



CARTER COUNTY

Financial Report

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

**CARTER 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.



Cindy Byrd, CPA | State Auditor & Inspector

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

March 6, 2020

TO THE CITIZENS OF
CARTER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Carter 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 "Cindy Byrd". The signature is fluid and cursive, with the first and last names clearly legible.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

Board of County Commissioners

District 1 – Joe D. McReynolds
District 2 – Bill Baker
District 3 – Jerry Alvord

County Assessor

Kerry Ross

County Clerk

Kayelyn Clubb

County Sheriff

Chris Bryant

County Treasurer

Marsha Collins

Court Clerk

Renee Bryant

District Attorney

Craig Ladd

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

TABLE OF CONTENTS

FINANCIAL SECTION

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

SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	12
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	13
Note to Supplementary Information.....	14

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	15
Schedule of Findings and Responses	17

FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
CARTER 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 Carter 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 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 Carter 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 Carter 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 Carter County, for the year ended June 30, 2017, 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 are 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 March 2, 2020, on our consideration of Carter 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 Carter County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 2, 2020

REGULATORY BASIS FINANCIAL STATEMENT

CARTER COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
County General Fund	\$ 6,142,724	\$ 5,629,862	\$ -	\$ 12,342	\$ 6,328,125	\$ 5,432,119
County Highway Fund	6,832,571	6,189,616	65,142	46,000	7,282,875	5,758,454
County Sinking	3,472	-	-	-	-	3,472
Enhanced 911	298,044	239,684	-	-	149,012	388,716
Sales Tax Revolving Fund	10,236,047	6,014,777	46,000	-	4,458,641	11,838,183
County Health	1,331,962	1,088,000	-	-	1,046,922	1,373,040
County Bridge and Road Improvement Fund	1,528,020	302,320	-	65,142	678,118	1,087,080
CDBG Courthouse Renovations	1	-	-	-	-	1
Sheriff Commissary	63,378	228,326	-	-	221,589	70,115
Assessor Revolving	17,858	4,232	-	-	3,777	18,313
County Clerk Preservation	172,258	63,495	-	-	24,272	211,481
County Clerk Mechanic Liens	506,136	51,423	-	-	17,924	539,635
Sheriff Special Fee Account	129,249	210,650	12,342	-	246,916	105,325
Sheriff Board of Prisoners	636,213	645,894	-	-	853,007	429,100
Mortgage Certificate Fee	101,629	9,225	-	-	4,621	106,233
Resale Property	860,446	296,834	15,564	-	266,420	906,424
Energy and Renew Federal Grant	2,500	-	-	-	-	2,500
FEMA	62,340	80,325	-	-	54,817	87,848
Fire Department Sales Tax	2,230,129	1,644	-	-	277,884	1,953,889
County Roads and Improvements	546,584	420	-	-	-	547,004
Delinquency Prevention (Work Restitution)	1,480	-	-	-	-	1,480
Health Special Events	158	-	-	-	-	158
General Obligation Bond 2000	20,074	11	-	-	-	20,085
Sheriff Drug Enforcement	450	-	-	-	-	450
Court Fund Payroll	5,449	230,708	-	-	217,997	18,160
Combined Total - All County Funds, as Restated	\$ 31,729,172	\$ 21,287,446	\$ 139,048	\$ 123,484	\$ 22,132,917	\$ 30,899,265

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Carter 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, libraries, 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 Fund – accounts for state, local, and miscellaneous receipts and disbursements are for the purpose of constructing and maintaining county roads and bridges.

County Sinking – accounts for monies collected from ad valorem taxes for payment of bonds or judgments against the County. The County has no long-term debt and this balance will eventually be transferred to the General Fund.

Enhanced 911 – accounts for state grant funds received and fees collected for the purpose of implementing a 911 service.

Sales Tax Revolving Fund – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballots.

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

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

County Bridge and Road Improvement Fund – accounts for County Commissioner’s bridge and road funds and disbursements are for bridge and road projects.

CDBG Courthouse Renovations – accounts for grant monies received and disbursed as restricted by the grant agreement.

Sheriff Commissary – accounts for monies received from inmates for purchases from the County’s commissary and disbursements as restricted by state statute.

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

County Clerk Preservation – accounts for fees collected for instruments filed in the County Clerk’s office as and the disbursement of the funds as restricted by state statute.

County Clerk Mechanic Liens – accounts for lien collections and disbursements as restricted by state statute.

Sheriff Special Fee Account – revenues are from fees charged for serving summons and notices, and for processing services of the Sheriff’s office. Disbursements are for any lawful expense of the Sheriff’s office.

Sheriff Board of Prisoners – accounts for the monies received from the State of Oklahoma for the boarding and feeding of Department of Correction’s prisoners.

Mortgage Certificate 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.

Resale Property – accounts for monies collected from ad valorem tax penalties, cost and fees and local revenues and the disbursement of the funds as restricted by state statute.

Energy and Renew Federal Grant – accounts for monies collected from federal funds and disbursed for energy efficient windows for the courthouse and architectural fees.

FEMA – accounts for the collection of grant monies received from the Federal Emergency Management Agency and disbursed as restricted by the grant agreement.

Fire Department Sales Tax – accounts for the collection of interest on remaining sales tax balances to be disbursed for the Carter County fire departments.

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

County Roads and Improvements – accounts for state grant monies received from the Oklahoma Department of Transportation and disbursements are for road and bridge projects.

Delinquency Prevention (Work Restitution) – accounts for fines collected for tardiness at district court. Disbursements are restricted by order of the judge.

Health Special Events – accounts for donations received to host special health events not funded by the County.

General Obligation Bond 2000 – accounts for the excess proceeds for the sale of general obligation bonds for the Ardmore Development Authority. The County issued general obligation bonds March 1, 2003. The general obligation bonds were used for the construction and expansion of four manufacturing businesses: Southwest Silicon, Michelin, IMTEC, and MMI. The general obligation bonds were paid off during the fiscal year ending June 30, 2012.

Sheriff Drug Enforcement – accounts for the collection of the Sheriff's percentage of drug forfeitures and the disbursement of funds as restricted by state statute.

Court Fund Payroll – accounts for the monies disbursed for payroll of the Court Clerk's employees.

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 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.

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

D. Budget

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

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 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

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

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

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

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.

**CARTER 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

Sales Tax of August 10, 1999

The voters of Carter County approved a permanent one-quarter percent (1/4%) sales tax effective November 2, 1999. The revenue from the sales tax is to be used as follows: 33.34% for county roads, bridges, and equipment; 33.33% for county general; and 33.33% for law enforcement. These funds are accounted for in the Sales Tax Revolving Fund.

Sales Tax of November 6, 2012

The voters of Carter County approved a one-quarter of one percent (1/4%) sales tax, effective April 1, 2013 for a period of 5 years, ending March 31, 2018. This sales tax was established to provide revenue for technology equipment and instructional and classroom materials for all common school districts wholly located within Carter County, with proceeds allocated to the school districts based upon the average daily attendance (ADA) of those school districts as reported by the Oklahoma State Department of Education. These funds are accounted for in the Sales Tax Revolving Fund.

The voters of Carter County also approved a one-quarter of one percent (1/4%) county sales tax, effective April 1, 2013 for a period of 5 years, ending March 31, 2018. This sales tax was established to provide revenue for construction, reconstruction, maintenance, repair or improvement of County roads and bridges within Carter County. These funds are accounted for in the Sales Tax Revolving 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 \$193,941 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2017.

**CARTER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
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.

F. Interfund Transfers

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

- \$12,342 was transferred from the County General Fund to the Sheriff Special Fee Account fund to correct an apportionment error that occurred in fiscal year 2016.
- \$65,142 was transferred from the County Bridge and Road Improvement Fund to the County Highway Fund for road and bridge projects.
- \$46,000 was transferred from the County Highway Fund to the Sales Tax Revolving Fund for the purchase of a vehicle by District 1 from the County Sheriff.
- \$15,564 was transferred from the Excess Resale fund, a trust and agency fund, to the Resale Property fund in accordance with 68 O.S. § 3131C.

G. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Court Fund Payroll was reclassified as a county fund and represents payroll expenditures of County employees.

Prior year ending balance, as reported	\$31,723,724
Funds reclassified to County Funds:	
Court Fund Payroll reclassified from a Trust and Agency Fund to a County Fund	5,449
Correction to Beginning Fund Balance:	
County Bridge and Road Improvement Fund	
Decrease due to prior years rounding	(1)
County Clerk Preservation fund	
Increase due to prior years rounding	1
Resale Property	
Decrease due to prior years rounding	(1)
Prior year ending balance, as restated	<u>\$31,729,172</u>

SUPPLEMENTARY INFORMATION

CARTER 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	\$ 6,130,382	\$ 6,142,724	\$ 12,342
Less: Prior Year Outstanding Warrants	(109,314)	(109,314)	-
Less: Prior Year Encumbrances	(197,396)	(144,983)	52,413
Beginning Cash Balances, Budgetary Basis	<u>5,823,672</u>	<u>5,888,427</u>	<u>64,755</u>
 Total Receipts, Budgetary Basis	 <u>3,899,295</u>	 <u>5,629,862</u>	 <u>1,730,567</u>
 Total Expenditures, Budgetary Basis	 <u>9,722,967</u>	 <u>6,418,767</u>	 <u>3,304,200</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 5,099,522	 <u>\$ 5,099,522</u>
 Net Operating Transfers		(12,342)	
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		126	
Add: Current Year Outstanding Warrants		124,637	
Add: Current Year Encumbrances		<u>220,176</u>	
Ending Cash Balance		<u>\$ 5,432,119</u>	

CARTER 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	\$ 1,331,962	\$ 1,331,962	\$ -
Less: Prior Year Outstanding Warrants	(2,084)	(2,084)	-
Less: Prior Year Encumbrances	(127,032)	(119,413)	7,619
Beginning Cash Balances, Budgetary Basis	<u>1,202,846</u>	<u>1,210,465</u>	<u>7,619</u>
 Total Receipts, Budgetary Basis	 <u>948,709</u>	 <u>1,088,000</u>	 <u>139,291</u>
 Total Expenditures, Budgetary Basis	 <u>2,151,555</u>	 <u>1,031,324</u>	 <u>1,120,231</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 1,267,141	 <u>\$ 1,267,141</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		350	
Add: Current Year Encumbrances		28,781	
Add: Current Year Outstanding Warrants		<u>76,768</u>	
Ending Cash Balance		<u>\$ 1,373,040</u>	

**CARTER COUNTY, OKLAHOMA
NOTE TO 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 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
CARTER 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 Carter County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprises Carter County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 2, 2020.

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 Carter 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 Carter County's internal control. Accordingly, we do not express an opinion on the effectiveness of Carter 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: 2017-001 and 2017-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carter 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Carter County's Response to Findings

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

March 2, 2020

**CARTER 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 2017-001 – Lack of County-Wide Controls (Repeat Finding 2012-003, 2013-003, 2014-001, 2015-001)

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

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

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design and implement monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

Management Response:

Chairman, Board of County Commissioners: We will work toward assessing and identifying risks to design written county-wide controls to address the seventeen (17) principles as outlined in the Standards for Internal Control in the Federal Government, (green book). The Board of County Commissioners will also work to document the quarterly meetings with all elected officials to discuss and take action regarding Risk Assessment and Monitoring.

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.

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

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 2017-002 – Lack of Internal Controls Over the Disbursement Process

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

- The Payroll Clerk enrolls new employees, inputs payroll information into the system, maintains personnel files, and prepares the OPERS reports and state and federal tax reports. In addition, the Payroll Clerk processes payroll claims, and prints and reviews payroll verification reports for errors.
- Warrants are printed with the electronic signature of the County Clerk and the Chairman of the Board of County Commissioners. The County Clerk's 1st Deputy initiates the electronic signature for the Chairman of the Board and for the County Clerk.

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

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

Recommendation: OSAI recommends the County implement a system of internal controls over the disbursement process. Such controls should include ensuring that electronic signatures are initialed by the owner of said signature. Further, management should be aware of these conditions and determine if duties can be adequately segregated with regards to the payroll disbursement process. In the event segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions.

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

Management Response:

Chairman, Board of County Commissioners: We work with the County Clerk to help segregate key duties and responsibilities, as well as review our policy on electronic signatures.

County Clerk: Procedures will be put into place to correct these issues.

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

Segregation of duties

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

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

**CARTER 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 2017-010 – Lack of Internal Controls and Noncompliance Over the Establishment of Salaries for Elected Officials

Condition: During our review and recalculation of the Carter County Officials’ salaries, we noted the following:

- The Board of County Commissioners did not recalculate or set the elected officials’ salaries by resolution, for the fiscal year ending June 30, 2017, as required by 19 O.S. § 180.74.
- Carter County officials were paid a salary in excess of the maximum annual salary allowed by state statutes.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure County salaries are calculated correctly, are within the amounts allowed by state statutes, and are set by the BOCC annually.

Effect of Condition: This condition resulted in noncompliance with state statutes.

Recommendation: OSAI recommends that the BOCC set the salaries for County officials within the limits allowed by state statutes in accordance with 19 O.S. §§ 180.74 and 180.75.

Further, OSAI recommends Carter County review the salaries of County employees to ensure compliance with 19 O.S. § 180.81.

Management Response:

Chairman, Board of County Commissioners: The Board of County Commissioners have implemented controls to ensure that elected officials’ salaries are recalculated and set by BOCC resolution each fiscal year. The salaries for all county officials have been adjusted and are within the statutory limits. We will follow the advice of our District Attorney concerning this matter.

Criteria: Title 19 O.S. §§ 180.71 – 180.83 provides guidance for the calculation and setting of County Officials’ and employees’ salaries. Specifically, Title 19 O.S. §§ 180.74 and 180.75 defines the formula for the calculation of the minimum and maximum salary allowed for County Officials.



Cindy Byrd, CPA | State Auditor & Inspector

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