



CIMARRON COUNTY

Financial Report

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**CIMARRON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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OKLAHOMA
Office of the State Auditor & Inspector

Cindy Byrd, CPA | State Auditor & Inspector

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June 30, 2022

TO THE CITIZENS OF
CIMARRON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cimarron County, Oklahoma for the fiscal year ended June 30, 2019. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

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

Sincerely,

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**CIMARRON COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Board of County Commissioners

District 1 – Danny Bass
District 2 – Tom Barnes
District 3 – Bron Gardner

County Assessor

Charlene Collins

County Clerk

Gina Richardson

County Sheriff

Leon Apple

County Treasurer

Jenny Richardson

Court Clerk

Debbie Kincannon

District Attorney

Mike Boring

**CIMARRON COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
CIMARRON COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Cimarron County, Oklahoma, as of and for the year ended June 30, 2019, 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 Cimarron 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 Cimarron County as of June 30, 2019, 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 total receipts, disbursements, and changes in cash balances for all county funds of Cimarron County, as of and for the year ended June 30, 2019, 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 total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2022, on our consideration of Cimarron 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 Cimarron 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

May 26, 2022

REGULATORY BASIS FINANCIAL STATEMENT

CIMARRON COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Beginning Cash Balances July 1, 2018	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2019
County Funds:				
County General	\$ 449,315	\$ 947,266	\$ 867,328	\$ 529,253
County Highway Unrestricted	3,773,590	3,177,299	3,169,597	3,781,292
Hospital-ST	-	271,195	271,195	-
County Bridge and Road Improvement	384,829	312,369	3,428	693,770
Fair-ST	4,903	9,523	10,240	4,186
Extension-ST	20,894	9,497	3,997	26,394
General Gov't-ST	203,602	163,129	136,609	230,122
Library-ST	2,513	9,504	10,057	1,960
Sheriff Service Fee	47,252	68,353	47,053	68,552
911 Phone Fees	310,210	51,412	23,874	337,748
2018 County Building Bond	1,269,697	-	1,256,540	13,157
County Sinking Fund	1,559	389,293	31,180	359,672
Grant	-	80,115	80,115	-
Resale Property	31,768	37,867	34,348	35,287
Treasurer Mortgage Certification	2,977	490	1,947	1,520
County Clerk Lien Fee	5,855	2,485	3,795	4,545
County Clerk Records Management and Preservation	8,103	5,070	8,159	5,014
Assessor Revolving Fee	6,252	2,588	2,445	6,395
Local Emergency Planning Committee	5,827	6,160	4,573	7,414
Sheriff Commissary	1,209	-	559	650
Sheriff Forfeiture	19,017	2,633	9,892	11,758
Total - All County Funds	\$ 6,549,372	\$ 5,546,248	\$ 5,976,931	\$ 6,118,689

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

**CIMARRON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Cimarron County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

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

During the fiscal year ended June 30, 2019, the County converted to a new chart of accounts; therefore, several fund names and descriptions change. However, these changes do not reflect a change in the sources and uses of revenues over the prior fiscal year.

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

County General – accounts for revenues from ad valorem, officer's fees, interest earnings, and miscellaneous collections of the County to be disbursed for the general operations of the County.

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

Hospital-ST – accounts for the collection of sales tax revenue to be disbursed as restricted by the sales tax ballot.

County Bridge and Road Improvement – accounts for state receipts to be disbursed for the purpose of maintaining bridges and roads.

**CIMARRON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Fair-ST – accounts for the collection of sales tax revenue to be disbursed as restricted by the sales tax ballot.

Extension-ST – accounts for the collection of sales tax revenue to be disbursed as restricted by the sales tax ballot.

General Gov't-ST – accounts for the collection of sales tax revenue to be disbursed as restricted by the sales tax ballot.

Library-ST – accounts for the collection of sales tax revenue to be disbursed as restricted by the sales tax ballot.

Sheriff Service Fee – accounts for the collection of sheriff process fees to be disbursed as restricted by state statute.

911 Phone Fees – accounts for the collection of a 5% fee of the tax rate imposed on residents within the boundaries of Cimarron County to be disbursed to operate and maintain an emergency telephone system.

2018 County Building Bond – accounts for the general obligation bond proceeds to be disbursed for building improvements as set forth by the bond regulations and restrictions.

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

Grant – accounts for the collection of grant money to be disbursed according to the grant requirements for the Emergency Medical Services.

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

Treasurer Mortgage Certification – accounts for the collection of fees by the Treasurer for mortgage tax certificates to be disbursed as restricted by state statute.

County Clerk Lien Fee – accounts for lien collections to be disbursed as restricted by state statute.

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

Assessor Revolving Fee – accounts for the collection of fees for copies to be disbursed as restricted by state statute.

**CIMARRON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Local Emergency Planning Committee – accounts for fees collected to be disbursed for local emergency planning.

Sheriff Commissary – accounts for the profit from the sale of items to inmates to be disbursed to purchase commissary goods from the vendor. Excess funds are used for maintenance and operations of the Sheriff's department as allowed by state statute.

Sheriff Forfeiture – accounts for money received from confiscated property and drug related arrests to be disbursed for equipment, materials, or supplies that may be used in crime prevention, education, training or programming.

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 allows 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, which specifies the format and presentation of such regulatory basis financial statements: county governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

D. Budget

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

**CIMARRON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. 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.

**CIMARRON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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; however, the County expects such amounts, if any, to be immaterial.

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

D. Long Term Obligations

1. General Obligation Bonds

The government issues general obligation bonds to provide funds for the purpose of constructing, equipping, repairing and remodeling the County Courthouse and Jail. Debt

**CIMARRON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

service on the bonds will be paid from ad valorem taxes levied and assessed on behalf of the issuer and deposited to the County Sinking Fund.

Cimarron County, Oklahoma-County Courthouse and Jail Bond of 2018 – Bonds in the amount of \$1,300,000 were issued April 19, 2018, for the purpose of constructing, equipping, repairing and remodeling the County Courthouse and Jail, acquiring County Courthouse and Jail furniture, fixtures and equipment, and improving the County Courthouse and Jail.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 4 years from the date of issue. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Original Amount
Cimarron County, Oklahoma County Courthouse and Jail Bond of 2018	2.5%	\$1,300,000

Beginning Balance	Additions	Reductions	Ending Balance	Amount due within one year
\$1,300,000	\$ -0-	\$ -0-	\$1,300,000	\$ -0-

During fiscal year 2019, payments included \$-0- for principal, \$31,180 for interest, and \$-0- for fees.

Annual debt service requirements to maturity for general obligation bonds, including interest of \$61,290, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	430,000	31,180	461,180
2021	430,000	20,430	450,430
2022	430,000	9,680	449,680
Total	<u>\$1,300,000</u>	<u>\$61,290</u>	<u>\$1,392,470</u>

E. Sales Tax

On November 4, 2014, the voters approved the continuing levying of the 2% sales tax for the period July 1, 2015 through June 30, 2020. Said sales tax is to be allocated by the County Commissioners of Cimarron County, 1.5% for the support of the Cimarron Memorial Hospital and Rural Health Clinic and 0.5% to be apportioned for the support of general operation and capital improvements for the Cimarron County Free Fair, Soutar Memorial Library, Cimarron County OSU Extension and the Cimarron County Courthouse; defining terms, prescribing procedures, remedies, liens and fixing an effective date to expire after sixty (60) months. These funds are accounted for in the Hospital-ST fund, Fair-ST fund, Extension-ST fund, Library-ST fund, and General Gov't-ST fund.

**CIMARRON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

F. Special Items

Oklahoma State Bureau of Investigation

Oklahoma State Bureau of Investigation conducted an investigation of the Cimarron County Inmate Trust Fund Checking Account in connection with allegations of embezzlement of inmate funds. A judgment and sentence were issued on May 5, 2021 concluding the investigation and resolving the allegations with inmate funds.

SUPPLEMENTARY INFORMATION

CIMARRON COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund		
	Budget	Actual	Variance
District Attorney - State	\$ 100	\$ 100	\$ -
District Attorney - County	10	-	10
County Sheriff	222,405	207,040	15,365
County Treasurer	65,583	65,583	-
County Commissioners O.S.U. Extension	1,500	-	1,500
County Clerk	74,986	74,298	688
Court Clerk	65,583	64,643	940
County Assessor	70,241	69,134	1,107
Revaluation of Real Property	33,370	31,102	2,268
Juvenile Shelter Bureau	20,000	984	19,016
General Government	84,216	10,398	73,818
Excise - Equalization Board	6,800	2,134	4,666
County Election Expense	47,156	44,956	2,200
Insurance - Benefits	370,159	251,303	118,856
Charity	1,200	-	1,200
Public Defender	200	-	200
Civil Defense	2	-	2
County Audit Budget Account	12,848	12,847	1
Library Budget	20,461	20,461	-
County Hospital Budget Account	16,014	16,014	-
Total Expenditures, Budgetary Basis	<u>\$ 1,112,834</u>	<u>\$ 870,997</u>	<u>\$ 241,837</u>

**CIMARRON COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

INTERNAL CONTROL AND COMPLIANCE SECTION



**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

TO THE OFFICERS OF
CIMARRON COUNTY, OKLAHOMA

We have audited, 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, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Cimarron County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprise Cimarron County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated May 26, 2022.

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 as of and for the year ended June 30, 2019, 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 Cimarron County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Cimarron County's internal control. Accordingly, we do not express an opinion on the effectiveness of Cimarron 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: 2019-001, 2019-002, 2019-004, and 2019-005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cimarron County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2019-002 and 2019-005.

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

Cimarron County's Response to Findings

Cimarron County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Cimarron 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 it.

Purpose of this Report

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 26, 2022

**CIMARRON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 2019-001 – Lack of County-Wide Internal Controls (Repeat Finding 2012-001, 2013-001, 2017-001, 2018-001)

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

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

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

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

Management Response:

Chairman of the Board of County Commissioners: Quarterly, the Officers will sit down and discuss identifying risks, addressing risks, and monitoring activity. We will keep minutes of these meetings.

County Clerk: The Elected Officials will hold meetings to address internal control policies.

County Treasurer: With the aid of other Elected Officials, we will work toward implementing county-wide procedures that help to control the possibility of errors and risk along with information and communication through additional checks and balances.

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.

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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.

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 2019-002 – Lack of Internal Controls and Noncompliance Over the Disbursements Process (Repeat Finding – 2018-004)

Condition: Upon inquiry of county personnel and observation of the County's disbursement process, the following weaknesses were noted:

- District 2 County Commissioner's office can encumber a purchase order by phone without completing a signed requisition document.

Additionally, while performing the expenditure testwork, the following weaknesses were noted:

- A sample of seventy-three (73) disbursements were selected from county funds and determined:
 - Fourteen (14) expenditures totaling \$927,530 were not encumbered prior to receiving goods or services.
 - Eleven (11) expenditures totaling \$643,025 were not supported by adequate documentation.
 - One (1) expenditure in the amount of \$17,529 was encumbered without a signature from a requisitioning officer.

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- One (1) payroll expenditure in the amount of \$1,900 was not supported by the employee signature.

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

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

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

Management Response:

Chairman of the Board of County Commissioners: I will continue to work with the other Elected Officials to ensure all purchase orders have signed requisitions prior to encumbering, all disbursements are on purchase orders, all purchase orders are encumbered prior to ordering goods or services, all purchase orders have adequate documentation, and all payroll timesheets or claims are signed by employees.

District 2 County Commissioner: I was not in office during this year.

District 3 County Commissioner: I will make sure my office's purchase orders are encumbered prior to ordering goods or services.

County Clerk: District 2 will email a signed requisition to the County Clerk to request a purchase order until they are able to convert to the new version of software.

County Sheriff: I did not hold Office at the time of this violation as I took Office October 1, 2020. However, the current process for payroll timecards is as follows:

- Timecard is completed by the employee.
- Timecard is validated by Supervisor.
- Timecard is signed by the employee.
- Timecard is filed in employee folder.

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

Objectives of an Entity – Compliance Objectives

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

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Additionally, GAO Standards – Principle 6 – Define Objectives and Risk Tolerances – 6.05 states:

Definitions of Objectives

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

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

Finding 2019-004 – Reconciliation of Appropriation Ledger to General Ledger

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

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

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

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

Management Response:

County Clerk: The County Clerk will work with the County Treasurer to reconcile the appropriation ledger to the general ledger.

County Treasurer: With the aid of a spreadsheet and our software, the County Treasurer and the County Clerk will work toward reconciling the General Fund on a monthly basis moving forward. This will help in monitoring our internal control systems and part of the normal course of operations. Ongoing monitoring will include regular management and supervisory activities, comparisons, reconciliations and other routine actions.

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

Internal Control System Monitoring

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

Finding 2019-005 – Lack of Internal Controls and Noncompliance Over Discrete Presentation of Tax Activity

Condition: The county sales tax appropriations are not discretely presented within county funds. The collections are comingled into the following sales tax collection funds:

- General Gov't – ST received funds in the amount of \$53,062 for the collection of Use taxes.
- General Gov't – ST received funds in the amount of \$28,596 for the collection of Lodging taxes.

Since the sales tax funds have been comingled with other sources of revenue, we could neither determine how much county sales tax was expended nor perform a test of sales tax expenditures.

Cause of Condition: Policies and procedures have not been designed and implemented to properly appropriate the county sales tax monies in accordance with state statutes and AG Opinions.

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

Recommendation: OSAI recommends that the County establish policies and procedures that would allow for the sales tax balances and activity to be distinguished from other revenue sources activity within the County General fund or account for sales tax activity in a revolving fund as required by state statutes and AG Opinions.

Management Response:

Chairman of the Board of County Commissioners: We have corrected the comingling of sales tax monies.

County Clerk: This finding has already been resolved with the Use, Lodging and Sales Tax are no longer compiled into the same funds but have their own.

County Treasurer: We have already corrected the comingling of sales tax monies.

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

Appropriate documentation of transactions and internal control

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

Title 68 O.S. § 1370(E) requires the sales tax collections be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

Title 68 O.S. § 1370.9(C) requires the lodging tax collections to be deposited in the general revenue or lodging tax revolving fund of the County and be used only for the purpose for which such lodging tax was designated.

AG opinion 2005 OK AG 23 dated 07/13/2005 (14) states:

“3. Proceeds of a county sales tax voted for a specific purpose but placed in the county’s general fund must be accounted for as a discrete fund, and any surplus not needed for the stated purpose during one fiscal year must be transferred to the county budget for the next fiscal year, for the same specified purpose.”

AG opinion 2014 OK AG 15 dated 10/31/2014 states:

“4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; *Cavin v. Bd. of County Comm'rs*, 1934 OK 245 ¶ 11, 33 P.2d 477, 479.”

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SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2019-003 – Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding – 2012-004, 2013-004, 2017-008, 2018-007)

Condition: Upon inquiry, observation and review of documents of the Sheriff’s Inmate Trust Fund Checking Account and the Sheriff Commissary Fund, the following weaknesses in internal controls and noncompliance were noted:

- An embezzlement of \$380 occurred in December of 2018. Charges were filed at a later date and the prior employee was convicted.
- There were no controls noted regarding cash held for inmates after book-in. Cash held for inmates was not deposited into the Inmate Trust Fund Checking Account, as it was held on hand in the County Sheriff’s office
- The Inmate Trust Fund Checking Account was not reconciled monthly.
- An annual Commissary Report was not prepared and submitted to the Board of County Commissioners by January 15th in accordance with state statute.

Cause of Condition: Policies and procedures have not been designed and implemented over the County Sheriff’s Inmate Trust Fund Checking Account and the Sheriff Commissary Fund to ensure collections are safeguarded.

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

Recommendation: OSAI recommends the following:

- Inmate Trust Fund Checking Account monies should be maintained in a manner that reflects each inmate’s trust deposits, disbursements, and account balances. The inmates’ trust fund balances should be reconciled to the bank statements each month.
- Bank reconciliations be performed on a monthly basis.
- All collections be deposited daily.
- The Sheriff should complete and file an accurate annual commissary report with the Board of County Commissioners by January 15th of each year.

Management Response:

Chairman of the Board of County Commissioners: These problems have been resolved as there is a new County Sheriff in office.

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County Sheriff: I did not hold Office at the time of this violation, as I took Office October 1, 2020. However, the current process for this event is as follows: Monthly reconciliation of the account is already in place and being performed upon receipt for the statement from the financial institution. We are in the process of obtaining new checks with a tracking register to re-establish controls on issued checks versus checks cashed along with other deposits from the fund. Once they are in place, we will be performing daily deposits as needed. An annual commissary report will be completed and submitted to the commissioners by January 15th of each year.

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

Compliance Objectives

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

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

Definitions of Objectives

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

Title 19 O.S. § 180.43(D) states, "Each county sheriff may operate, or contract the operation of, a commissary for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year. The State Auditor and Inspector shall conduct an audit of the report in the same manner as other public records of the county.

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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.”



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