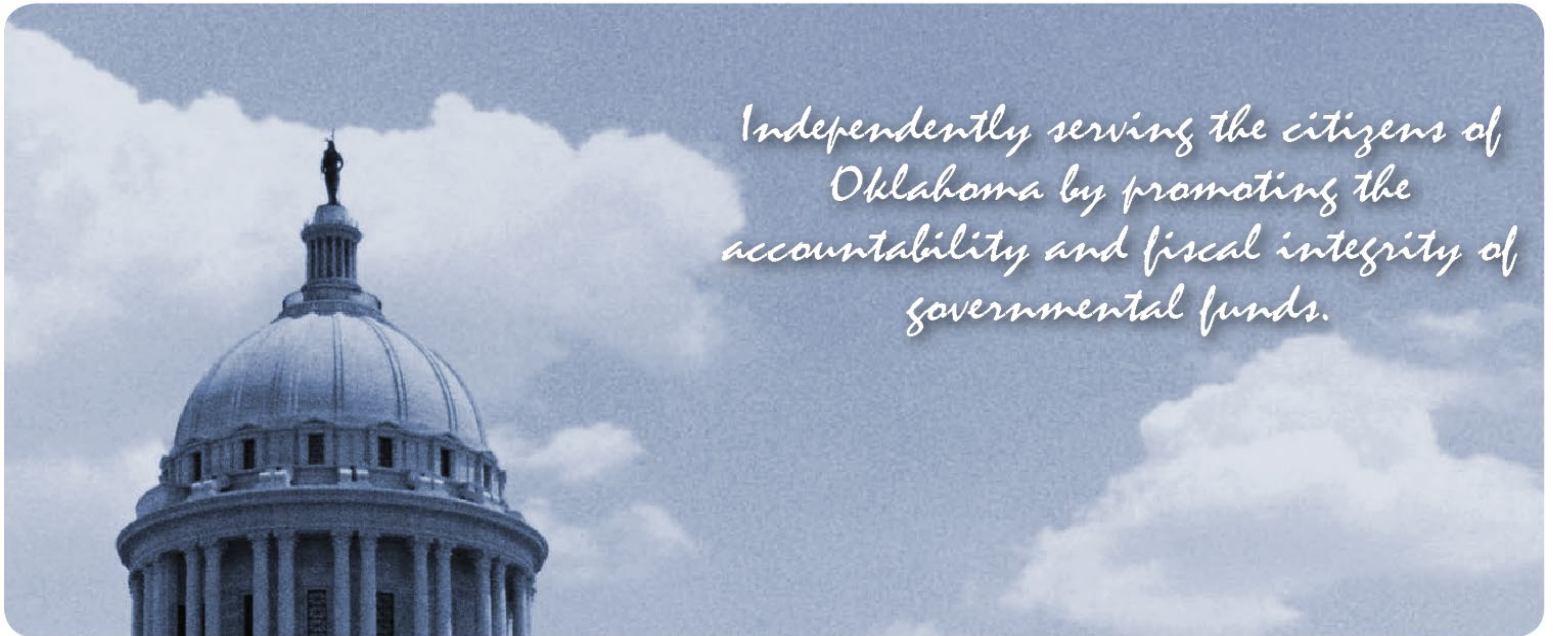


FINANCIAL AUDIT

CANADIAN COUNTY

For the fiscal year ended June 30, 2017



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



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

**CANADIAN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 123 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

April 27, 2018

TO THE CITIZENS OF
CANADIAN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Canadian County, Oklahoma for the fiscal year ended June 30, 2017. 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 "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

**CANADIAN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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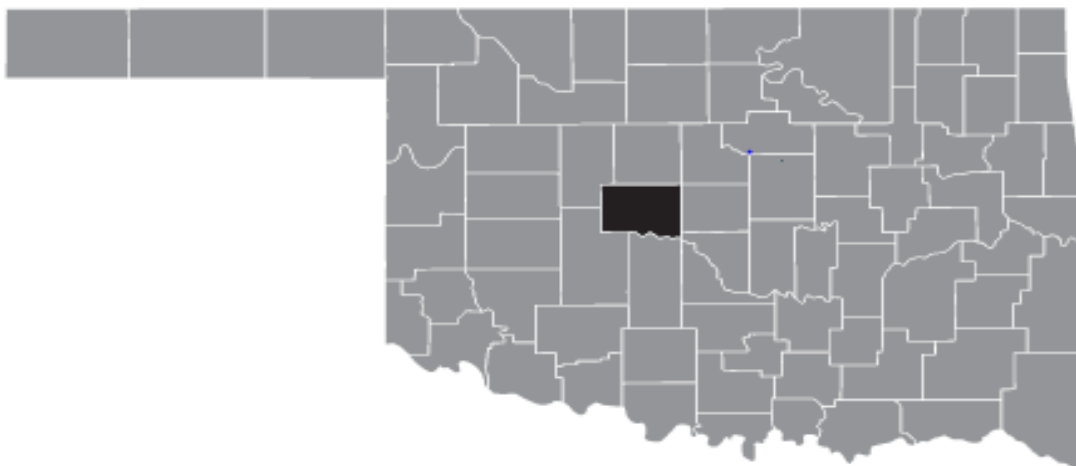
**CANADIAN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**CANADIAN COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**



This county was once part of the Cheyenne and Arapaho reservation, administered by the Darlington Agency. It was opened by the Run of 1889 and the Run of 1892, but the southwest corner of the county, part of the Caddo Reservation, was opened by lottery in 1901.

Fort Reno, established in 1874 to maintain order on the reservation, later served as a cavalry remount station. During World War II, it served as a prisoner-of-war camp.

The economy of Canadian County is based largely on agriculture, and Yukon served for a number of years as a major regional milling center.

The county seat, El Reno, was an early railroad center, and headquarters of the southern district of the Rock Island Railroad until its demise in 1981. Railroad service is still provided by the Oklahoma, Kansas, and Texas line.

Annual events include '89er Days in April, Fort Reno and Indian Territory Days in Fort Reno, Chisholm Trail Festival (Yukon) in June, and Czech Festival (Yukon) in October. Historical information is available in the *History of Canadian County* and *Family Histories of Canadian County*. Both books are available for purchase. For more county information, call the county clerk's office at 405/262-1070, or visit www.canadiancounty.org on the web.

County Seat – El Reno

Area – 905.17 Square Miles

County Population – 129,582
(2014 est.)

Farms – 1,307

Land in Farms – 500,776 Acres

Primary Source: Oklahoma Almanac 2015-2016

**CANADIAN COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

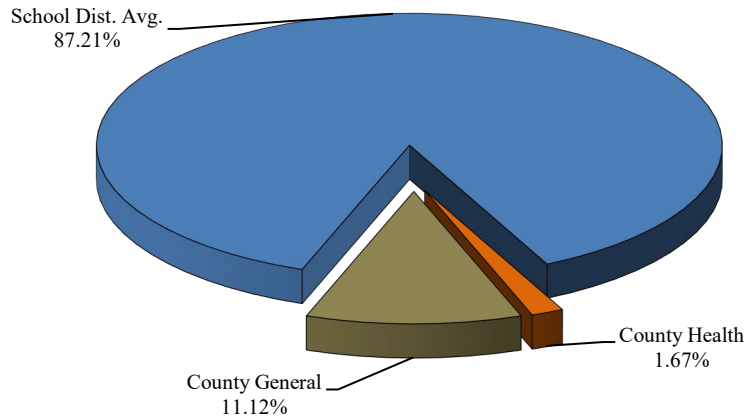
Marie Ramsey-Hirst

District Attorney

Mike Fields

**CANADIAN COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

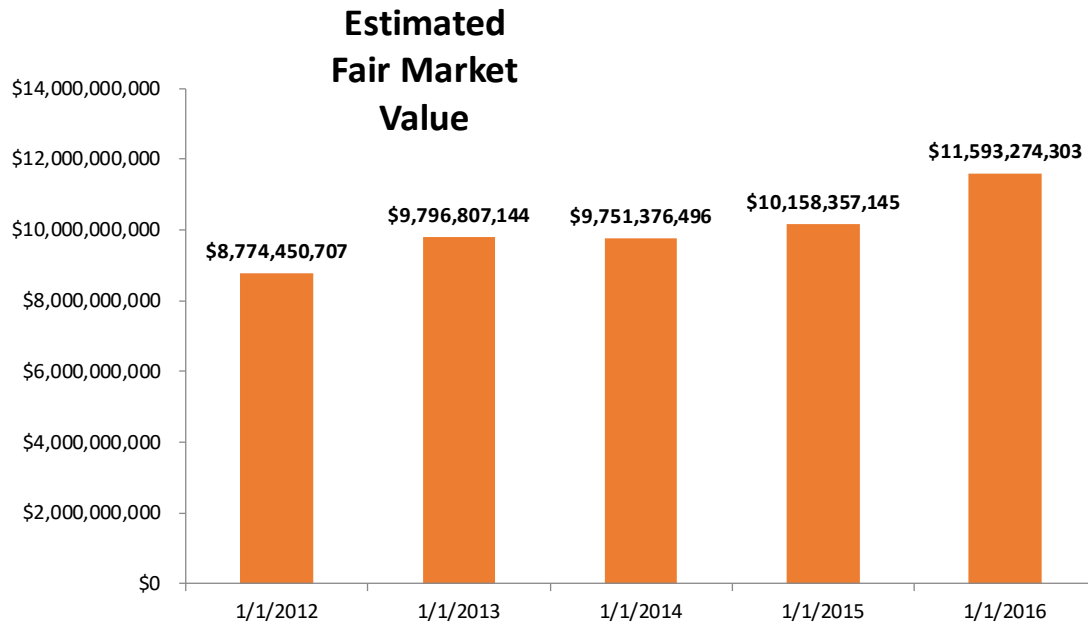
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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										
			Career					Rural Fire	City			
		Gen.	Bldg.	Skg.	Tech	Common	EMS	Department	Sinking	Total		
County General	10.39											
County Health	1.56											
		Piedmont	J1-22-V6	36.75	5.25	30.07	16.47	4.16	-	7.00	-	99.70
		Yukon	I-27-V6	36.53	5.22	29.78	16.47	4.16	-	7.00	4.48	103.64
		Riverside	D-29-V6	36.01	5.14	0.00	16.47	4.16	-	7.00	4.48	73.26
		Banner	D-31-V6	36.12	5.16	3.18	16.47	4.16	-	-	4.48	69.57
		El Reno	I-34-V6	36.01	5.14	41.84	16.47	4.16	-	-	-	103.62
		Union City	I-57-V6	36.17	5.17	25.43	16.47	4.16	-	-	-	87.40
		Mustang	I-69-V6	36.31	5.19	26.98	16.47	4.16	-	-	2.19	91.30
		Darlington	D-70-V6	36.65	5.24	0.00	16.47	4.16	-	-	-	62.52
		Calumet	I-76-V6	36.37	5.20	23.05	16.47	4.16	-	-	-	85.25
		Maple	D-162-V6	36.98	5.28	10.60	16.47	4.16	-	-	-	73.49
		Geary	J1-80	36.24	5.18	5.64	0.00	4.16	3.11	-	-	54.33
		Hinton-Rural	J1-161-V2	36.41	5.20	24.04	11.47	4.16	3.08	-	-	84.36
		Lookeba-Sickles-Rural	J1-12-V2	42.96	6.14	16.13	11.47	4.16	3.08	-	-	83.94
		Minco-Rural	J1-2-V6	38.46	5.49	15.65	16.47	4.16	-	-	-	80.23
		Cashion	J1-89-V21	37.03	5.29	16.58	15.00	4.16	3.00	-	-	81.06
		Okarche	J1-105	36.19	5.17	9.53	0.00	4.16	-	-	-	55.05
		Deer Creek	J1-6-V21	35.38	5.05	36.62	15.16	4.16	-	-	-	96.37

**CANADIAN COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

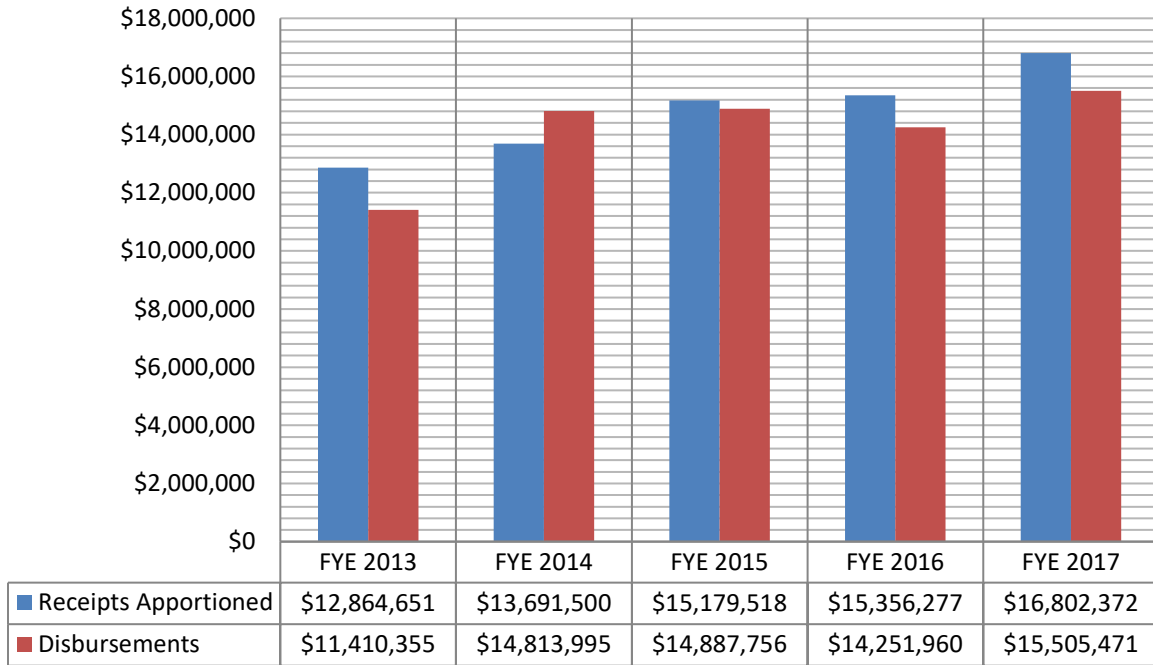
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2016	\$323,306,114	\$70,148,261	\$1,031,047,453	\$41,517,703	\$1,382,984,125	\$11,593,274,303
1/1/2015	\$293,088,338	\$57,307,639	\$895,818,604	\$36,820,519	\$1,209,394,062	\$10,158,357,145
1/1/2014	\$296,900,098	\$55,226,823	\$844,261,936	\$35,819,604	\$1,160,569,253	\$9,751,376,496
1/1/2013	\$256,496,944	\$56,209,124	\$794,092,745	\$34,354,592	\$1,072,444,221	\$9,796,807,144
1/1/2012	\$194,816,780	\$57,160,660	\$742,855,631	\$33,066,441	\$961,766,630	\$8,774,450,707



**CANADIAN COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

County General Fund

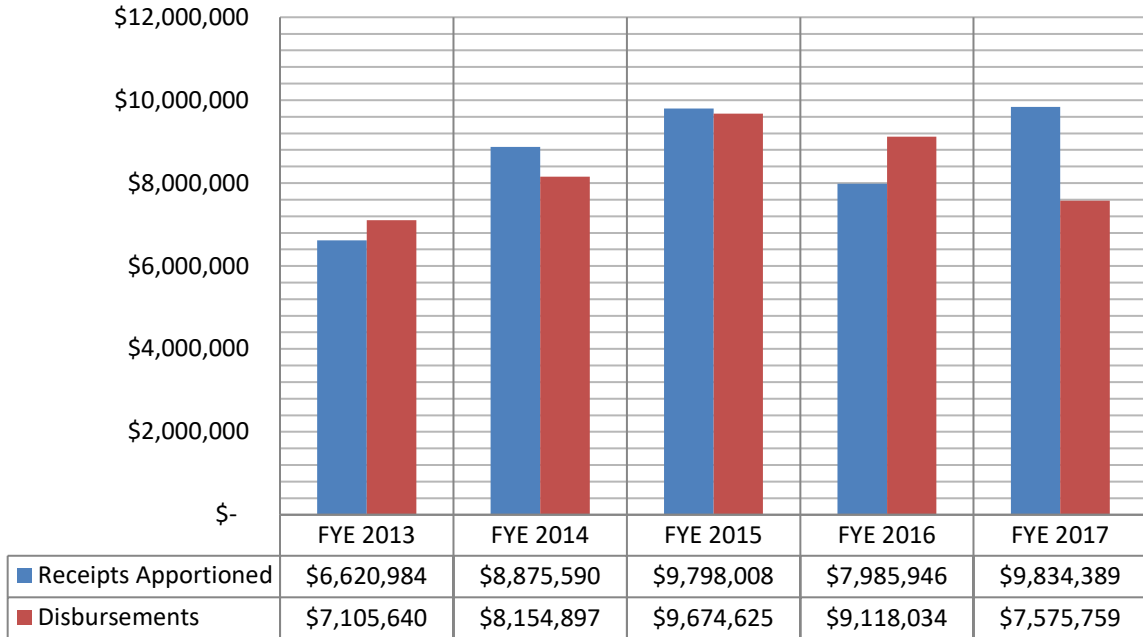
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county’s primary source of operating revenue. The County General Fund is typically used for county employees’ salaries plus many expenses for county maintenance and operation. It also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



**CANADIAN COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 123 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

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, 2017, 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 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 misstatements 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 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 Canadian County as of June 30, 2017, 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, 2017, in accordance with the basis of accounting described in Note 1.

Other Matters

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 April 23, 2018, 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 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 Canadian County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "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

April 23, 2018

REGULATORY BASIS FINANCIAL STATEMENT

**CANADIAN 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, 2017**

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfer Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
Major Funds:						
County General Fund	\$ 6,484,044	\$ 16,802,372	\$ 118,539	\$ -	\$ 15,505,471	\$ 7,899,484
County Highway Cash	3,659,297	9,834,389	-	-	7,575,759	5,917,927
Juvenile Sales Tax Revolving	3,973,163	6,258,425	-	-	6,918,522	3,313,066
County Health Department	3,266,006	2,444,489	-	-	1,994,801	3,715,694
Sheriff Service Fee	591,068	2,098,850	-	-	2,042,318	647,600
Juvenile Contracts	479,250	1,007,486	-	-	1,222,754	263,982
Resale Property	1,012,468	585,703	42,564	355,617	308,803	976,315
JD Reserves (Sales Tax)	2,224,118	195,831	-	-	-	2,419,949
County Sales Tax MMA	2,213,619	2,211	-	-	-	2,215,830
Remaining Aggregate Funds	2,148,142	1,126,163	-	-	1,161,671	2,112,634
Combined Total - All County Funds, as Restated	\$ 26,051,175	\$ 40,355,919	\$ 161,103	\$ 355,617	\$ 36,730,099	\$ 29,482,481

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, 2017**

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, rural fire departments, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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

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

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

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

County Health Department – 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.

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

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

JD Reserves (Sales Tax) – 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.

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.

C. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

The County has investments with an original cost of \$2,504,344 with a financial institution that has invested the funds in Federal Home Loan Bank bonds, Federal National Mortgage Association bonds, and Federal Home Loan Mortgage Corporation which are not backed by the full faith and credit of the United States Government and are subject to interest rate risk and credit risk.

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

At June 30, 2017, the County's investments were under-collateralized in the amount of \$2,254,344.

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

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Unpaid delinquent personal property taxes are usually published in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

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.

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 to establish for an unlimited period to provide revenues for financing, construction and equipment, and operations of a Juvenile Delinquent Detention Facility and Juvenile Justice Facility in Canadian County. For the fiscal year ended June 30, 2017, the County apportioned \$6,433,375 total with \$6,239,677 apportioned to the Juvenile Sales Tax Revolving fund and \$193,698 apportioned to the JD Reserves (Sales Tax) fund.

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 \$854,148 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2017.

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.

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

F. Operating Transfers

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

- \$355,617 was transferred from the Resale Property fund to distribute surplus funds per Title 68 O.S. § 3137 as follows: County General Fund - \$118,539, Schools - \$118,539, and Cities and Towns - \$118,539. Schools and Cities and Towns are trust and agency funds; therefore, they are not accounted for on the County's financial statement.
- \$42,564 was transferred from the Excess Resale fund to the Resale Property fund per Title 68 O.S. § 3131. Excess Resale is a trust and agency fund; therefore, it is not accounted for on the County's financial statement.

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 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.

H. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Adult Drug Court was reclassified as a trust and agency fund as the Adult Drug Court contracts are not under the name of the County.

Prior year ending balance, as reported	\$26,159,658
Funds reclassified as Trust and Agency Funds:	
Adult Drug Court reclassified from a County Fund to a Trust and Agency Fund	<u>(108,483)</u>
Prior year ending balance, as restated	<u>\$26,051,175</u>

OTHER SUPPLEMENTARY INFORMATION

**CANADIAN 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, 2017**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 6,484,044	\$ 6,484,044	\$ -
Less: Prior Year Outstanding Warrants	(49,854)	(49,854)	-
Less: Prior Year Encumbrances	(1,444,039)	(1,264,059)	179,980
Beginning Cash Balances, Budgetary Basis	<u>4,990,151</u>	<u>5,170,131</u>	<u>179,980</u>
Residual Transfer	-	118,539	118,539
Receipts:			
Ad Valorem Taxes	12,415,833	13,442,502	1,026,669
Charges for Services	934,638	1,224,943	290,305
Intergovernmental Revenues	813,899	1,857,887	1,043,988
Miscellaneous Revenues	5,844	277,040	271,196
Total Receipts, Budgetary Basis	<u>14,170,214</u>	<u>16,802,372</u>	<u>2,632,158</u>
Expenditures:			
District Attorney - State	29,704	26,117	3,587
District Attorney - County	3,783	2,026	1,757
County Sheriff	7,030,939	6,939,288	91,651
County Treasurer	501,022	449,804	51,218
County Commissioners	508,278	482,585	25,693
OSU Extension	338,688	328,876	9,812
County Clerk	1,127,218	1,004,865	122,353
Court Clerk	1,345,430	1,279,616	65,814
County Assessor	975,851	883,760	92,091
Revaluation of Real Property	872,230	807,335	64,895
General Government	3,680,223	1,773,569	1,906,654
Excise-Equalization Board	12,549	10,077	2,472
County Election Board	425,723	361,898	63,825
Charity	2,000	1,150	850
Solid Waste: Emergency Management	128,083	83,806	44,277
Highway Budget Account	411,699	408,278	3,421
County Audit Budget Account	313,755	183,198	130,557
Use Tax	1,255,112	-	1,255,112
Free Fair Budget Account	195,578	173,252	22,326
Provision for Interest on Warrants	2,500	-	2,500
Total Expenditures, Budgetary Basis	<u>19,160,365</u>	<u>15,199,500</u>	<u>3,960,865</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ 6,891,542</u>	<u>\$ 6,891,542</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		-	
Add: Current Year Outstanding Warrants		951,982	
Add: Current Year Encumbrances		55,960	
Ending Cash Balance		<u>\$ 7,899,484</u>	

**CANADIAN 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, 2017**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 3,266,006	\$ 3,266,006	\$ -
Less: Prior Year Outstanding Warrants	(23,028)	(23,028)	-
Less: Prior Year Encumbrances	(281,471)	(262,752)	18,719
Beginning Cash Balances, Budgetary Basis	2,961,507	2,980,226	18,719
Receipts:			
Ad Valorem Taxes	1,864,167	2,018,316	154,149
Charges for Services	426,170	426,170	-
Intergovernmental Revenues	-	3	3
Total Receipts, Budgetary Basis	2,290,337	2,444,489	154,152
Expenditures:			
Health and Welfare	5,251,844	1,958,070	3,293,774
Total Expenditures, Budgetary Basis	5,251,844	1,958,070	3,293,774
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ 3,466,645	\$ 3,466,645
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		231,548	
Add: Current Year Outstanding Warrants		17,501	
Ending Cash Balance		\$ 3,715,694	

**CANADIAN COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2017
Remaining Aggregate Funds:				
Sheriff Prisoner Care	\$ 92,189	\$ 244,020	\$ 62,963	\$ 273,246
CBRI 105	764,612	237,934	558,592	443,954
County Clerk Lien Fee	186,783	209,145	145,297	250,631
Country Clerk Records Preservation Fee	333,079	199,585	287,392	245,272
Sheriff Commissary	97,435	75,947	2,582	170,800
Court Fund Payroll	137,405	45,000	37,514	144,891
Treasurer Mortgage Tax Certification Fee	73,294	38,535	11,054	100,775
Emergency Management	76,909	30,570	33,251	74,228
Assessor Revolving	90,661	16,641	215	107,087
Sheriff Federal Equitable	65,171	13,212	-	78,383
Flood Plain	41,755	11,725	11,952	41,528
Sheriff Benefit	8,935	3,456	1,558	10,833
Sheriff Reward Fund/Trash Cop	973	245	-	1,218
Assessor Visual Inspection Investment	84,280	148	-	84,428
County Bridge Improvement	76,965	-	-	76,965
Grant Cash Voucher Fund	5,546	-	-	5,546
Sheriff Training	2,849	-	-	2,849
Juvenile Deferral Fee Revolving	3,650	-	3,650	-
Emergency Management Shelter A	5,651	-	5,651	-
Combined Total - Remaining Aggregate Funds	\$ 2,148,142	\$ 1,126,163	\$ 1,161,671	\$ 2,112,634

**CANADIAN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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:

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

CBRI 105 – accounts for the County Bridge and Road Improvement (CBRI) funding from the state to be used for improving county roads and bridges.

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

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

Sheriff Commissary – accounts for the collection from the sale of commissary items to inmates and disbursements to purchase commissary goods from the vendor. Excess funds are used for maintenance and operation of the jail.

Court Fund Payroll – accounts for funds deposited by the Court Clerk and disbursements in the payroll operations of the Court Clerk's office.

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

**CANADIAN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

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

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

Sheriff Benefit – accounts for donations to be used for any lawful expenditures of the office.

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

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

County Bridge Improvement – accounts for state, local, and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county bridges.

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

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.

Juvenile Deferral Fee Revolving – accounts for monies received from clients for probation and graduation sanction fees. Disbursements are for the operation of those programs within the Juvenile Justice Detention Facility.

Emergency Management Shelter A – accounts for funds received through state or local grants and disbursed to citizens for reimbursement of storm shelter expenses.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 123 • 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
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 Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Canadian County, Oklahoma, as of and for the year ended June 30, 2017, 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 April 23, 2018.

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, 2017, 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 of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the

accompanying schedule of findings and responses that we consider to be significant deficiencies: 2017-003, 2017-004, and 2017-009.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2017-009.

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

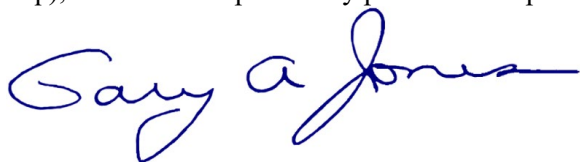
Canadian County's Responses to Findings

Canadian County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Canadian 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

April 23, 2018

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 2017-003 – Inadequate Internal Controls and Noncompliance Over Fund Accounting

Condition: Upon inquiry, observation, review of documentation, and testwork, the following was noted:

- The Juvenile Contracts Fund reimbursed the Juvenile Sales Tax Revolving Fund \$74,324.59 using fiscal year 2017 appropriations for expenditures which occurred during fiscal year 2016. (June 2016 expenses were encumbered on July 7, 2016.)
- At the end of fiscal year 2017, the Juvenile Sales Tax Revolving Fund had paid for \$171,144 of dedicated disbursements of the Juvenile Contracts Fund that had not been reimbursed by the end of the fiscal year. (Months of March, April, May, and June of 2017).

Cause of Condition: Policies and procedures have not been designed and implemented to ensure expenditures are encumbered with appropriations for the correct fiscal year, and that reimbursements are made by the end of the fiscal year.

Effect of Condition: This condition resulted in noncompliance with state statute and could result in misstated financial reports and misappropriation of funds.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends the County establish policies and procedures to ensure all appropriations for expenditures are encumbered in the appropriate year. OSAI also recommends that reimbursements to the Juvenile Sales Tax Revolving Fund are completed in the current fiscal year in accordance with state statute.

Management Response:

District 1: I will encourage the use of blanket purchase orders to be encumbered prior to the end of the fiscal year to help correct this issue.

District 2: Our juvenile center provides services to troubled youth of Canadian county. These services are funded by a dedicated county sales tax. The county also contracts with the State of Oklahoma to provide specific services to children and families that are receiving state help as well. Expenses for utilities, administration, and employees who are involved in both areas are prorated using a formula established by a cooperative effort of the BOCC and management staff at the juvenile center. The “contract” funds reimburse the sales tax accounts according to this formula. Our practice in the past has been to calculate the reimbursement totals at the end of the month and encumber a purchase order for that amount. From now on, staff will encumber a purchase order at the beginning of each month for the estimate of that month’s expenses. This practice will be a part of the county’s Internal Control Policy and Procedures at the JJC.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

District 3: The Juvenile Center will implement a new practice of encumbering the dollars for the last month of the fiscal year (June) for expenses of that month. A policy and procedure to this affect will be implemented by Canadian County Clerk.

County Clerk: Blanket purchase orders will be in place prior to the end of the fiscal year to ensure that expenditures are encumbered with appropriations that occurred during that fiscal year.

Procedures were in place for the Juvenile Contracts Fund to reimburse the Juvenile Sales Tax Revolving Fund, however, the percentage that was set to be reimbursed was too high for what was received in the Juvenile Contracts Fund. The contractual percentages have been adjusted accordingly to correct future issues.

Criteria: Title 68 O.S § 3019 states in part: "...The several items of the estimate as made and approved by the excise board for each fiscal year shall constitute and are hereby declared to be an appropriation of funds for the several and specific purposes named in such estimate, and the appropriations thus made shall not be used for any other fiscal year or purposes whatsoever..."

Title 68 O.S § 3019 states in part, "...Fourth: If at any time during the budget year it appears to the county treasurer that there is temporarily insufficient money in a particular fund to meet the requirements of appropriation in the fund, the excise board, upon request of the county treasurer and upon notification to the county commissioners, may temporarily transfer money from one fund to any other fund with the permission of the county officer in charge of the fund that the money will be temporarily transferred from. No transfer shall be made from the debt service fund to any other fund except as may be permitted by the terms of the bond issue or applicable law. Any funds temporarily transferred shall be repaid to the original fund from which they were transferred within the fiscal year that the funds were transferred."

Finding 2017-004 – Inadequate Internal Controls and Noncompliance Over County Investments

Condition: Upon inquiry of the Treasurer’s staff, observation and review of the County’s investment policy, the following was noted:

- The written investment policy for the County does not address liquidity, diversification, safety of principal, yield, maturity and quality and capability of investment management.
- The County has investments in the Federal Home Loan Bank bonds and Federal National Mortgage Association bonds which do not appear to be allowed investments as authorized in the written investment policy and resolution signed by the Board of County Commissioners.

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. Additionally, policies and

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

procedures have not been designed and implemented to ensure investments are allowed per the County's 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:

District 1 and District 2: The BOCC will revise the Canadian County Investment Policy Resolution to more clearly define the liquidity, diversification, safety of principal, yield, maturity and quality and capability of investment management, with primary emphasis on safety and liquidity. Also, it is my intent to more clearly define where these investments can be placed and request the Treasurer's office to provide an annual report of the County investments and their performance to the BOCC.

District 3: The BOCC will work with the Treasurer to cover these issues. We will continue pursuing insurance that county funds are protected.

County Treasurer: I will work with the Board of Canadian County Commissioners to cover these issues, until maturity of the investments in question or when they can be called without any negative return, at which time investments will fall under the 2017-2018 Resolution or any amended Resolution approved by BOCC.

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.

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."

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Finding 2017-009 – Inadequate Internal Controls Over Pledged Collateral and Noncompliance with State Statute

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

- At June 30, 2017, the County’s deposits were not secured by pledged collateral in one bank in the amount of \$2,254,345.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that bank deposits are adequately secured.

Effect of Condition: This condition resulted in noncompliance with state statute and unsecured County funds. Further, this condition could result in possible loss of County funds.

Recommendation: OSAI recommends the County Treasurer ensure all funds are secured by pledged securities or letters of credit with each bank.

Management Response:

County Treasurer: When we first entered an agreement with this financial institution in September 2014 our pledged collateral was \$4,801,695. We were not notified of any change until an email dated June 23, 2016 from financial institution that they had substituted our collateral in the amount of \$1,277,470 by authorization of their custodians by a bank representative (their general practice). Our office responded that was not the agreement and that we expressly iterated in Sept. 2014 that all pledges were to be released or substituted by signature of the Treasurer, Chief Deputy, or First Deputy (this issue has been corrected). I have been in contact with officials with this financial institution and have since corrected the pledged collateral amount. As for the overall collateral controls, in 2010 our programmer added to our daily General Ledger a section that shows the daily bank balances to the pledged collateral with the remaining percentage. This is checked daily by at least two Treasurer's office employees.

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, “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.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 2017-006 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Funds (Repeat Finding)

Condition: Regarding the Inmate Trust Fund Checking account, the following was noted:

- The June 2017 Inmate Trust Fund Checking Account reconciliations had an unexplained variance of \$8.00.
- There is no policy regarding unclaimed funds.
- Collections are not deposited daily.
- The Inmate Trust Fund Checking Account issued checks not allowable by statute:
 - Thirteen (13) checks were issued to an inmate telephone and commissary vendor totaling \$69,970.00.
 - Sixty-eight (68) checks were issued to a vendor for commissary services totaling \$80,576.00.

Cause of Condition: Policies and procedures have not been designed and implemented over the Inmate Trust Fund Checking Account.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends that the Inmate Trust Fund Checking Account and inmate’s trust fund ledger be reconciled to the bank statements and that the bank reconciliations be reviewed by someone other than the preparer. OSAI also recommends that the county develop a policy regarding unclaimed property. OSAI further recommends that collections be deposited daily and that disbursements be made in accordance with state statute.

Management Response:

County Sheriff:

1. The Jail will make notes to explain why there are any discrepancies in the deposit.
2. A Policy regarding unclaimed property is currently being developed
3. The jail was advised on making daily deposits and will comply
4. Jail personnel were advised on who they are statutorily allowed to issue Inmate Trust Fund checks to.
The checks will now be deposited in the Commissary Fund and a purchase order will be made to pay the Vendors.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds.

Title 19 O.S. § 531.A states, "Notwithstanding any other provisions of law, the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account", to be managed by the county sheriff and maintained separately from regular county funds. The checking account shall be subject to audit by the State Auditor and Inspector. 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."

Finding 2017-008 – Inadequate Internal Controls and Noncompliance over Consumable Inventories (Repeat Finding)

Condition: Upon inquiry of county officials and observation of consumable inventory items, we noted the following:

District 2

- At the time of the audit, the diesel fuel on hand measured 975.46 gallons more than recorded on the books.

District 3

- At the time of the audit:
 - Unleaded fuel on hand measured 290.7 gallons less than recorded on the books.
 - Diesel fuel on hand measured 2,565 gallons more than recorded on the books.
- Of the seven (7) items selected for inspection, two (2) items had a variance greater than 10% from OSAI calculations.

Item	Count Per County	Count Per OSAI	Variance
H – Beams 8"x 8" channel	84 feet	71 feet	(13 feet)
21" x 15" Arched Spiral Pipe	35 feet	40 feet	5 feet

Cause of Condition: Policies and procedures have not been designed and implemented with regard to accounting for and safeguarding the consumable items. District 2 and district 3 do not reconcile fuel to the amount on hand.

Effect of Condition: These conditions resulted in noncompliance with the state statute. Additionally, when consumable inventory items are not adequately accounted for and safeguarded there is an opportunity for misappropriation and undetected errors.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Recommendation: OSAI recommends that the County implement policies and procedures to ensure compliance with 19 O.S. § 1504A, which would provide assurance that the consumable items of the County are protected from loss and misuse.

OSAI also recommends the performing and documenting of a monthly consumable inventory count. Counts should be initialed and dated by the employee performing the physical count and retained to show the design and implementation of internal controls by the County Commissioners. Additionally, the key functions of receiving duties and consumable inventory control duties should be performed by separate employees in order to effectively segregate those duties.

Management Response:

District 2: The District 2 fuel system requires an employee to insert a key to activate the pumps. This allows for tracking which employee is activating the pump and records how much fuel is dispensed. The system keeps a running total of how much fuel remains in the storage tank. The tank also can be checked visually by reading a “clock” gauge that shows how many feet and inches are in the tank. This reading is converted using a formula to calculate the gallons contained and will now be reconciled against the number of gallons shown on the fuel system program in the office.

District 3: District 3 will reconcile inventory to actual amount on hand. Possible reason for variances are that many of the consumable items are being dispensed and restocked, even as record keeping is occurring. It is noted that the fuel tank measuring stick is to be considered "trump" over the electronic meter. These will be monitored/checked and calibrated with the monthly (and weekly) inventory.

Criteria: An Important aspect of internal controls is the safeguarding of assets. Internal controls constitute a process affected by an entity’s governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of consumable inventory.

Title 19 O.S. § 1504A provides guidance with regard to accounting for the consumable items.



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