumber money on the date the agreement is signed.

County Clerk: Payroll process: Beginning with the May 2024 payroll, another person will be cross trained to assist in the Payroll process. She will be inputting new employees in the system and verifying the claim sheet figures before the BOCC approves them during the BOCC meeting. She will initial all documents to show that the verification process has taken place.

Also, during the May 2024 payroll, the Payroll Clerk will walk through the process with the federal and state matching amounts that are paid by the County monthly to verify that those numbers will be able to be inserted onto the claim sheet before the BOCC meeting and approval. This step will also include the deductions and payroll details. This is a trial-and-error process and if this does not result in favorable results, we will find a different internal control process for the federal, state, and deduction reports.

Once the Payroll Clerk has assigned the payroll claims a purchase order number on the 3rd Friday of each month, the following Monday, the BOCC will approve the payroll claims. After the BOCC approves and signs the claims, the County Clerk will review that each claim has been signed by the BOCC and then the Payroll Clerk will begin the process.

- The County Clerk does have a signature stamp. This stamp was taken out to use in September 2023 after a discussion with the State Auditors. This stamp remains in the County Clerk's office in a locked drawer and the key is not available to anyone.
- All receiving reports are to be signed when turned in for purchase pay. At the time of this audit, the Fire Departments and EMS Districts were under Emergency Management and to this date are not signed due to the Emergency Manager's busy schedule. Effective April 1, 2024, the receivers for

**BLAINE COUNTY, OKLAHOMA
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the Fire Departments and EMS Districts were changed. This should ensure that all receivers are signed at the time of submission. In the event that a receiving report is submitted without a signature, that office will be notified that the purchase order will not be presented to the BOCC for payment until the receiver is signed.

- Correction fluid is now not used in any of the purchasing or payroll procedures.
- When a purchase order is submitted for payment to the County Clerk's office and the date of the invoice is before the date of the purchase order number, that purchase order will receive a red stamp and an explanation is required before submission to the BOCC for approval.
- The purchase order for the fire department that was misplaced during the fiscal year 2022-2023 audit is still misplaced. The County Clerk's office continues to look for it.

All departments/offices have been informed that if items are purchased through Statewide contracts or nation-wide purchasing programs, those documents supporting this information shall be provided otherwise that purchase order will not be submitted to the BOCC for approval and that office shall find a different vendor or utilize the bid process. The information of what supporting documentation is to be attached and to be noted on the purchase order as well.

County Treasurer: The Treasurer's signature stamps were collected from the deputies the day the auditor was here and advised the deputies were not to have them in their possession. Said stamps are locked up in a secure location.

County Sheriff: Policy will be enforced regarding ordering of goods and purchase orders. The Purchasing Agent will start doing the purchasing to eliminate the encumberment. We have implemented a signature pad and eliminated the auto signature from our system. This is important to our office so that a possible misuse or embezzlement does not occur. We believe in the checks and balances that this created and we took immediate action correcting this problem.

Court Clerk: As to the unsigned time sheet in December of 2021, after looking at information I believe that employee had Covid and just forgot to sign when they returned to work. I feel the Payroll Clerk should have been aware as well and should have reached out to correct this issue as we need to work together. I will be more diligent in overseeing that will not happen again.

Criteria: GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Objectives of an Entity – Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

**BLAINE COUNTY, OKLAHOMA
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Additionally, Principle 6 – Define Objectives and Risk Tolerances – 6.05 states:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity’s objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment.

The GAO Standards Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Proper execution of transactions

Transactions are authorized and executed only by persons acting within the scope of their authority. This is the principal means of assuring that only valid transactions to exchange, transfer, use, or commit resources are initiated or entered into. Management clearly communicates authorizations to personnel.

Appropriate documentation of transactions and internal control

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Further, effective internal controls require that management properly implement procedures to ensure that expenditures comply with 19 O.S. § 1505.

**BLAINE COUNTY, OKLAHOMA
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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 2022-004 – Lack of Internal Controls and Noncompliance Over the Estimate of Needs

Condition: Upon review of the Estimate of Needs for the County General fund, it was determined that the County General fund appropriations equal actual expenditures for the majority of accounts within the County General fund. Supplemental adjustments to appropriations were negative within accounts represented within the County General fund. These supplemental appropriations were not in accordance with state statutes regarding the procedures for the budgeting process and the addition of supplemental appropriations.

It was also noted that upon review of the County’s budget to actual for the County General fund, the following accounts were excluded:

	<u>Budget</u>	<u>Actual</u>
• District Attorney	\$10,322	\$10,322
• Juvenile Shelter/Bureau	\$7,896	\$7,896
• Emergency Management	\$87,103	\$86,984
• General Government-ST	\$13,834,837	\$1,513,980

It was also noted that upon review of the County’s budget to actual for the County General fund, the following account was included but was not listed within the County’s Estimate of Needs for the County General fund:

	<u>Budget</u>	<u>Actual</u>
• Highway Budget Account	\$8,296	\$8,296

Cause of Condition: Policies and procedures have not been designed and implemented to ensure proper procedures are followed when adding supplemental or additional appropriations to the Estimate of Needs.

Effect of Condition: This condition resulted in noncompliance with state statutes and the County approving and operating on a budget that is not a true reflection of the County’s financial condition.

Recommendation: OSAI recommends the County review the Estimate of Needs prior to approval to ensure that financial information is accurately presented. Also, the Estimate of Needs should be prepared in accordance with 68 O.S. § 3002(A), 68 O.S. § 3003(B), and 68 O.S. § 3021.

Management Response:

Chairman of the Board of County Commissioners: I have talked to all the Elected Officials about their findings. Each official will work towards correcting their individual office issues.

**BLAINE COUNTY, OKLAHOMA
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County Clerk: When reviewing the County's budget to actual for the General Fund, I will visit with County Budget Maker to verify that the program used was accurate. In the future, when comparing the County's budget to the actual for all funds any discrepancy will be discussed with the Budget Maker for clarification.

Criteria: The GAO Standards – Section 2 – Objectives of an Entity – OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Further, GAO Standards – Principle 6 – Defined Objectives and Risk Tolerances – 6.05 states:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity's objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment.

Title 68 O.S. § 3002(A) states in part, "...each board of county commissioners...shall prior to October 1 of each year, make, in writing, a financial statement, showing the true financial condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statements shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct..."

Title 68 O.S. § 3003(B) states in part, "All forms and procedures necessary for the effective operation of this act shall be prescribed by the office of the State Auditor and Inspector.

Title 68 O.S. § 3021 prescribes the procedures for supplemental and additional appropriations.

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