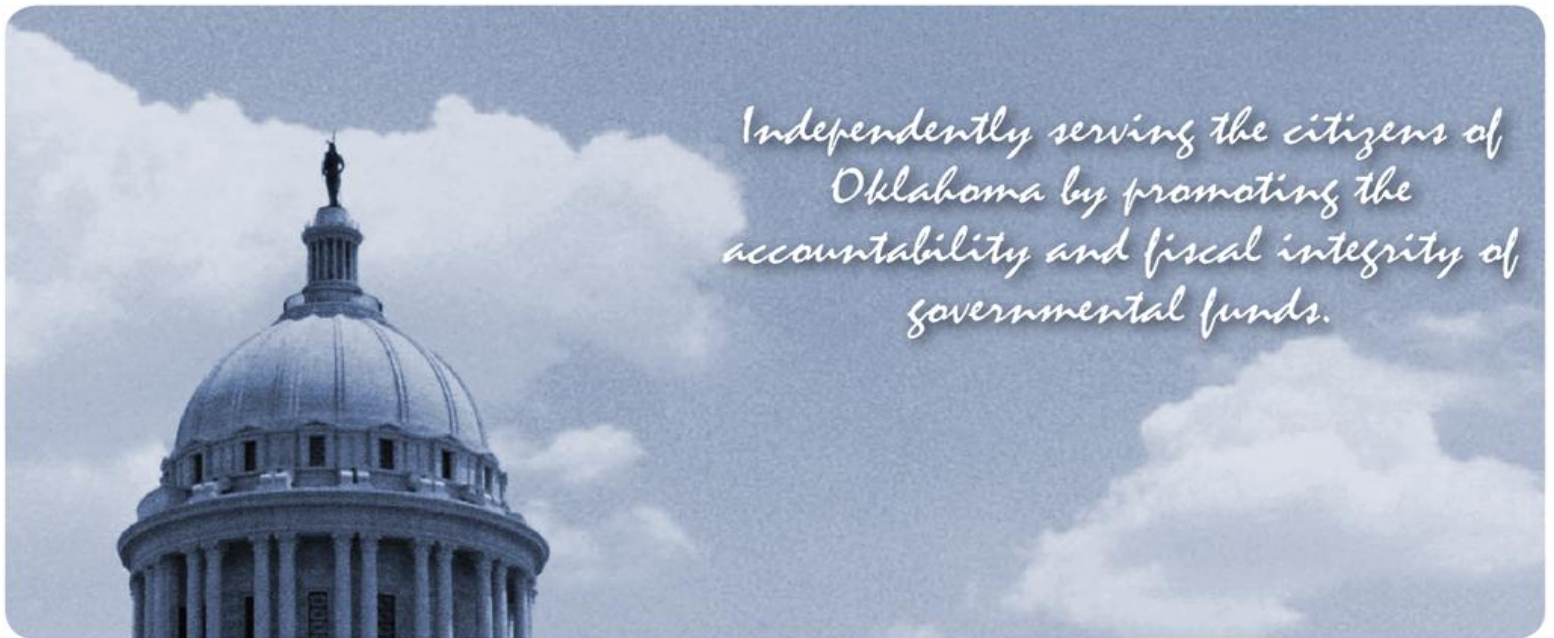


COUNTY AUDIT

BRYAN COUNTY

For the fiscal year ended June 30, 2014



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

**BRYAN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

January 22, 2016

TO THE CITIZENS OF
BRYAN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Bryan County, Oklahoma for the fiscal year ended June 30, 2014. 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

**BRYAN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Statistical Information.....	iii
County Officials.....	iv
Ad Valorem Tax Distribution	v
Assessed Value of Property Trend Analysis.....	vi
County Payroll Expenditures Analysis	vii
County General Fund Analysis	viii
County Highway Fund Analysis	ix

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information)—Major Funds.....	4
Notes to the Financial Statement.....	5

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	13
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	14
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds	15
Notes to Other Supplementary Information	16

**BRYAN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

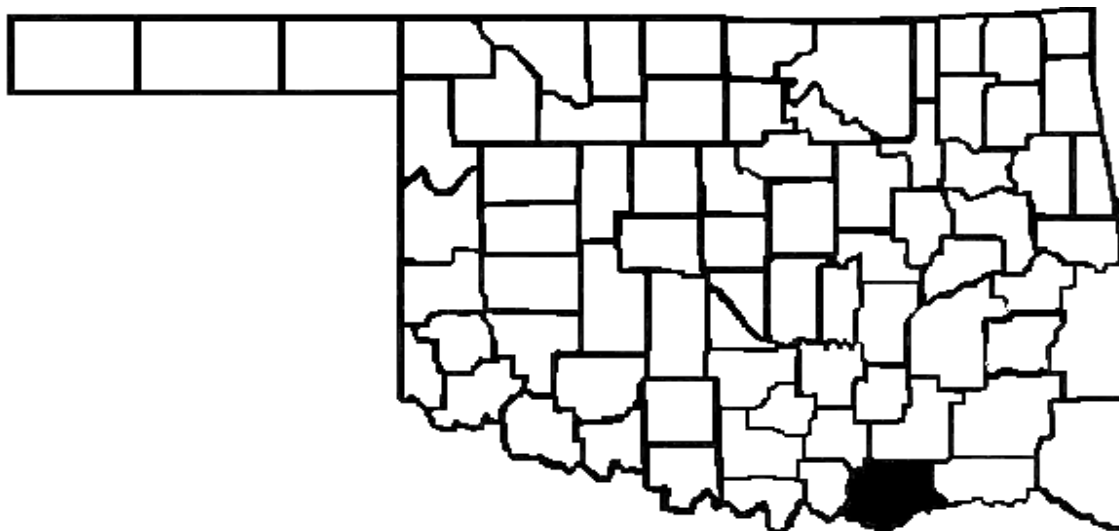
INTERNAL CONTROL AND COMPLIANCE SECTION

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..... 19

Schedule of Findings and Responses..... 21

**INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES iii -ix
PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**BRYAN COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**



Located in the mountains of southeastern Oklahoma, Bryan County is named for famous orator William Jennings Bryan. The area was first settled by Choctaw Indians following their removal from Mississippi. The Indians established several schools in the area during the mid-to-late 1800s. One of the schools, Armstrong Academy for boys in Durant, later served as the capital of the Choctaw Nation.

Durant, the county seat, is the site of many manufacturers including American Packaging, Bryan County Manufacturing, Potter Sausage, and Stahl Metal Products.

Southeastern Oklahoma State University in Durant is the site of the Oklahoma Shakespeare Festival. Held annually during June and July, this popular event has gained national recognition. The historic Bryan Hotel in Durant once served as southeastern Oklahoma's center for social and political activities. Many national politicians such as Robert Kerr, Carl Albert, and William Jennings Bryan included the hotel as a stop on their campaign trails. The hotel has been restored and tours are available.

Lake Texoma Resort provides a variety of recreational facilities including a golf course, marina, and camping facilities. For information, call the county clerk at 580/924-2202.

County Seat – Durant

Area – 943.43 Square Miles

County Population –43,399
(2012 est.)

Farms –1,701

Land in Farms – 490,688 Acres

Primary Source: Oklahoma Almanac 2013-2014

Board of County Commissioners

District 1 – Monty Montgomery
District 2 – Tony Simmons
District 3 – Jay Perry

County Assessor

Glendel Rushing

County Clerk

Tammy Reynolds

County Sheriff

Kenneth Golden

County Treasurer

Nancy Conner

Court Clerk

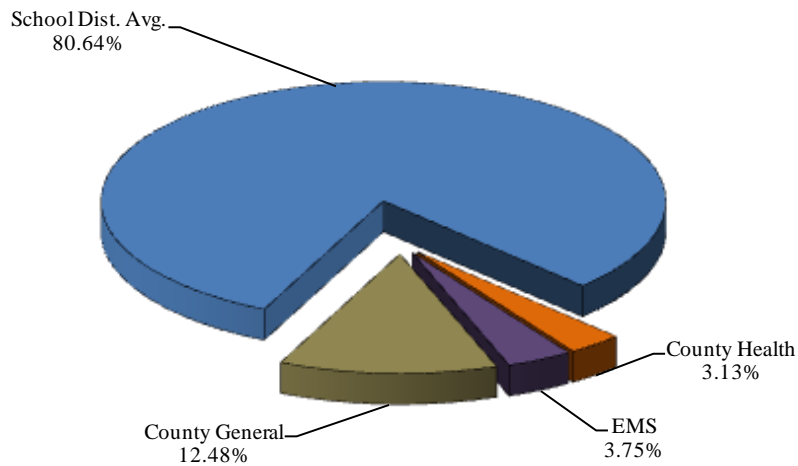
Donna Alexander

District Attorney

Emily Redman

**BRYAN COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

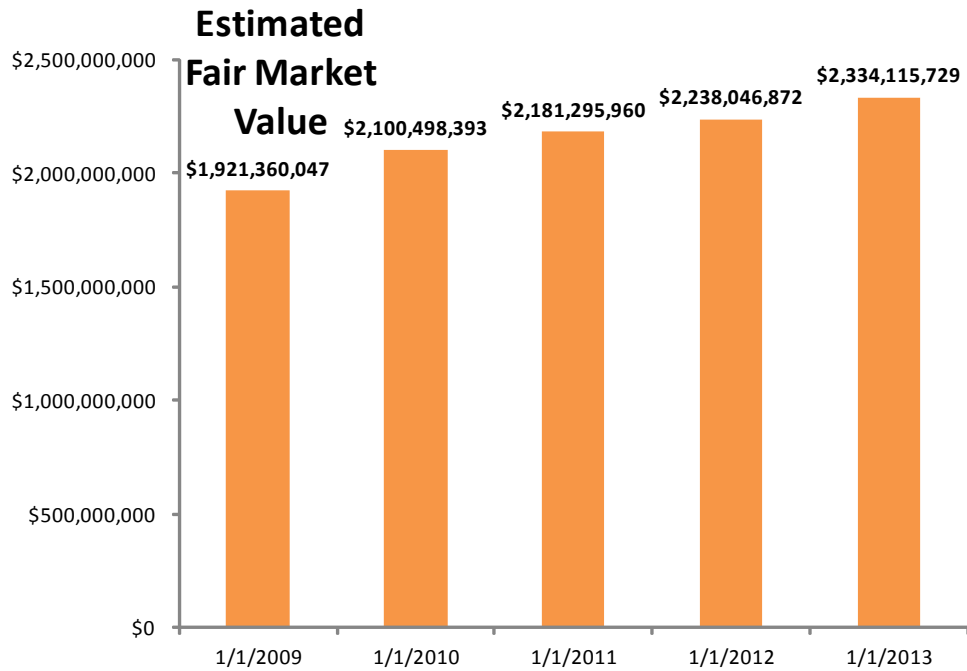
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages							
			Gen.	Bldg.	Skg.	Career	Tech	Common	Total
County General	10.22								
County Health	2.56	Silo	I-1	36.26	5.18	-	12.26	4.09	57.79
EMS	3.07	Rock Creek	I-2	36.33	5.19	-	12.26	4.09	57.87
		Achille	I-3	36.33	5.19	9.99	12.26	4.09	67.86
		Colbert	I-4	35.84	5.12	15.63	12.26	4.09	72.94
		Caddo	I-5	36.23	5.18	11.65	12.26	4.09	69.41
		Bennington	I-40	36.02	5.15	9.75	12.26	4.09	67.27
		Calera	I-48	35.70	5.10	10.75	12.26	4.09	67.90
		Durant	I-72	35.49	5.07	16.86	12.26	4.09	73.77
		Boswell (Choctaw)	I-1	37.77	5.40	-	12.26	4.09	59.52

**BRYAN COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

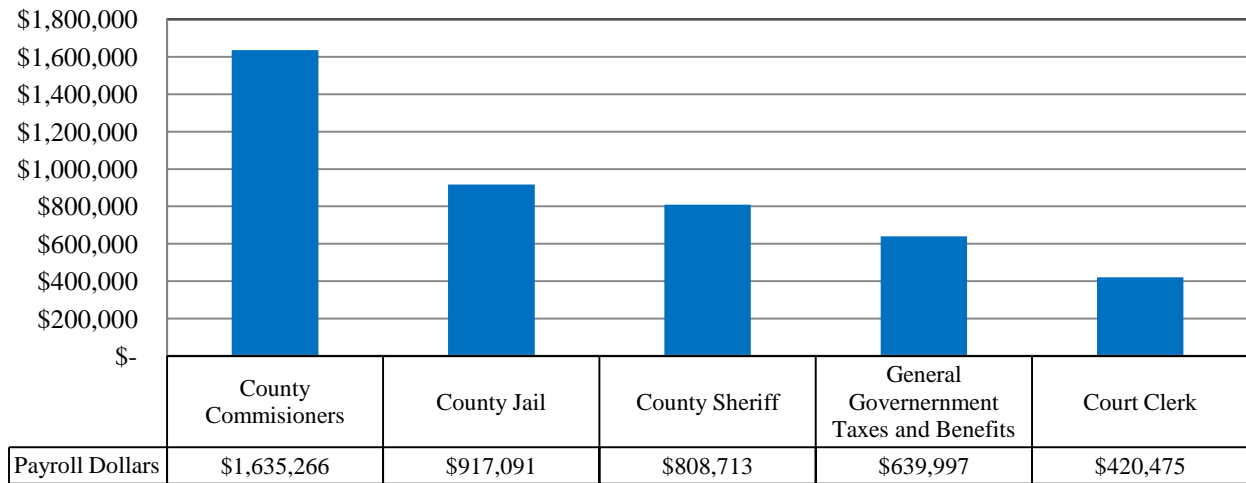
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2013	\$31,134,817	\$57,849,662	\$201,483,054	\$10,090,074	\$280,377,459	\$2,334,115,729
1/1/2012	\$28,981,934	\$59,177,698	\$192,073,132	\$10,075,305	\$270,157,459	\$2,238,046,872
1/1/2011	\$26,853,904	\$60,660,503	\$186,889,770	\$9,949,374	\$264,454,803	\$2,181,295,960
1/1/2010	\$27,118,990	\$61,982,103	\$177,116,934	\$9,748,578	\$256,469,449	\$2,100,498,393
1/1/2009	\$27,575,908	\$41,160,619	\$167,435,835	\$9,638,039	\$226,534,323	\$1,921,360,047



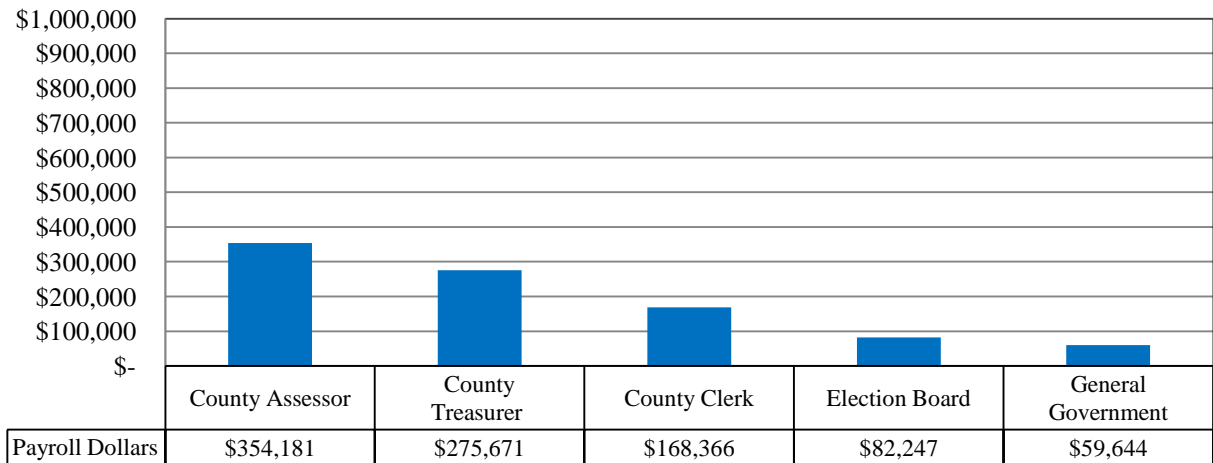
**BRYAN COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014.

Payroll Expenditures by Department



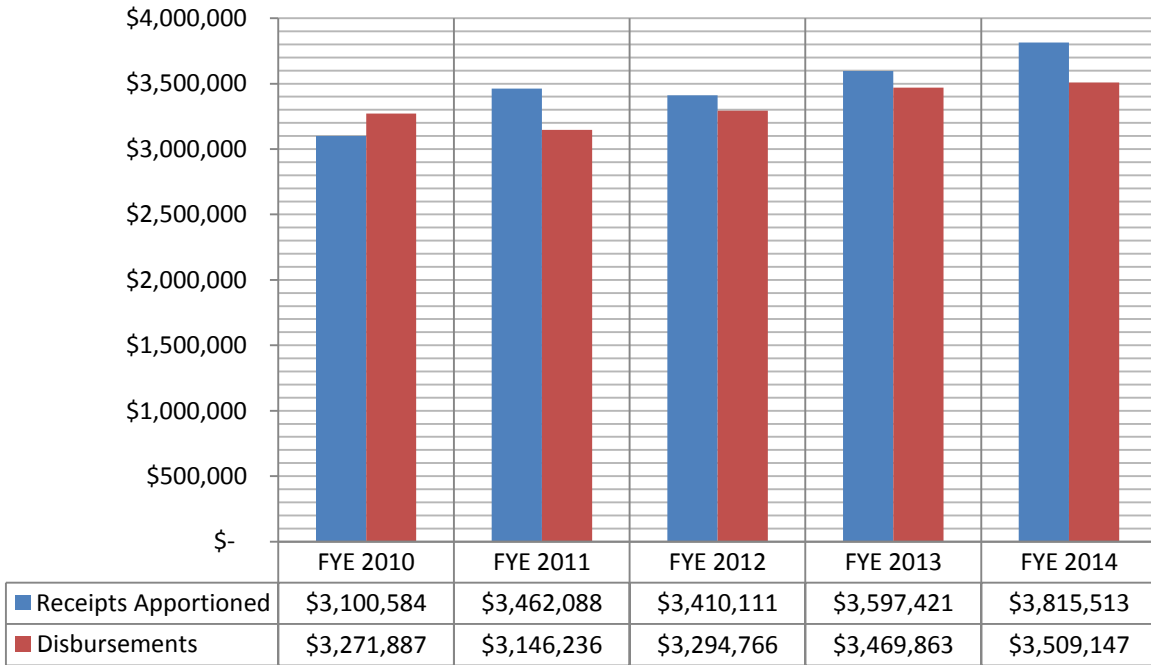
Payroll Expenditures by Department



**BRYAN COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County General Fund

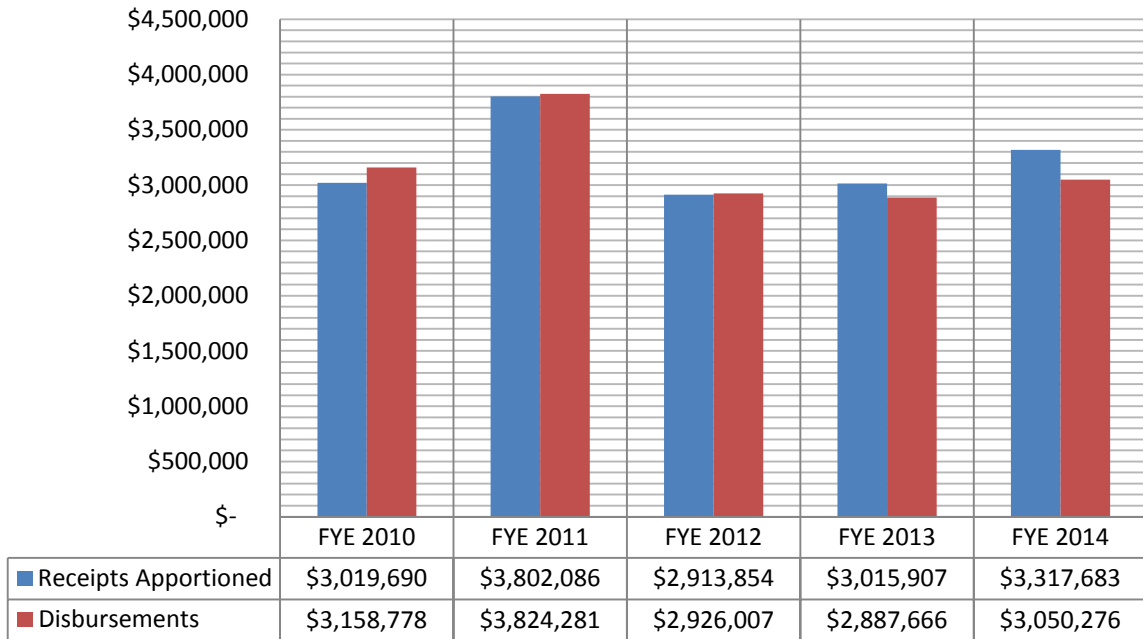
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county’s primary source of operating revenue. The County General Fund is typically used for county employees’ salaries plus many expenses for county maintenance and operation. It also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



**BRYAN COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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
BRYAN COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Bryan County, Oklahoma, as of and for the year ended June 30, 2014, listed in the table of contents as the financial statement.

Management's Responsibility 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 described in Note 1, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described in Note 1 of the financial statement, the financial statement is prepared by Bryan County 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. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Bryan County as of June 30, 2014, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

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 Bryan County, for the year ended June 30, 2014, on the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, as listed in the table of contents, 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 subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2016, on our consideration of Bryan 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 in considering Bryan County's internal control over financial reporting and compliance.

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

January 22, 2016

REGULATORY BASIS FINANCIAL STATEMENT

BRYAN 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, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2014
Combining Information:						
Major Funds:						
County General Fund	\$ 1,204,146	\$ 3,815,513	\$ -	\$ -	\$ 3,509,147	\$ 1,510,512
T-Highway Fund	1,314,790	3,317,683	146,178	-	3,050,276	1,728,375
T-Highway Roads and Bridges Revolving Fund	352,551	361,506	-	-	433,838	280,219
County Health Department Fund	1,234,417	1,068,548	-	-	1,239,397	1,063,568
County Sinking Fund	3,036	67	-	-	-	3,103
COPS Fast Fund	1	-	-	-	-	1
County Treasurer Resale Property Fund	198,423	342,717	-	-	255,465	285,675
Jail Revolving Fund	28,454	26,329	-	-	21,461	33,322
Jail Special Fund	5	-	-	-	-	5
Sheriff Department of Corrections Fund	226,389	550,372	-	-	428,104	348,657
Sheriff Revolving Fund	142,080	367,412	-	-	426,625	82,867
T-Highway Sawmill BIA Fund	76,633	1,342,101	-	-	1,041,569	377,165
T-Highway Orchard Road BIA Fund	47,790	23	-	-	9,061	38,752
Bryan County Building Fund	33,943	15	-	-	7,845	26,113
CBRI 105 Fund	674,365	541,010	-	146,178	416,845	652,352
Jail Project Fund	2,968	-	-	-	2,968	-
Jail Renovation Note Fund	239,223	352,168	-	-	430,618	160,773
Achille Fire Department Sales Tax Fund	29,618	53,246	-	-	35,864	47,000
Albany Fire Department Sales Tax Fund	29,618	53,246	-	-	9,580	73,284
Bennington Fire Department Sales Tax Fund	29,618	53,246	-	-	10,029	72,835
Bokchito Fire Department Sales Tax Fund	21,798	53,242	-	-	29,133	45,907
Bryan County Fire Department Sales Tax Fund	27,618	54,745	-	-	13,457	68,906
Bryan County Communication Sales Tax Fund	29,618	53,241	-	-	51,455	31,404
Caddo Fire Department Sales Tax Fund	29,618	53,248	-	-	-	82,866
Calera Fire Department Sales Tax Fund	27,311	53,240	-	-	27,722	52,829
Cartwright Fire Department Sales Tax Fund	22,495	53,233	-	-	56,233	19,495
Colbert Fire Department Sales Tax Fund	29,618	53,248	-	-	-	82,866
Durant Fire Department Sales Tax Fund	17,234	53,236	-	-	34,689	35,781
Freeny Valley Fire Department Sales Tax Fund	16,786	53,236	-	-	25,693	44,329
Kemp Fire Department Sales Tax Fund	28,986	53,245	-	-	7,516	74,715
Lakewood Fire Department Sales Tax Fund	17,477	53,230	-	-	46,899	23,808
Philadelphia Fire Department Sales Tax Fund	25,180	53,235	-	-	38,082	40,333
Roberta Fire Department Sales Tax Fund	15,589	53,238	-	-	11,412	57,415
Silo Fire Department Sales Tax Fund	25,005	53,233	-	-	49,442	28,796
Wade Fire Department Sales Tax Fund	21,762	53,238	-	-	45,361	29,639
West Bryan County Fire Department Sales Tax Fund	29,618	53,232	-	-	70,615	12,235
Yuba Fire Department Sales Tax Fund	11,941	53,226	-	-	54,155	11,012
T-Highway Chestnut Lane District 2	-	-	124,066	-	33,354	90,712
CDBG RW 2	-	220,756	-	-	220,756	-
T-Highway Roberts BIA Fund	-	2,140,744	-	-	1,596,313	544,431
Remaining Aggregate Funds	381,942	1,004,188	-	-	926,608	459,522
Combined Total - All County Funds	<u>\$ 6,647,664</u>	<u>\$ 16,517,436</u>	<u>\$ 270,244</u>	<u>\$ 146,178</u>	<u>\$ 14,667,587</u>	<u>\$ 8,621,579</u>

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

**BRYAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Bryan 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 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 as combining information within the financial statement:

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

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

T-Highway Roads and Bridges Revolving Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution to be used for the maintenance of county highways and bridges.

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

County Sinking Fund - accounts for debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

**BRYAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

COPS Fast Fund - remnant of federal funds to be expended for deputies' salaries in the Sheriff's office.

County Treasurer Resale Property Fund - accounts for the collection of interest, penalties, and fees on delinquent taxes, and the disposition of same as restricted by state statute.

Jail Revolving Fund - accounts for sales tax revenues received to be used for the maintenance of the jail.

Jail Special Fund - accounts for donations to help fund the county jail.

Sheriff Department of Corrections Fund - accounts for monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections' prisoners.

Sheriff Revolving Fund - accounts for sales tax revenues received for the maintenance and operation of the Sheriff's office.

T-Highway Sawmill BIA Fund - accounts for grant funds to be expended for the repair of Sawmill Road.

T-Highway Orchard Road BIA Fund - accounts for grant funds to be expended for the repair of Orchard Road.

Bryan County Building Fund - accounts for funds received from the sale of county-owned property, to be used for the repair of existing county properties.

CBRI 105 Fund - accounts for funds received from the Oklahoma Department of Transportation, and disbursements are restricted by state statutes for the purpose of reimbursement for constructing and maintaining county roads and bridges.

Jail Project Fund - accounts for a part of the proceeds of a \$3,000,000.00 loan, approved by voters to be repaid from dedicated county sales taxes collected, that is not specifically invested. These proceeds are to be used for the remodeling of the existing jail and the construction of a new expansion for the jail.

Jail Renovation Note Fund - accounts for sales tax revenues to be used for the repayment of debt incurred for the remodeling to the existing jail and the construction of a new expansion for the jail.

Achille Fire Department Sales Tax Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Albany Fire Department Sales Tax Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

**BRYAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Bennington Fire Department Sales Tax Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Bokchito Fire Department Sales Tax Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Bryan County Fire Department Sales Tax Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Bryan County Communication Sales Tax Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Caddo Fire Department Sales Tax Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Calera Fire Department Sales Tax Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Cartwright Fire Department Sales Tax Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Colbert Fire Department Sales Tax Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Durant Fire Department Sales Tax Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Freeny Valley Fire Department Sales Tax Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Kemp Fire Department Sales Tax Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Lakewood Fire Department Sales Tax Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Philadelphia Fire Department Sales Tax Fund – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Roberta Fire Department Sales Tax Fund – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Silo Fire Department Sales Tax Fund – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

**BRYAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Wade Fire Department Sales Tax Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

West Bryan County Fire Department Sales Tax Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Yuba Fire Department Sales Tax Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

T-Highway Chestnut Lane District 2 – accounts for activity related to the Circuit Engineering Districts’ Emergency and Transportation Revolving Fund loan and disbursements for the purpose of constructing and maintaining Chestnut Lane road..

CDBG RW 2 - accounts for Community Development Block Grant funds received by Bryan County Rural Water District 2 for improvements.

T-Highway Roberts BIA Fund - accounts for grant funds to be expended for the repair of Roberts Road.

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

**BRYAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

For the purposes of financial reporting, "Ending Cash Balances, June 30" includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

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

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

2. Ad Valorem Tax

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

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

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.

**BRYAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

D. Long Term Obligations

1. Sales Tax Reallocation for Payment of Promissory Note

The Board of County Commissioners by resolution on August 26, 2010, authorizes a County Sales Tax Reallocation Question to be placed on the November 2, 2010, General Election Ballot for consideration by the voters of Bryan County. The Voters of Bryan County approved the County Sales Tax Reallocation of one third of an existing one quarter of one percent sales tax to be reallocated for the repayment of an indebtedness of \$3,000,000 to be used for improvements, including construction and remodeling of the Bryan County Jail, the acquisition of land for courthouse parking, the installation of a security fence and electronic gate.

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Amount</u>
Bryan County, Oklahoma Improvements	4.75%	\$3,006,943

During the fiscal year 2014, payments included \$305,453 for principal, \$125,165 for interest.

Payments for the repayment of the debt incurred are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 163,052	\$117,616	\$ 280,668
2016	170,968	109,700	280,668
2017	179,268	101,400	280,668
2018	187,971	92,697	280,668
2019-2026	1,699,006	274,995	1,974,001
Total	<u>\$2,400,265</u>	<u>\$696,408</u>	<u>\$3,096,673</u>

E. Sales Tax

On November 2, 2010, the voters of Bryan County approved a reallocation of the permanent one-fourth percent (1/4%) sales tax. This sales tax was reallocated to provide revenue for the operation of the Bryan County Sheriff's Office for law enforcement purposes, to provide revenue for the construction and maintenance of county roads and bridges, and to provide revenue for the retirement of the proposed indebtedness for the remodeling of the Bryan County Jail. These funds are accounted for in Sheriff Revolving Fund, T-Highway Roads and Bridges Revolving Fund, and Jail Renovation Note Fund.

On June 26, 2012, the voters of Bryan County approved an additional one fourth percent (1/4%) sales tax. This sales tax was allocated to provide revenue for the purpose of fire protection, prevention, communications, training related expenses (not to include salaries), and Fire/EMS/Rescue Operations. This includes maintenance and construction of buildings and

**BRYAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

facilities both current and future, the purchase and maintenance of current and future apparatus, vehicles and supplies for all current Bryan County Fire Departments, Bryan County Communications Center and the Bryan County Fire Chiefs' Association. These funds are accounted for in Achille, Albany, Bennington, Bokchito, Bryan County, Caddo, Calera, Cartwright, Colbert, Durant, Freeny Valley, Kemp, Lakewood, Philadelphia, Roberta, Silo, Wade, West Bryan County, and Yuba Fire Department Sales Tax Fund and Bryan County Communication Sales Tax Fund.

F. Interfund Transfers

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

- \$146,178 was transferred from the CBRI 105 Fund to the T-Highway Fund for road projects of Bryan County.
- \$124,066 was transferred from the ETR T-Highway Roads and Bridges Revolving Fund, (a trust and agency fund) to the T-Highway-Chestnut Lane District 2 fund to reimburse for expenditures on bridge and road projects in the County.

OTHER SUPPLEMENTARY INFORMATION

BRYAN 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, 2014

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,204,146	\$ 1,204,146	\$ -
Less: Prior Year Outstanding Warrants	(220,063)	(220,063)	-
Less: Prior Year Encumbrances	(56,787)	(56,347)	440
Beginning Cash Balances, Budgetary Basis	<u>927,296</u>	<u>927,736</u>	<u>440</u>
Receipts:			
Ad Valorem Taxes	2,604,961	2,879,819	274,858
Charges for Services	155,500	172,019	16,519
Intergovernmental Revenues	513,986	690,473	176,487
Miscellaneous Revenues	18,761	73,202	54,441
Total Receipts, Budgetary Basis	<u>3,293,208</u>	<u>3,815,513</u>	<u>522,305</u>
Expenditures:			
County Sheriff	413,371	411,624	1,747
County Treasurer	124,802	118,682	6,120
County Commissioners	134,734	133,798	936
OSU Extension	96,384	95,889	495
County Clerk	183,481	177,493	5,988
Court Clerk	163,156	162,677	479
County Assessor	91,061	90,788	273
Revaluation of Real Property	357,528	293,649	63,879
General Government	1,618,934	1,124,908	494,026
Excise-Equalization Board	7,001	4,145	2,856
County Election Board	98,493	94,400	4,093
Charity	1,200	1,200	-
County Jail	875,321	874,103	1,218
Emergency Management	15,000	15,000	-
County Audit Budget Account	28,038	708	27,330
Free Fair Budget Account	12,000	11,986	14
Total Expenditures, Budgetary Basis	<u>4,220,504</u>	<u>3,611,050</u>	<u>609,454</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	1,132,199	<u>\$ 1,132,199</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		256,592	
Add: Current Year Encumbrances		<u>121,721</u>	
Ending Cash Balance		<u>\$ 1,510,512</u>	

BRYAN 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, 2014

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,234,417	\$ 1,234,417	\$ -
Less: Prior Year Outstanding Warrants	(79,623)	(79,623)	-
Less: Prior Year Encumbrances	(126,829)	(119,490)	7,339
Beginning Cash Balances, Budgetary Basis	1,027,965	1,035,304	7,339
Receipts:			
Ad Valorem Taxes	652,515	724,852	72,337
Charges for Services	-	287,334	287,334
Miscellaneous Revenues	-	56,362	56,362
Total Receipts, Budgetary Basis	652,515	1,068,548	416,033
Expenditures:			
Health and Welfare	1,680,480	1,214,616	465,864
Total Expenditures, Budgetary Basis	1,680,480	1,214,616	465,864
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	889,236	\$ 889,236
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		110,217	
Add: Current Year Outstanding Warrants		64,115	
Ending Cash Balance		\$ 1,063,568	

BRYAN COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2014
Remaining Aggregate Funds:				
County Health Department Petty Cash Fund	\$ 300	\$ -	\$ -	\$ 300
County Assessor Fee Revolving Fund	55,785	4,322	1,889	58,218
County Assessor Visual Inspection Reimbursement Fund	9,721	5	802	8,924
County Assessor Cash Drawer Increase Fund	25	-	-	25
County Clerk Lien Fee Fund	35,484	16,960	20,749	31,695
County Clerk Record Management and Preservation Fund	37,613	41,845	24,353	55,105
County Clerk Cash Drawer Increase Fund	100	-	-	100
County Commissioner Trash Cop Fund	200	-	-	200
County Treasurer Resale Cash Drawer Increase Fund	600	-	-	600
Courthouse Security-SSF Fund	25,120	23,275	37,742	10,653
DHS Attendant Care Fund	95	-	-	95
County Commissioners Bond Fund	250	-	-	250
Emergency 911 Fund	8,589	104,162	96,380	16,371
Keep Bryan County Beautiful Fund	1,638	-	-	1,638
Mortgage Tax Certification Fee Fund	4,456	7,115	6,783	4,788
OSU Extension Grant Fund	832	-	-	832
Sheriff City Prisoners Fund	19,958	78,760	36,040	62,678
Sheriff Commissary Fund	12,746	9,224	12,300	9,670
Sheriff Social Security Administration Fund	7,408	8,400	7,000	8,808
Sheriff Service Fees Fund	98,571	259,738	303,396	54,913
Sheriff Corps Fund	5,387	24,000	21,691	7,696
Sheriff DARE Fund	102	-	-	102
Sheriff Helicopter Fund	617	64,344	35,693	29,268
Sheriff Training Fund	1,852	576	2,033	395
Court Clerk Payroll Fund	31,105	284,995	281,124	34,976
Free Fair Cash Fund	1,215	2,455	3,670	-
Sheriff Forfeited Revolving Fund	10	14,012	2,477	11,545
Bryan County 911 Fund	1,484	-	1,484	-
Sheriff Combating Rural Crime Fund	1	-	-	1
Circuit Engineering Fund	20,678	60,000	31,002	49,676
Combined Total - Remaining Aggregate Funds	\$ 381,942	\$ 1,004,188	\$ 926,608	\$ 459,522

**BRYAN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 Health Department Petty Cash Fund - accounts for cash set aside to maintain the change fund used for the health department's collections.

County Assessor Fee Revolving Fund - accounts for collection of fees for copies and disbursements as restricted by state statute.

County Assessor Visual Inspection Reimbursement Fund - accounts for the remainder of the funds given to the Assessor for the startup and operation of the Computer Assisted Mass Appraisal and computer mapping of the County and related expenditures.

County Assessor Cash Drawer Increase Fund - accounts for cash set aside to maintain the change fund used for the County Assessor's collections.

County Clerk Lien Fee Fund - accounts for lien collections and disbursements as restricted by state statute.

County Clerk Record Management and Preservation Fund - accounts for fees collected on instruments filed in the County Clerk's office and disbursements as restricted by state statute for preservation of records.

County Clerk Cash Drawer Increase Fund - accounts for cash set aside to maintain the change fund used for the County Clerk's collections.

**BRYAN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County Commissioner Trash Cop Fund - accounts for state funds used to pay personal service fees for the prevention of illegal dumping as restricted by state statute.

County Treasurer Resale Cash Drawer Increase Fund - accounts for cash set aside to maintain the change fund used for the County Treasurer's collections.

Courthouse Security-SSF Fund - accounts for collections and disbursement of Sheriff service fees as restricted by state statute to be used for courthouse security.

DHS Attendant Care Fund - accounts for the state contract funds for juvenile care.

County Commissioners Bond Fund - accounts for monies received to defray the cost related to submitting a proposition to be placed on the ballot.

Emergency 911 Fund - accounts for monies received from the telephone companies for operation of the emergency 911 services.

Keep Bryan County Beautiful Fund - accounts for donations to be used for the beautification of Bryan County.

Mortgage Tax Certification Fee Fund - accounts for collections of fees by the County Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by state statute.

OSU Extension Grant Fund - accounts for the remaining match funds for a federal grant used to renovate the Expo Building.

Sheriff City Prisoners Fund - accounts for monies received for housing city prisoners to be used for jail operating expenses.

Sheriff Commissary Fund - accounts for monies received from the commissary sales and disbursement of funds for commissary expenses and jail operating expenses.

Sheriff Social Security Administration Fund - accounts for the collection and deposit of Social Security funds to be used for jail operating expenses.

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

Sheriff Corps Fund - accounts for monies received from the Corps of Engineers for patrolling purposes.

Sheriff DARE Fund - accounts for the excess match remaining from the Drug Awareness Resistance Education grant.

**BRYAN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Sheriff Helicopter Fund - accounts for donations made for the purpose of advancing utilization of the Sheriff Department helicopter.

Sheriff Training Fund - accounts for funds collected from the disposition of unclaimed property for the purposes of purchasing equipment, material, or supplies that may be used in crime prevention.

Court Clerk Payroll Fund - accounts for funds deposited by the Court Clerk to be used for payroll for that office.

Free Fair Cash Fund - accounts for funds collected from Fair Board activities to be used for fair expenses.

Sheriff Forfeited Revolving Fund - accounts for funds collected from forfeitures to be used for the intervention and prevention of narcotic use.

Bryan County 911 Fund - accounts for funds received from the City of Durant to be used for 911 signs.

Sheriff Combating Rural Crime Fund - accounts for grant funds received to be expended for the prevention and detection of rural crime.

Circuit Engineering Fund - accounts for monies made available for reimbursement for constructing and maintaining county roads and bridges.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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
BRYAN COUNTY, OKLAHOMA

We have audited, in accordance with the 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, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Bryan County, Oklahoma, as of and for the year ended June 30, 2014, which comprises Bryan County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 22, 2016.

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. 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, 2014, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Bryan County's internal control over financial reporting (internal control) to determine the 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 Bryan County's internal control. Accordingly, we do not express an opinion on the effectiveness of Bryan County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement

of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2014-1, 2014-4, 2014-5, and 2014-7.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2014-6 and 2014-9.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bryan 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 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 2014-7.

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

Bryan County's Responses to Findings

Bryan County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Bryan County's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the responses.

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 result 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.

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

January 22, 2016

**BRYAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 2014-1 - Inadequate County-Wide Controls (Repeat Finding)

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

Cause of Condition: Policies and 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:

County Commissioner District 1: I was elected in the last General Election and assumed office January 1, 2015. I have become aware of some of these issues that are mentioned above. I have started working with the various elected officials to minimize any undo risks to the County.

1. District 1 (my District) has been chosen to beta test an accounting package that will enable the entry, maintenance, and retrieval of financial and asset data, as well as safeguard it in case of a disaster.
2. Quarterly elected official meetings are being established to improve communications between the offices.
3. All policies and procedures are being reviewed as time permits and corrections made where applicable.
4. The development or improvement of electronic communications between the staff employed by Bryan County is underway, solutions will be based on a needs assessment and when is funding available.
5. Many of the computers and servers used within the County are currently backed up off-site by various third-party software providers, remaining computers are being evaluated for requirements and solutions will be implemented based on available funding.
6. As other areas of concern or deficiencies are discovered, solutions/corrections will be created where applicable and when funding is available.
7. I with the cooperation of the other Commissioners and elected officials will continuously review and evaluate operational, financial, security, and statutory compliance issues based on acceptable risk factors established either by federal, state statutes or Bryan County internal controls.

County Commissioner District 2: I agree with County Commissioners District 1's response and will work with the other Commissioners and elected officials to address these issues.

**BRYAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County Commissioner District 3: I agree with the finding and we will take the necessary steps to address the risks of the county.

County Treasurer: I concur with this finding and committed to working with other elected officials to reduce this finding and resolve the problems. I believe we have started in this direction and will encourage continued improvement.

County Clerk: I concur with County Commissioners District 1's response and will work with the other elected officials to implement recommendations.

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 met. 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.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Finding 2014-4 – Inadequate Segregation of Duties Over the Purchasing Process (Repeat Finding)

Condition: Upon inquiry and observation of the County's purchasing process, it was noted that the Purchasing Deputy prepares purchase orders, encumbers purchase orders, approves/authorizes the encumbrance, reviews the purchase order for accuracy, prepares the warrants, maintains ledgers, and distributes checks.

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

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

**BRYAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Management Response:

County Clerk: We will start separating the purchasing duties from now on. We will have at least two employees working within each function of the purchasing duties. I along with my staff will work on all of the recommendations.

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

Finding 2014-5 – Inadequate Segregation of Duties Over the Payroll Process (Repeat Finding)

Condition: Upon inquiry and observation of the County's payroll process it was noted that the Payroll Clerk enrolls new employees, inputs payroll information into the system without secondary review, maintains personnel files, and prepares the OPERS reports and state and federal tax reports. In addition, the Payroll Clerk processes payroll claims, prints and reviews payroll verification reports for errors, prints payroll warrants, and distributes payroll warrants.

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

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

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

Management Response:

County Clerk: I will separate the duties of the Payroll Clerk so that two employees will do payroll.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of

**BRYAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

Finding 2014-6 – Inadequate Internal Controls Over Signature Stamp – County Commissioner District 3 (Repeat Finding)

Condition: Upon inquiry, observation, and review of documents we noted the following internal control weakness:

- The Board of County Commissioners' (BOCC) secretary has physical control of County Commissioner District 3's signature stamp. The signature stamp is retained in a secure location; however, the secretary has the only key which is retained in an unsecure location.

Cause of Condition: Policies and procedures have not been designed to ensure that the signature stamp is being used only by the owner, and to ensure they have physical control of their signature stamp.

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

Recommendation: OSAI recommends that signature stamps be used only by the official. The official who utilizes a signature stamp should ensure that signature stamp is adequately safeguarded from unauthorized use.

Management Response:

County Commissioner District 3: I will implement procedures to secure my signature stamp.

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

Finding 2014-7 – Inadequate Internal Controls and Noncompliance Over Disbursements (Repeat Finding)

Condition: While performing a test of seventy-six (76) expenditures, the following was noted:

- One (1) was not supported by adequate documentation.
- Five (5) were not timely encumbered.

Cause of Condition: The County did not follow policies and procedures designed by state statutes regarding the purchasing process.

**BRYAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Effect of Condition: This condition resulted in noncompliance with state statutes and could result in unrecorded transaction, undetected errors, and misappropriation of funds, inaccurate records, and incomplete information.

Recommendation: OSAI recommends the County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered. Adequate supporting documentation should be attached to the purchase order. This includes invoices, haul tickets, and receiving reports.

Management Response:

County Clerk: I have told my staff not to accept any documents that do not have enough detail or information attached to them. We also sent out an email to all of the fire departments informing them what the requirements are for turning in a purchase order or we will not pay it.

Criteria: Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

Finding 2014-9 – Inadequate Internal Controls over Pledged Collateral (Repeat Finding)

Condition: Upon inquiry of county personnel, observation, and review of documents regarding the pledged collateral process, the following was noted:

- The County Treasurer has not properly designed and implemented procedures to monitor the bank balance on a daily basis to ensure that county funds are adequately secured.

Cause of Condition: Policies and procedures have not been designed to review daily bank deposits to determine they are adequately secured with pledged collateral.

Effect of Condition: Failure to monitor that the bank balances are adequately secured could result in unsecured and possible loss of county funds.

Recommendation: OSAI recommends that the County Treasurer design and implement policies and procedures to compare bank balances to the fair market value of pledged collateral on a daily basis to ensure that county funds are adequately secured and that the County is in compliance with 62 O.S. § 517.4. Documentation for this daily procedure should be retained.

Management Response:

County Treasurer: Management concurs with this finding. Procedures are being designed and implemented to monitor bank balances daily.

Criteria: Effective internal controls require that monitoring pledged securities be performed on a daily basis to ensure compliance with state statute. Title 62 O.S. § 517.4.A. states:

**BRYAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.

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 2014-10 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: We noted the following weaknesses regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund:

- One employee receipts monies, prepares deposits, posts deposits, receives deposit slips, controls bank statements, prepares disbursements, prints checks, authorizes checks, disburses checks, has administrative rights to software program, and performs the reconciliation for the Inmate Trust Fund Checking Account.
- The Inmate Trust Fund Checking Account balance is not reconciled to the total of the inmates’ balances.
- Collections were not deposited into the Inmate Trust Fund Checking Account on a daily basis.
- Expenditures were made from the Inmate Trust Fund Checking Account for purposes other than to the Sheriff Commissary Fund or to refund inmates.
- Disbursements were issued with only one authorized signature.
- The County Sheriff’s office does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th, of each year.

Cause of Condition: Policies and procedures have not been designed and implemented for proper administration regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

Effect of Condition: This condition resulted in noncompliance with state statutes, laws, regulations or legislative intent. In addition, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the following:

**BRYAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- Inmate Trust Fund Checking Account monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmates' trust fund balances should be reconciled to the bank statements each month.
- Bank reconciliations should be performed on a monthly basis.
- All collections should be deposited daily.
- All checks from the Inmate Trust Fund Checking Account should have two authorized signatures.
- Expenditures should be made from the Inmate Trust Fund Checking Account in accordance with Title 19 O.S. § 531 A.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of each year in accordance with Title 19 O.S. § 180.43.

Management Response:

County Sheriff: The Sheriff's office is currently addressing these concerns. Procedures are being implemented to correct these issues.

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Effective internal controls should provide for procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made on a daily basis.

Title 19 O.S. § 531 A. states in part, "The county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account." The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and *may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.*"

Title 19 O.S. § 180.43 E. and D. states in part, "Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file

**BRYAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

an annual report on any said commissary under his or her operation no later than January 15 of each year.”

Finding 2014-11 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Records

Condition: Upon inquiry and observation the following weaknesses over fixed assets inventories were noted:

- The County has not designed internal controls to provide for an adequate segregation of duties over the fixed assets inventory process.
- The County has not set forth procedures to perform and document an annual physical inventory to ensure compliance with 19 O.S. § 178.1.
- The following offices did not file an annual inventory with the County Clerk: County Commissioner District 2 and 3, County Clerk, County Treasurer, County Assessor, County Sheriff, Election Board, Health Department, and Fire Departments.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory count and maintaining the fixed asset inventory record with the County Clerk

Effect of Condition: This condition resulted in noncompliance with state statutes and could result in unrecorded transactions and misappropriation of assets.

Recommendation: OSAI recommends the County comply with 19 O.S. § 178.1 by performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process

Management Response:

County Commissioner District 1: In District 1, we have recently implemented a computer bookkeeping system that will help maintain the necessary records, at the same reviewing the current process to see if addition controls are needed. Based on the success review of this implementation further deployment of the system is planned within the other Districts.

County Commissioner District 2: District 2 will perform a periodic inventory of fixed assets at least twice a year.

County Commissioner District 3: Due to having only one office worker, we are currently unable to segregate the duties.

County Clerk: I am currently performing, documenting, and filing the fixed assets inventory.

County Treasurer: This office has already started periodic inventory. In addition, we have installed and are entering inventory into the vendor software in order to facilitate accuracy and controls in inventory.

**BRYAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County Sheriff: We will perform, document, and file with the County Clerk a fixed assets inventory.

County Assessor: We will perform, document, and file with the County Clerk a fixed assets inventory.

Criteria: Effective internal controls include designing and implementing procedures to ensure that all fixed assets be safeguarded from loss, damage, or misappropriation and inventory comply with 19 O.S. § 178.1 and 19 O.S. § 178.2.

Finding 2014-12 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories

Condition: Upon inquiry of County personnel, observation, and review of documents, regarding consumable inventories, the following was noted:

- The consumable inventory process is not adequately segregated. District 2, and 3 each have one person that is in charge of consumable inventories and that person performs all key processes including recording, maintaining, and verifying consumable inventories.
- District 1 and 2 are maintaining fuel logs but are not adequately reconciling logs to fuel on hand.

Cause of Condition: Policies and procedures have not been designed and implemented for the accurate reporting of consumable inventories.

Effect of Condition: These conditions could result in inaccurate records, unauthorized use of consumable inventories, or loss of consumable inventories.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A. These controls would include:

- Performing and documenting a periodic physical count of inventory.
- Separating the key functions of receiving, maintaining and verifying consumable inventories.
- Maintaining a fuel log with all pertinent information and with a current balance.
- Reconciling fuel log periodically to fuel on hand and explain any variance or adjustments.

Management Response:

County Commissioner District 1: District 1 is implementing a computer based bookkeeping system that is hoped to address this issue. Although in the discrepancies seen are fairly minimal at the time of the audit. We are going to do a review over a longer period of time to see if additional processes are warranted.

County Commissioner District 2: District 2 will try to comply with the recommendations set forth by OSAI on reconciling fuel logs and segregating our inventory process.

County Commissioner District 3: The inventory process is not segregated due to only having one office worker.

**BRYAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Criteria: Effective internal controls include designing and implementing procedures to ensure that all supplies, materials, and equipment received, disbursed, stored and consumed by their department comply with 19 O.S. § 1504A.



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