



CANADIAN COUNTY

Financial Audit

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**CANADIAN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

December 21, 2021

TO THE CITIZENS OF
CANADIAN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Canadian County, Oklahoma for the fiscal year ended June 30, 2020. 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 that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**CANADIAN COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Board of County Commissioners

District 1 – Marc Hader
District 2 – David Anderson
District 3 – Jack Stewart

County Assessor

Matt Wehmuller

County Clerk

Sherry Murray

County Sheriff

Chris West

County Treasurer

Carolyn Leck

Court Clerk

Marie Ramsey-Hirst

District Attorney

Mike Fields

**CANADIAN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
CANADIAN 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 Canadian County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

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 this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free 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, the financial statement is prepared by Canadian 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 statement 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 Canadian County as of June 30, 2020, or changes in financial position for the year then ended.

Unmodified 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 Canadian County, for the year ended June 30, 2020, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary 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 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 supplementary 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. 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 supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2021, on our consideration of Canadian 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 Canadian County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

November 22, 2021

REGULATORY BASIS FINANCIAL STATEMENT

CANADIAN COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Beginning Cash Balances July 1, 2019	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
Combining Information:						
General	\$15,313,323	\$21,391,629	\$377,923	\$1,156,680	\$19,247,384	\$ 16,678,811
Highway Unrestricted	9,191,256	13,252,335	-	-	11,794,680	10,648,911
Bridge and Road Improvement	1,237,279	505,829	-	-	158,499	1,584,609
Emergency Management	49,215	75,708	-	-	82,212	42,711
Health	4,764,533	2,792,131	-	-	1,996,423	5,560,241
Federal GT Grant	4,922	-	-	-	-	4,922
Assessor Revolving Fee	101,339	5,888	-	25,960	-	81,267
Trash Cop	1,454	197	-	-	-	1,651
Resale Property Fund CV (DNU)	385	-	-	385	-	-
Flood Plain	47,614	9,150	-	-	14,055	42,709
Resale Property	1,343,724	1,127,969	108,484	1,055,888	470,158	1,054,131
Juvenile Detention Contracts	288,051	246,870	-	-	313,201	221,720
Sheriff Service Fee	565,453	2,120,703	1,883	-	2,114,036	574,003
Sheriff Commissary	192,443	218,003	-	-	270,458	139,988
Sheriff Board of Prisoners	2,509	-	-	1,883	626	-
Donations	35,843	5,766	230,552	-	227,388	44,773
Sheriff Training	3,564	1,828	-	-	845	4,547
FS Sheriff Federal Equitable Share Grant	44,971	75,140	-	12,196	72,637	35,278
FT Sheriff Federal Treasury Grant	27,900	29,965	12,196	-	29,925	40,136
Treasurer Mortgage Certification	112,670	46,905	-	-	15,992	143,583
County Clerk Lien Fee	447,961	154,376	-	-	84,608	517,729
County Clerk Records Management	557,740	316,836	-	-	67,577	806,999
ARI Assessors Revolving	64,000	-	-	-	-	64,000
AVI Assessors Visual	84,726	111	-	-	-	84,837
County Sales Tax MMA	2,220,266	1,490	-	2,221,756	-	-
Court Clerk Payroll	98,944	-	-	-	55,537	43,407
Juvenile Detention - Reserves	7,240,620	-	-	7,240,620	-	-
Juvenile Detention - ST	2,229,871	8,262,065	9,462,376	-	10,159,467	9,794,845
Use Tax Free Fair Improvements	-	640,976	1,156,680	-	1,688,479	109,177
Combined Total - All County Funds	\$46,272,576	\$51,281,870	\$11,350,094	\$11,715,368	\$48,864,187	\$ 48,324,985

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

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Canadian 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.

During the fiscal year ended June 30, 2020, the County converted to a new chart of accounts; therefore, several fund names and descriptions change. However, these changes do not reflect a change in the sources and uses of revenues over the prior fiscal year.

Following are descriptions of the county funds included as combining information within the financial statement:

General – accounts for the general operations of the government.

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

Bridge and Road Improvement – accounts for the County Bridge and Road Improvement (CBRI) funding from the state to be used for improving county roads and bridges.

Emergency Management – accounts for the collection of grant monies to be disbursed for the purpose of Homeland Security by Canadian County.

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Federal GT Grant – accounts for monies received from state or federal grants to be expended as outlined by grant agreements.

Assessor Revolving Fee – accounts for the collection and disbursement of fees as restricted by state statute.

Trash Cop – accounts for fines collected by the Court Clerk and disbursed for the purpose of trash patrol.

Resale Property Fund CV (DNU) – accounts for the collection of interest and penalties on delinquent taxes and the disposition of same as restricted by state statute.

Flood Plain – accounts for the collection of monies from flood plain permits. Disbursements are for computer software in relation to flood mapping.

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

Juvenile Detention Contracts – accounts for the collection and disbursement of contract and other miscellaneous revenue in the operations of the Canadian County Juvenile Justice Detention Facility.

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

Sheriff Commissary – accounts for the collection from the sale of commissary items to inmates and disbursements to improve or provide jail services and any surplus may be expended for administration expenses for training, equipment, travel, or for capital expenditures.

Sheriff Board of Prisoners – accounts for state receipts and disbursements are for the purpose of housing and feeding Department of Correction inmates.

Donations – accounts for donations received for special projects not funded by the County.

Sheriff Training – accounts for the collection of forfeitures of seized property and disbursements are for the purchase of equipment, materials, or supplies that may be used in crime prevention, education, training, or programming.

FS Sheriff Federal Equitable Share Grant – accounts for monies received from federal grants and disbursed for law enforcement purposes.

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

FT Sheriff Federal Treasury Grant – accounts for federal money received from the Department of Treasury for a federal seizure grant and disbursed according to grant terms.

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

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

County Clerk Records Management – accounts for fees collected for instruments filed in the County Clerk’s office and disbursements as restricted by state statute for preservation of records.

ARI Assessors Revolving – accounts for the collection and disbursement of fees as restricted by state statute.

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

County Sales Tax MMA – accounts for the interest earned on sales tax revenue not immediately needed for juvenile detention facility operations and held in reserve for future use.

Court Clerk Payroll – accounts for funds deposited by the Court Clerk to be disbursed for payroll of the Court Clerk’s office.

Juvenile Detention - Reserves – accounts for the collection of sales tax revenue in excess of the amount allocated for the operation of the Canadian County Juvenile Justice Detention Facility.

Juvenile Detention - ST – accounts for the collection and disbursement of sales tax funds for the purpose of operations of the Canadian County Juvenile Justice Detention Facility.

Use Tax Free Fair Improvements – accounts for use tax collected and disbursed for the purpose of supporting the Canadian County Fairgrounds.

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.

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 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.

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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. 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

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

D. Sales Tax

On August 27, 1996, a 0.35% sales tax was passed by voters for an unlimited period. The proceeds are to be used for financing, constructing, equipping, and operating a Juvenile Delinquent Detention Facility and Juvenile Justice Facility in Canadian County. These funds are accounted for within the Juvenile Detention - ST fund. For the fiscal year ended June 30, 2020, the County apportioned \$7,583,678 to the Juvenile Detention - ST fund. The sales tax in the amount of \$6,863,021 was appropriated to the Juvenile Sales Tax Revolving account and \$720,657 was appropriated to the JD Reserves (Sales Tax) account.

E. Tax Abatements

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$344,109 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2020.

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

F. Interfund Transfers

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

- Residual balance of \$385 was transferred to Resale Property from Resale Property Fund CV (DNU) by Board of County Commissioners (BOCC) resolution to close the fund.
- Residual balance of \$1,883 was transferred to Sheriff Service Fee from Sheriff Board of Prisoners by BOCC resolution to close the fund.
- Residual balance of \$2,221,756 was transferred to Juvenile Detention – ST fund from County Sales Tax MMA fund by BOCC resolution to close the fund and combine into one fund.
- Residual balance of \$7,240,620 was transferred to Juvenile Detention – ST fund from Juvenile Detention – Reserves fund by BOCC resolution to close the fund and combine into one fund.
- A total of \$1,055,888 was transferred from Resale Property to the following funds:
 - \$351,963 was transferred from Resale Property to the General fund for June Excess Resale in accordance with 68 O.S § 3131C.
 - \$351,963 was transferred from Resale Property to Municipal-City-Town Remit (a trust and agency fund) for June Excess Resale in accordance with 68 O.S § 3131C.
 - \$344,786 was transferred from Resale Property to Independent School Remit (a trust and agency fund) for June Excess Resale in accordance with 68 O.S § 3131C.
 - \$7,176 was transferred from Resale Property to SDG School District General (a trust and agency fund) for June Excess Resale in accordance with 68 O.S § 3131C.
- \$108,099 was transferred to Resale Property from Excess Resale (a trust and agency fund) in accordance with 68 O.S § 3131C.
- \$25,960 was transferred to the General fund from Assessor Revolving Fee to correct prior year apportionment error between Assessor Revolving and the General fund.
- \$1,156,680 was transferred to Use Tax Free Fair Improvements from the General fund to separate Use Tax revenue from General fund revenue.
- \$230,552 was transferred to the Donations fund from FF Fair (a trust and agency fund) for the purpose of recording contributions to the Canadian County Fairgrounds as a donation for qualifying 2020 sale participants livestock show.
- \$12,196 was transferred to FT Sheriff Federal Treasury Grant from FS Sheriff Federal Equitable Share Grant to correct prior year apportionment error between FS Sheriff Federal Equitable Share Grant and FT Sheriff Federal Treasury Grant.

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

G. Juvenile Sales Tax Revolving Fund

A temporary injunction was issued by Judge Rodger H. Stuart on January 8, 2015 and filed in the District Court of Canadian County on January 28, 2015 in response to CV-2014-265. The temporary injunction ordered the Canadian County Board of Commissioners to continue funding “the services of the Canadian County Children’s Justice Center from the proceeds generated from the 1996 .035% sales tax unless said tax is modified by a vote of the citizens of Canadian County or further order of the court, whichever is earlier.”

After an appeal filed by the Canadian County Board of Commissioners, the Oklahoma Supreme Court upheld the temporary injunction issued by Judge Stuart on October 15, 2015 in Supreme Court Case No. 113697.

SUPPLEMENTARY INFORMATION

CANADIAN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund		
	Budget	Actual	Variance
District Attorney	\$ 47,000	\$ 29,576	\$ 17,424
District Attorney County	6,909	3,885	3,024
County Sheriff	8,537,784	7,754,842	782,942
County Treasurer	608,386	511,831	96,555
County Commissioners	607,164	552,333	54,831
O.S.U. Extension	361,040	280,267	80,773
County Clerk	1,307,224	1,222,083	85,141
Court Clerk	1,545,698	1,444,735	100,963
County Assessor	1,127,378	977,076	150,302
Revaluation of Real Property	1,188,937	954,885	234,052
General Government	8,569,671	1,980,825	6,588,846
Excise - Equalization Board	12,814	10,499	2,315
County Election Expense	490,263	426,008	64,255
Charity	4,000	2,875	1,125
Solid Waste	112,894	83,804	29,090
Highway Budget Account	473,087	461,232	11,855
County Audit Budget Account	406,548	136,963	269,585
Use Tax	5,411,588	3,984,525	1,427,063
Free Fair Budget Account	273,950	266,450	7,500
Provisions for Interest on Warrants	2,500	-	2,500
Total Expenditures, Budgetary Basis	<u>\$ 31,094,835</u>	<u>\$ 21,084,694</u>	<u>\$ 10,010,141</u>

**CANADIAN COUNTY, OKLAHOMA
 COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
 BUDGETARY BASIS—HEALTH FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 7,030,069	\$ 2,543,731	\$ 4,486,338
Total Expenditures, Budgetary Basis	\$ 7,030,069	\$ 2,543,731	\$ 4,486,338

**CANADIAN COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the 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 (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.

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
CANADIAN 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 Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Canadian County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprises Canadian County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 22, 2021.

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, 2020, 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 Canadian 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 Canadian County's internal control. Accordingly, we do not express an opinion on the effectiveness of Canadian 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: 2020-001, 2020-004, and 2020-005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Canadian 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 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: 2020-004 and 2020-005.

Canadian County's Response to Findings

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

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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

November 22, 2021

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 2020-001 – Lack of County-Wide Internal Controls (Repeat Finding - 2011-001, 2012-001, 2013-001, 2014-001, 2018-001, 2019-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that the county has implemented controls within each office. However, county-wide internal controls regarding 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 policies and procedures to document their internal control framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps taken to properly communicate pertinent information in a timely manner and the methodology to monitor 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: The Board of County Commissioners will work towards assessing and identifying risks to design written county-wide controls.

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 Control – OV1.01 states in part:

Definition of Internal Control

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.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

Finding 2020-004 – Lack of Internal Controls and Noncompliance Over County Investment Policy (Repeat Finding - 2017-004, 2018-004, 2019-004)

Condition: Upon inquiry of the County Treasurer’s staff, observation and review of the County’s Investment Policy, it was noted that the written investment policy for the County does not address liquidity, diversification, safety of principle, yield, maturity and quality and capability of investment management.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County is in compliance with state statute regarding a written investment policy.

Effect of Condition: These conditions resulted in inadequate internal controls over the County’s investment policy and noncompliance with state statute.

Recommendation: OSAI recommends the County Treasurer implement a system of internal controls to provide reasonable assurance that the County complies with state statutes regarding the investment of County Funds and adhering to their formal investment policy.

Management Response:

BOCC Chairman/County Treasurer: We are working to establish an Investment Policy to address liquidity, diversification, safety of principle, yield, maturity and quality and capability of investment management as of fiscal year 2021.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to ensure the county is in compliance with applicable state statutes.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Title 62 O.S. § 348.3(A) states, “In addition to the investments authorized by Section 348.1 of this title, the governing body of a city or of a county may adopt a written investment policy directing the investment of the funds of the city or county and any of its public trusts or authorities. If such a policy is adopted by the governing body, such funds shall be invested pursuant to the provisions of the policy. The written policy shall address liquidity, diversification, safety of principal, yield, maturity and quality and capability of investment management, with primary emphasis on safety and liquidity. To the extent practicable, taking into account the need to use sound investment judgment, the written investment policies shall include provision for utilization of a system of competitive bidding in the investment of municipal funds. The system shall be designed to maximize yield within each class of investment instrument, consistent with the safety of the funds invested.”

Finding 2020-005 – Lack of Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding - 2008-009, 2011-005, 2012-005, 2013-005, 2014-005, 2015-003, 2016-003)

Condition: Upon inquiry and observation of the disbursement process, the following was noted:

- It was determined that Court Clerk employees do not sign their timesheets verifying time worked or leave used.

Additionally, while performing the expenditure testwork, the following was noted:

The audit of forty-three (43) disbursements reflected the following:

- Five (5) instances were not timely encumbered.

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

Effect of Condition: This condition resulted in noncompliance with state statute which could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the County implement a system of internal controls over the disbursement process. Such controls should include ensuring that funds are encumbered prior to the receipt of goods and/or services, implementing a review process with adequate documentation to support the review, and implementing procedures to ensure authorized personnel requisition, receive, and approve cash disbursements in accordance with 19 O.S. § 1505.

Management Response:

Court Clerk: We have since implemented a system where employees are now approving and signing their respective timesheets.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Board of County Commissioners: The Board of County Commissioners will express to fellow County officials the importance of County funds being encumbered prior to the receipt of goods and/or services.

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

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 purchases comply with 19 O.S. § 1505.

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.

No matters were noted.

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov