



ELLIS COUNTY

Financial Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**ELLIS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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June 30, 2022

TO THE CITIZENS OF
ELLIS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Ellis County, Oklahoma for the fiscal year ended June 30, 2021. 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,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**ELLIS COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Board of County Commissioners

District 1 – Mike Latta
District 2 – Chad Petree
District 3 – Blake Suthers

County Assessor

Christi Pshigoda

County Clerk

Lynn Smith

County Sheriff

Shane Booth

County Treasurer

Jeannie Strick

Court Clerk

Sally Wayland

District Attorney

Angela Marsee

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
ELLIS 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 Ellis County, Oklahoma, as of and for the year ended June 30, 2021, 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 Ellis 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 Ellis County as of June 30, 2021, 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 Ellis County, as of and for the year ended June 30, 2021, 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 June 21, 2022, on our consideration of Ellis 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 Ellis County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 21, 2022

REGULATORY BASIS FINANCIAL STATEMENT

ELLIS COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Beginning Cash Balances July 1, 2020	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2021
County Funds:						
County General	\$ 1,280,532	\$ 2,088,616	\$ -	\$ -	\$ 2,175,317	\$ 1,193,831
County Highway Unrestricted	4,819,094	4,568,329	-	5,000	4,486,185	4,896,238
County Bridge and Road Improvement	989,164	257,827	153,315	184,543	709,716	506,047
General Gov't-ST	6,515,213	524,452	-	-	610,843	6,428,822
Ambulance Service District-ST	574,357	144,532	-	-	223,221	495,668
Courthouse Improvement-ST	390,036	46,106	-	-	13,687	422,455
Extension-ST	1,290,099	23,053	-	-	105,284	1,207,868
Fair-ST	473,986	23,053	-	-	57,136	439,903
Hospital-ST	33,007	288,188	-	-	295,316	25,879
Rural Fire-ST	996,797	104,900	-	-	288,267	813,430
Senior Citizen-ST	41,999	11,617	-	-	9,393	44,223
Sheriff Board of Prisoners	23,861	-	-	21,558	2,303	-
Sheriff Forfeiture	3,516	-	-	-	251	3,265
Sheriff Commissary	4,770	2,291	-	-	-	7,061
Sheriff Service Fee	132,060	139,316	21,558	-	90,579	202,355
Resale Property	254,098	79,163	-	-	22,510	310,751
Treasurer Mortgage Certification	9,454	1,202	-	-	1,059	9,597
Emergency Management	60,921	20,000	5,000	-	33,874	52,047
County Clerk Lien Fee	120,061	17,884	-	-	18,210	119,735
Assessor Revolving Fee	30,366	2,852	-	-	10,042	23,176
Local Emergency Planning Committee	8,310	1,000	-	-	4,076	5,234
911 Phone Fees	462,951	65,660	-	-	81,097	447,514
County Clerk Records Management and Preservation	58,447	27,180	-	-	12,059	73,568
Rural Economic Action Plan Revolving Fund	-	50,000	-	-	50,000	-
Total - All County Funds	\$ 18,573,099	\$ 8,487,221	\$ 179,873	\$ 211,101	\$ 9,300,425	\$ 17,728,667

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

**ELLIS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Ellis 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.

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

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

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

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

General Gov't-ST – accounts for sales tax collected and disbursed on behalf of the account as specified in the sales tax ballot.

Ambulance Service District-ST – accounts for sales tax collected and disbursed on behalf of the account as specified in the sale tax ballot.

Courthouse Improvement-ST – accounts for sales tax collected and disbursed on behalf of the account as specified in the sales tax ballot.

**ELLIS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Extension-ST – accounts for sales tax collected and disbursed on behalf of the account as specified in the sales tax ballot.

Fair-ST – accounts for sales tax collected and disbursed on behalf of the account as specified in the sales tax ballot.

Hospital-ST – accounts for sales tax collected and disbursed on behalf of the account as specified in the sales tax ballot.

Rural Fire-ST – accounts for sales tax collected and disbursed on behalf of the account as specified in the sales tax ballot.

Senior Citizens-ST – accounts for sales tax collected and disbursed on behalf of the account as specified in the sales tax ballot.

Sheriff Board of Prisoners – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are used for the operations of the jail.

Sheriff Forfeiture – accounts for money forfeited or money earned from the sale of items forfeited to the Sheriff and disbursements are for drug related programs.

Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods and operating and maintaining the jail. Excess funds are used for maintenance and operations of the Sheriff's department.

Sheriff Service Fee – accounts for the collection of sheriff process service fees to be disbursed as restricted by state statute; the collection of funding from the State Department of Corrections and local police department to be disbursed as restricted by state statute; the collection of fees through the courts to be disbursed for administrative expenses and supervision of offenders; and for fees collected through the courts to be disbursed for courthouse security.

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

Emergency Management – accounts for the receipt and disbursement of funds from federal and state sources for emergency management and other civil defense purposes.

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

**ELLIS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Local Emergency Planning Committee – accounts for revenues from a state grant to cover the cost of paperwork for hazardous materials that are moved within the County and disbursed for local emergency planning.

911 Phone Fees – accounts for monies received from private telephone companies for the operations of emergency 911 services.

County Clerk Records Management and Preservation – accounts for records management and preservation fees collected for instruments filed with the County Clerk and disbursements as restricted by state statute.

Rural Economic Action Plan Revolving Fund – accounts for the collections of state grant monies to be disbursed in accordance with grant agreements.

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

**ELLIS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

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

**ELLIS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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.

**ELLIS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

D. Sales Tax

Sales Tax of August 27, 2002

On August 27, 2002, Ellis County voters approved a one percent (1%) sales tax effective on and after November 2, 2002 and shall have perpetual life. The 1% sales tax will be divided as follows:

- Arnett Fire Department: 2.67%
- Fargo Fire Department: 2.67%
- Gage Fire Department: 2.67%
- Shattuck Fire Department: 2.67%
- Catesby Fire Department: 2.66%
- Harmon Fire Department: 2.66%
- The remaining 84% is for the general operation and capital improvements for the Fair-ST, Extension-ST, General Gov't-ST, Courthouse Improvement-ST, and Senior Citizens-ST.

These funds are accounted for in cash funds as reported on the County's Financial Statement as General Gov't-ST, Senior Citizens-ST, Rural Fire-ST, Extension-ST, Fair-ST, and Courthouse Improvement-ST.

Sales Tax of February 10, 2015

On February 10, 2015, Ellis County voters approved a renewal of the one percent (1%) sales tax commencing on October 1, 2015, for five (5) years. The 1% will be divided as follows:

- .66% until October 1, 2018, and then became .50% for two years to be used for the funding of Shattuck Hospital Authority, a Municipal Trust, to be used for the operations and maintenance of the Newman Memorial Hospital.
- .22% until October 1, 2018, and then became .25% for two years to be used for wages and maintenance and operations of the Ellis County Emergency Medical Service.
- .12% until October 1, 2018, and then became .25% for two years to be used for funding of General Fund type operations of Ellis County.

These funds are accounted for in cash funds as reported on the County's Financial Statement as Hospital-ST, Ambulance Service District-ST, and General Gov't-ST.

Sales Tax of March 3, 2020

On March 3, 2020, Ellis County voters approved a renewal of the one percent (1%) sales tax commencing on October 1, 2020, for five (5) years. The 1% will be divided as follows:

**ELLIS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

- .60% until October 1, 2023, and then becomes .50% for two years to be used for the funding of Shattuck Hospital Authority, a Municipal Trust, to be used for the operations and maintenance of the Newman Memorial Hospital.
- .25% for five years to be used for wages and maintenance and operations of the Ellis County Emergency Medical Service.
- .15% until October 1, 2023, and then becomes .25% for two years to be used for funding of General Fund type operations of Ellis County.

These funds are accounted for in cash funds as reported on the County's Financial Statement as Hospital-ST, Ambulance Service District-ST, and General Gov't -ST.

E. Interfund Transfers

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

- \$5,000 was transferred from the County Highway Unrestricted fund to the Emergency Management fund by Board of County Commissioners' (BOCC) Resolution.
- \$153,315 was transferred from the Emergency Transportation Revolving (ETR) Fund (a trust and agency fund) to the County Bridge and Road Improvement fund for expenses incurred for a road project.
- \$184,543 was transferred from the County Bridge and Road Improvement fund to the ETR fund (a trust and agency fund) for a loan repayment for road projects in the County.
- \$21,558 was transferred from the Sheriff Board of Prisoners fund to the Sheriff Service Fee fund by the BOCC Resolution to close out the fund.

SUPPLEMENTARY INFORMATION

ELLIS COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund		
	Budget	Actual	Variance
District Attorney	5,000	2,515	2,485
County Sheriff	450,411	337,272	113,139
County Treasurer	173,757	146,972	26,785
County Clerk	245,605	187,605	58,000
Court Clerk	144,757	144,757	-
County Assessor	139,133	122,590	16,543
Revaluation of Real Property	128,533	121,882	6,651
General Government	1,135,278	994,210	141,068
Excise - Equalization Board	5,500	2,361	3,139
County Election Expense	87,205	79,429	7,776
Charity	1	-	1
County Audit Budget Account	38,011	26,273	11,738
Total Expenditures, Budgetary Basis	<u>\$ 2,553,191</u>	<u>\$ 2,165,866</u>	<u>\$ 387,325</u>

**ELLIS COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. Budgetary Schedules

The Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis for the General Fund presents comparison 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
ELLIS 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 Ellis County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Ellis County’s basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 21, 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, 2021, 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 Ellis 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 Ellis County’s internal control. Accordingly, we do not express an opinion on the effectiveness of Ellis 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: 2021-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ellis 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 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 Ellis County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Ellis County's Response to Findings

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

June 21, 2022

**ELLIS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 2021-001 – Lack of County–Wide Internal Controls (Repeat Finding – Repeat Finding 2012-001, 2013-001, 2018-001, 2019-001, 2020-001)

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

Cause of Condition: Policies and procedures have not been designed and implemented to address the Risk Assessment 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 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: We will meet quarterly to discuss and document County-Wide Controls.

County Clerk: We have begun the process of quarterly meetings to address and document County-Wide Controls.

County Treasurer: During our quarterly meetings, we will review the County-Wide Control Checklist and discuss and record a way to address and reduce risk.

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 Controls – OV1.01 states in part:

Definition of Internal Controls

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.

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 2021-002 – Lack of Internal Controls and Noncompliance Over County Credit Cards (Repeat Finding - 2020-003)

Condition: Upon inquiry of county personnel, and review of disbursement data, it was discovered that the County has multiple credit cards. The following exceptions were noted:

- The statements for three (3) credit cards issued to the County could not be located and a credit limit was not stated.
- One (1) credit card issued to the County has a credit limit of \$2,000.
- The County Sheriff has a credit card that is utilized for purposes other than travel.
- One (1) credit card purchase order did not have an itemized receiving report attached.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with state statutes regarding credit cards and purchasing.

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

Recommendation: OSAI recommends that the County eliminate all credit cards other than the statutorily allowed Sheriff's credit cards which should only be used on allowable purchases. Also, itemized receiving reports should be completed for all purchases.

Management Responses:

Commissioner District 1: We will discuss how to best eliminate our credit card activity.

Commissioner District 2: We will discuss our options and take further action when a decision is made.

Commissioner District 3: We will try to set up blanket purchase orders to these vendors to avoid using a credit card.

County Clerk: We will discuss the best way to eliminate the use of credit cards.

County Sheriff: I will discuss this issue with other county officers.

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.

Additionally, 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.

Further, effective internal controls require that management properly implement procedures to ensure compliance with 19 O.S. § 1505 and 1506.

O·K·L·A·H·O·M·A
SAI
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