



CIMARRON COUNTY

County Audit

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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March 28, 2019

TO THE CITIZENS OF
CIMARRON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cimarron 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



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

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, 2017

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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 combined 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, 2017, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.



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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Cimarron 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 Cimarron County, for the year ended June 30, 2017, in accordance with the basis of accounting described in Note 1.

Other Matters

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

The Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2019, 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

March 25, 2019

REGULATORY BASIS FINANCIAL STATEMENT

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

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
Major Funds:						
County General Fund	\$ 428,578	\$ 812,095	\$ -	\$ -	\$ 796,583	\$ 444,090
County Highway Fund	3,684,734	3,233,341	299,355	-	3,266,199	3,951,231
Cimarron County Hospital Sales Tax	-	253,556	-	-	253,556	-
County Bridge and Road Improvement Fund 105	498,398	154,379	-	299,355	9,051	344,371
Free Fair Sales Tax	3,089	8,903	-	-	9,970	2,022
OSU Extension Sales Tax	16,446	8,873	-	-	7,363	17,956
Courthouse Revolving Sales Tax	257,527	111,061	-	-	112,576	256,012
Soutar Memorial Library Sales Tax	5,486	8,892	-	-	11,053	3,325
Sheriff Service Fee	73,242	60,835	-	-	70,517	63,560
E-911	166,592	88,034	-	-	-	254,626
Remaining Aggregate Funds	80,655	53,503	52	-	39,992	94,218
Combined Total - All County Funds	\$ 5,214,747	\$ 4,793,472	\$ 299,407	\$ 299,355	\$ 4,576,860	\$ 5,431,411

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, 2017**

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, 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 for the purpose of constructing and maintaining county roads and bridges.

Cimarron County Hospital Sales Tax – accounts for sales tax collected and disbursed for expenses of the hospital.

County Bridge and Road Improvement Fund 105 – accounts for state receipts and disbursements for the purpose of maintaining bridges and roads.

Free Fair Sales Tax – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

OSU Extension Sales Tax – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Courthouse Revolving Sales Tax – accounts for sales tax revenue, lodging tax, use tax, and reimbursements and the disbursement of funds as restricted by the sales tax resolution.

Soutar Memorial Library Sales Tax – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

E-911 – accounts for the collection of a 5% fee of the tax rate imposed on residents within the boundaries of Cimarron County. No disbursements were made during this fiscal year.

C. Basis of Accounting

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

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

D. Budget

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

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

E. Cash and Investments

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

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

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

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, 2017**

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

D. Sales Tax

On November 4, 2014, the general election was held, and 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 Sales Tax, Soutar Memorial Library Sales Tax, Cimarron County OSU Extension Sales Tax, and the Cimarron

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

County Courthouse Revolving Sales Tax Fund; defining terms, prescribing procedures, remedies, liens and fixing an effective date to expire after sixty (60) months.

E. Interfund Transfers

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

- \$299,355 was transferred from the County Bridge and Road Improvement Fund 105 to the County Highway Fund for bridge and road projects.
- \$52 was transferred from the Excess Resale fund, a trust and agency fund, to the Resale Property fund, for 2016 Excess Resale funds not claimed.

OTHER SUPPLEMENTARY INFORMATION

CIMARRON 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	\$ 428,578	\$ 428,578	\$ -
Less: Prior Year Outstanding Warrants	(35,554)	(35,554)	-
Less: Prior Year Encumbrances	(1,125)	(433)	692
Beginning Cash Balances, Budgetary Basis	391,899	392,591	692
Receipts:			
Ad Valorem Taxes	572,741	602,858	30,117
Charges for Services	23,145	29,007	5,862
Intergovernmental Revenues	83,813	114,572	30,759
Miscellaneous Revenues	18,011	65,658	47,647
Total Receipts, Budgetary Basis	697,710	812,095	114,385
Expenditures:			
District Attorney - State	100	-	100
District Attorney - County	3,225	3,006	219
County Sheriff	215,180	205,790	9,390
County Treasurer	62,689	62,689	-
OSU Extension	1,500	-	1,500
County Clerk	73,635	73,523	112
Court Clerk	62,689	62,689	-
County Assessor	69,332	67,971	1,361
Revaluation of Real Property	35,619	29,784	5,835
Juvenile Shelter Bureau	15,000	2,493	12,507
General Government	144,228	5,957	138,271
Excise-Equalization Board	4,800	2,404	2,396
County Election Board	44,587	42,818	1,769
Insurance - Benefits	323,209	240,454	82,755
County Supt of Health	200	-	200
Charity	1,200	145	1,055
Public Defender	200	-	200
Civil Defense	2	-	2
County Audit Budget Account	14,939	14,939	-
Library Budget Account	2,130	2,130	-
County Hospital Budget Account	15,145	15,145	-
Total Expenditures, Budgetary Basis	1,089,609	831,937	257,672

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CIMARRON COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	372,749	\$ 372,749
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		68,841	
Add: Current Year Encumbrances		2,500	
Ending Cash Balance		\$ 444,090	

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

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Disbursements	Ending Cash Balances June 30, 2017
Remaining Aggregate Funds:					
Grant	\$ 4,032	\$ -	\$ -	\$ 4,032	\$ -
Resale Property	23,838	10,798	52	5,876	28,812
Treasurer Mortgage Tax Certification Fee	2,741	515	-	115	3,141
County Clerk Lien Fee	8,640	3,137	-	4,727	7,050
County Clerk Preservation	12,953	5,325	-	5,970	12,308
Assessor Revolving Fee	4,236	3,571	-	2,721	5,086
Local Emergency Planning Commission	3,322	3,250	-	2,087	4,485
Sheriff Commissary	2,502	2,547	-	3,033	2,016
Sheriff Seizure	18,391	24,360	-	11,431	31,320
Combined Total - Remaining Aggregate Funds	<u>\$ 80,655</u>	<u>\$ 53,503</u>	<u>\$ 52</u>	<u>\$ 39,992</u>	<u>\$ 94,218</u>

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

1. Budgetary Schedules

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

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

Grant – accounts for cash fund established for the purpose of maintaining collections and disbursements of grant awards.

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

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

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

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

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

Local Emergency Planning Commission – accounts for fees collected and disbursed for local emergency planning.

Sheriff Commissary – accounts for the profit from the sale of items to inmates and disbursements 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 Seizure – accounts for money received from confiscated property and drug related arrests and disbursements are for equipment, materials, or supplies that may be used in crime prevention, education, training or programming.

INTERNAL CONTROL AND COMPLIANCE SECTION



Cindy Byrd, CPA | State Auditor & Inspector

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

**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 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 Cimarron County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprises Cimarron County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 25, 2019.

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 Cimarron 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 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: 2017-001.



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 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 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 are 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 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 25, 2019

**CIMARRON 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 – Inadequate County-Wide Controls (Repeat Finding 2012-001, 2013-001)

Condition: The County has not addressed or documented all of the components of an internal control framework which are the Control Environment, Risk Assessment, Information and Communication, and Monitoring.

Additionally, a test of ten (10) employees noted that two (2) employees did not have signed acknowledgement for the 2017 version of the County Handbook.

Cause of Condition: Policies and procedures have not been designed and implemented to address control environment, risk assessment, information and communication, and monitoring in the County.

Effect of Condition: This condition does not allow the County to function in the most effective manner possible. Additionally, without written documentation of the county-wide controls it is more difficult to retain organizational knowledge, communicate that knowledge to personnel, indicate what internal controls are present and monitor those controls.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design and implement policies and procedures to document their internal control framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps taken to properly communicate pertinent information in a timely manner and the methodology to monitor the quality of performance over time.

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: We will meet as County Officers, go over examples of Internal Control Guides, and implement that into our internal control structure.

County Treasurer: The officers are going to meet quarterly to discuss and document our County-Wide controls.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Control

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Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

The Control Environment is the foundation for all other components of internal control. When management believes that internal controls are important to meeting its goals and objectives and communicates this belief to its employees at all levels, internal controls are more likely to be functioning well. However, if management views internal controls as unrelated to achieving its goals and objectives, or even as an obstacle, it is almost a certainty that this attitude will be held by all employees, despite official statements or policies to the contrary. This understanding by management of the importance of internal controls and the communication of this importance to its employees are key elements of the control environment.

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

Information and Communication is a component of internal control which should provide for a county to run and control its operations. A county must have relevant, reliable information, both financial and nonfinancial. The information should be recorded and communicated to management and others within the county who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the county needs to make sure that the forms of communication are broad-based and that information technology management assures useful, reliable, and continuous communications.

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

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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 2017-007 – Inadequate Internal Controls Over Court Clerk Receipts and Expenditure Process

Condition: Upon inquiry of the Court Clerk employees, and observation and test of records, the following weaknesses were noted with regard to internal controls related to the receipting process of the Court Clerk and the expenditure process over the Court Clerk Revolving Fund and Court Fund claims:

Receipting Process:

- All employees operate from the same cash collection drawer.
- There are no controls in place over voided receipts.

Court Clerk Revolving Fund Process:

- One employee is responsible for:
 - Preparing and signing the Court Clerk Revolving Fund claims.
 - Printing and signing the vouchers for payment.
 - Taking vouchers to the County Treasurer to be registered.
 - Distributing vouchers to vendors.

Court Fund Claims Process:

- One employee is responsible for:
 - Preparing the Court Fund claims.
 - Printing the Court Fund vouchers.
 - Distributing the vouchers to vendors.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate internal controls over collections and segregation of duties over the Court Fund and Court Clerk Revolving Fund expenditure processes.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, undetected errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends each employee have their own cash collection drawer for the purpose of receiving payments. Each cash collection drawer should be kept locked with the key secured by the person to whom the cash collection drawer is assigned.

OSAI recommends the Court Clerk design and implement policies and procedures to ensure a proper segregation of duties over the expenditure process that includes the following accounting functions:

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- Preparation of claims,
- Initiation of payment and printing the voucher,
- Signing of vouchers,
- Taking the voucher to be registered, and
- Distribution of the vouchers.

Management Response:

Court Clerk: Two employees are involved with reconciling receipts and preparing the deposit. I am training another deputy to help with the segregation of duties within the Court Clerk Revolving Fund and Court Fund claims process.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Finding 2017-008 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding – 2012-004, 2013-004)

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

- Receipts were not written for cash at the time of booking.
- Written receipts were not maintained for the dates of January 28, 2017 through June 30, 2017.
- Inmate Trust Fund Checking Account deposits were not made daily.
- The Inmate Trust Fund Checking Account was not reconciled on a monthly basis.
- The County Sheriff has two checkbooks for the Inmate Trust Fund Checking Account that he uses interchangeably. One checkbook has carbon copies, but the other does not. There is no record or list of checks written from the latter checkbook.
- Money for phone card sales was not moved to County funds in a timely manner. Further, no phone card sales were moved for the months of July, October, February, March, and April.
 - Of the \$3,351 of phone card sales transferred from the Inmate Trust Fund Checking Account, \$804 was moved to the Sheriff Service Fee fund.
 - The County purchased the phone cards out of the Sheriff Commissary Fund.
- 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 and expenditures are made in compliance with state statute.

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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.
- All money should be receipted, and receipts maintained.
- All checks written out of the Inmate Trust Fund Checking Account should be recorded.
- Phone card sales should be deposited into the Sheriff Commissary Fund.
- Prepare an annual commissary report that identifies beginning commissary balance, deposits of commissary profits, expenditures of commissary funds and ending commissary balance and submit the report by January 15th of each year.

Management Response:

County Sheriff: I am going to keep a book-in sheet to show what money was brought in on inmates. I am changing companies for phone card sales which will eliminate cash in my office and the need for the Inmate Trust Fund Checking Account. I will complete an annual Commissary Report and submit it to the Board by January 15th.

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

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

Title 19 O.S. § 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

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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.

Title 19 O.S. § 531 A. states, "Notwithstanding any other provisions of law, the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account", to be managed by the county sheriff and maintained separately from regular county funds. The checking account shall be subject to audit by the State Auditor and Inspector. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Finding 2017-009 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory and Dispositions

Condition: Upon inquiry of County officials and employees, and observation of records with regard to the fixed assets inventory process, the following weaknesses were noted:

There is a lack of segregation of duties in the County Assessor and County Sheriff's offices. The following duties are performed by the same employee:

- Signs as a receiving agent when a new item is received.
- Maintaining the inventory records.
- Performing annual inventory.

Documentation of an annual physical inventory was not maintained for the following offices:

- County Clerk
- District 1 Commissioner
- District 3 Commissioner
- General Government

Five (5) equipment dispositions tested did not have sufficient documentation:

- One (1) item had been sold but did not indicate in the minutes how or when it was actually sold.
- One (1) item that was junked did not indicate how it physically disposed.
- Three (3) items were traded-in, but documentation was not retained to indicate that the trade-in had been properly bid.
 - One (1) item was traded for equipment purchased on state contract.
 - One (1) item was listed as traded without any documentation of what was purchased with the trade-in.

Upon review of the Board of County Commissioner minutes, it was noted that equipment was not surplusized and disposed of in the proper order. It was also noted that the date the equipment was sold was not recorded.

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- The BOCC approved a lease purchase with trade on August 8, 2016, but the item traded was not surplus until September 6, 2016. It was also disposed of on September 6, 2016.
 - This lease purchase was a state contract purchase. Trading in equipment on a state contract purchase is not allowed by state statute during this fiscal year.
- On September 26, 2016, equipment was surplus and disposed of, but the date sold was not noted.
- On May 4, 2017, equipment was surplus and disposed of, but the date sold was not noted as well as what the equipment was traded on and to whom.
- Items disposed on May 30, 2017 did not include the information of when or whom the equipment was traded.

Cause of Condition: Policies and procedures have not been designed and implemented by the County to document annual fixed assets inventory counts, maintain accurate inventory cards in the County Clerk's office, verify all equipment is properly marked and properly document when equipment is disposed.

Effect of Condition: These conditions resulted in noncompliance with state statutes. When fixed assets are not monitored and equipment is not properly marked with identification numbers and "Property of Cimarron County," opportunities for misuse or loss of equipment can occur.

Recommendation: OSAI recommends that management implement internal controls to ensure compliance with 19 O.S. § 178.1, 19 O.S. § 178.2, and that fixed assets are safeguarded against misuse and loss. OSAI additionally recommends that management implement internal controls to ensure compliance with 69 O.S. § 645 to properly mark equipment, 19 O.S. § 421 regarding the disposition of equipment, and 19 O.S. § 421.1 regarding the trade-in of equipment on a state contract purchase.

Management Response:

District 1: District 1 has performed an annual physical inventory for fiscal year 2019. We will ensure we surplus and dispose of equipment according to state statute.

District 2: We will make sure to better document how the County will surplus, sell, and dispose of County property.

District 3: We will implement a physical inventory by my foreman at least once a year. We will make sure to better document the information on equipment that County sells. We will ensure we surplus and dispose of equipment according to state statute.

County Clerk: I will perform an annual inventory of each asset and retain a working copy of the inventory list.

County Sheriff: I will make sure someone other than the person who maintains the inventory records performs a physical annual review each year and documentation of this is maintained. We will ensure we surplus and dispose of equipment according to state statute.

County Assessor: Two people now perform inventory together and we will start keeping documentation of this review.

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Criteria: Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Title 19 O.S. § 178.1 requires the county to have a system of identification for the inventory of fixed assets.

Title 19 O.S. § 178.2 states in part, "It shall be the duty and responsibility of each elected county official to create and maintain inventory records of said office. Such inventory shall be filed with the county clerk."

Title 19 O.S. § 421 states, "Each board of county commissioners of the several counties in the state shall within thirty (30) days after the disposition of any tools, apparatus, machinery, and equipment belonging to the county or leased or otherwise let to it or any department thereof, the original cost of which is more than Five Hundred Dollars (\$500.00), whether sold, exchanged, junked, leased or let where authorized by statute, shall enter, or cause to be entered, in the minutes of the proceedings of the board the fact of such disposition, including complete description of item, serial number, the date property was acquired, the name and address of the person or firm from whom property was acquired, the cost price at time of acquisition or contract price if acquired under lease-rental agreement, the date of disposition, the name and address of the person or firm to whom property transferred, the price received therefore and the reason for disposition."

Title 69 O.S. § 645 states in part, "County-owned automobiles, trucks, road machinery and equipment shall be conspicuously and legibly marked PROPERTY OF (name of county) COUNTY, and leased automobiles, trucks, road machinery and equipment shall be conspicuously and legibly marked LEASED BY (name of county) COUNTY, on each side, in upper case letters, on a background of sharply contrasting color."



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