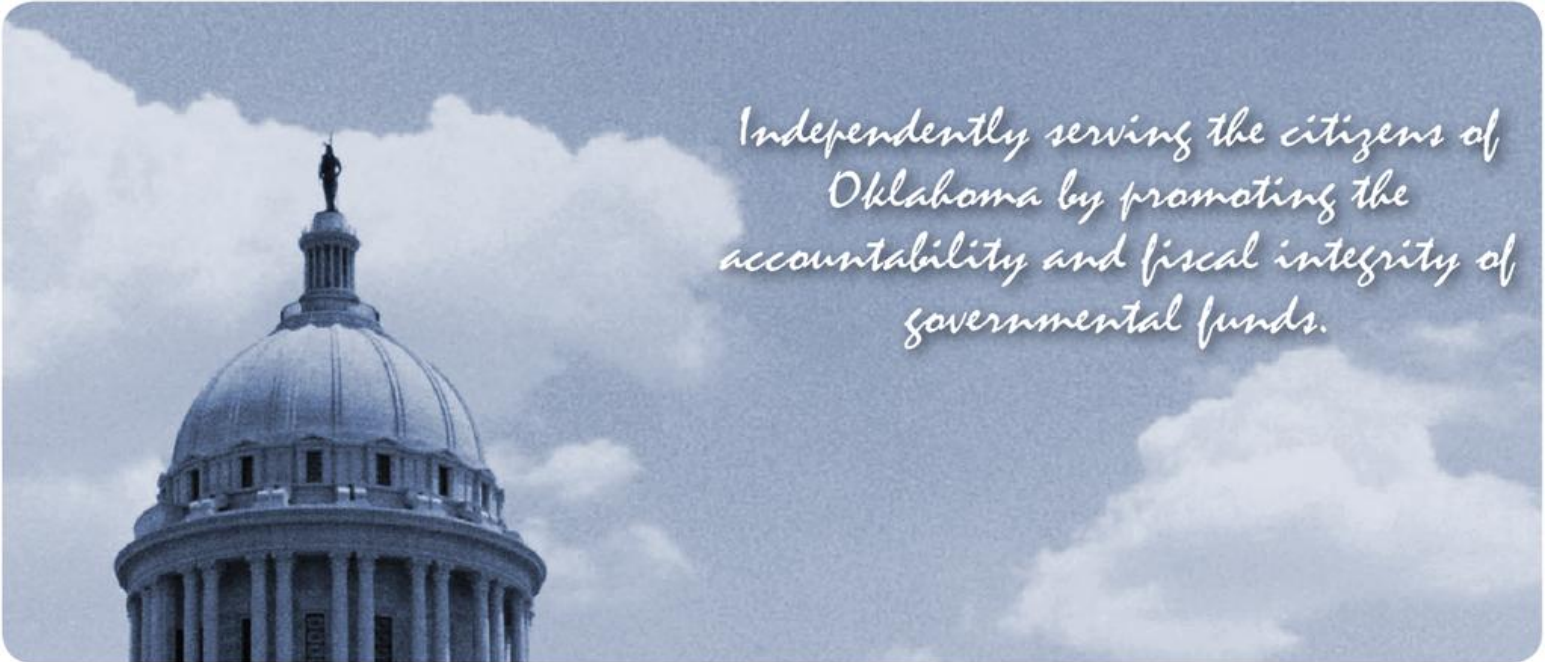


COUNTY AUDIT

ELLIS COUNTY

For the fiscal year ended June 30, 2012



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



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

**ELLIS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

October 7, 2014

TO THE CITIZENS OF
ELLIS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Ellis County, Oklahoma for the fiscal year ended June 30, 2012. 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, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

**ELLIS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**ELLIS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

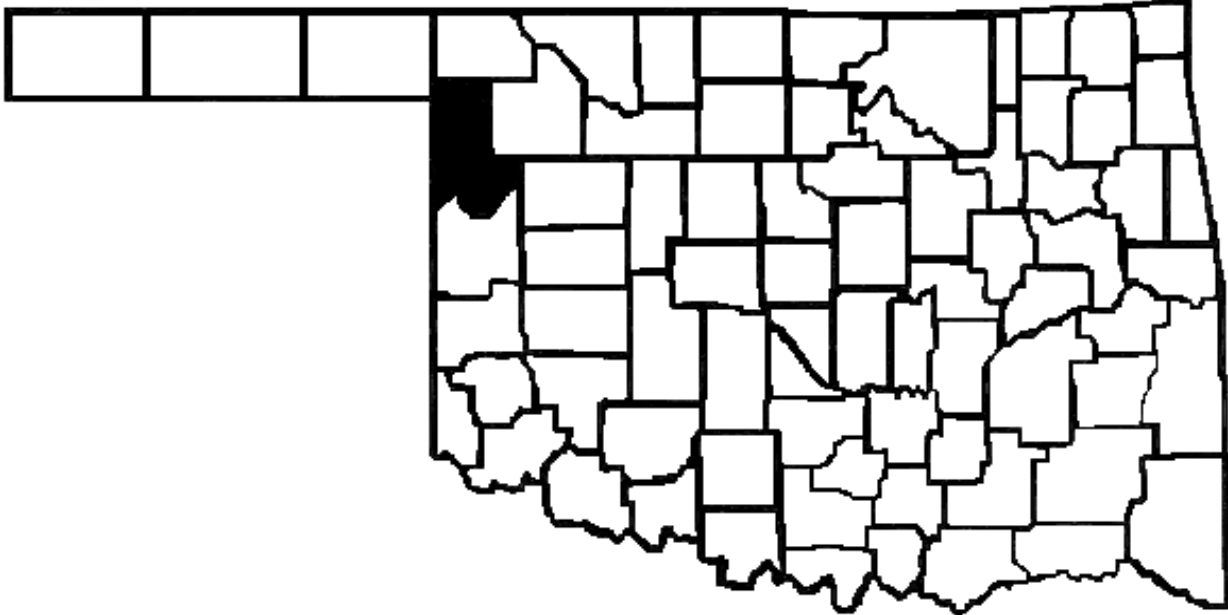
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**ELLIS COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**



Ellis County is located in western Oklahoma and created at statehood from portions of Roger Mills and Woodward counties, Ellis County was named for Albert H. Ellis, vice president of Oklahoma Constitutional Convention.

The site of several Indian battles including the Battle of Little Robe and the Battle of Wolf Creek, Ellis County was crossed by Fort Elliot-Fort Supply Military Crossing, a major thoroughfare to military camps and posts in the Indian Territory and the Great Western Cattle Trail.

Once leading dairy and oil producers, Ellis County now hosts primarily an agricultural and ranching industry. With the exception of Arnett, the county seat, the major communities of Ellis County – Shattuck, Fargo, and Gage – are located on or very near the old Atchison, Topeka, and Santa Fe Railroad, now the Burlington Northern Santa Fe Railroad.

Ellis County Heritage Volumes I & II, A Pioneer History of Shattuck, Oklahoma; the 1910 Ellis County Plat Book, and others offer historical information about the area. Call the county clerk's office at 580-885-7301 for more information.

County Seat – Arnett

Area – 1,231.84 Square Miles

County Population – 3,925
(2009 est.)

Farms – 766

Land in Farms – 718,058 Acres

Primary Source: Oklahoma Almanac 2011-2012

Board of County Commissioners

District 1 – Terry Fagala
District 2 – Frankie Stevens
District 3 – Blake Suthers

County Assessor

Karen Perkins

County Clerk

Lynn Smith

County Sheriff

DeWayne Miller

County Treasurer

Kathy Holloway

Court Clerk

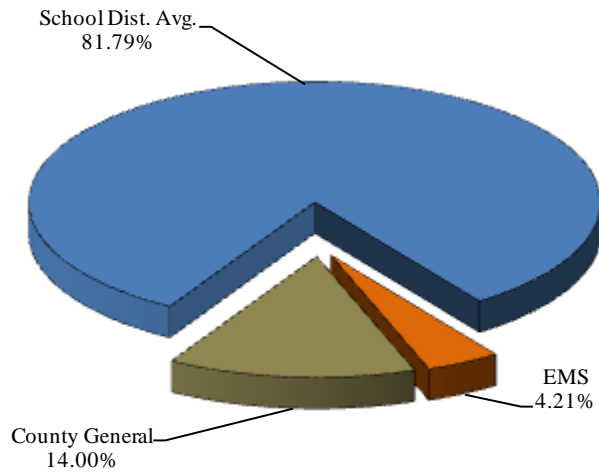
Dona Folks

District Attorney

Dennis Smith

**ELLIS COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

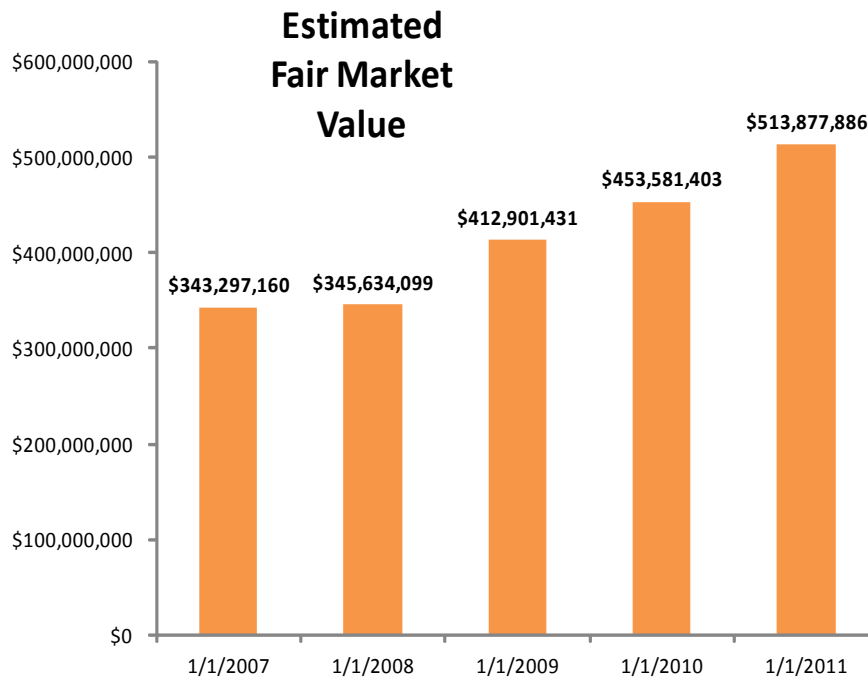
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.62								
EMS	3.19	Fargo	JT. I-2	37.19	5.31	7.39	13.01	4.25	67.15
		Amett	JT. I-3	37.59	5.37	5.55	-	4.25	52.76
		Gage	JT. I-39	38.64	5.52	7.12	13.01	4.25	68.54
		Shattuck	JT. I-42	36.61	5.23	11.54	-	4.25	57.63
		Vici, Dewey County	JT. I-5	37.89	5.41	8.99	12.00	4.25	68.54
		Lavem, Harper County	JT. I-1	35.78	5.11	-	-	4.25	45.14
		Ft. Supply, Woodward County	JT. J-5	37.30	5.33	14.61	13.01	4.25	74.50

**ELLIS COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

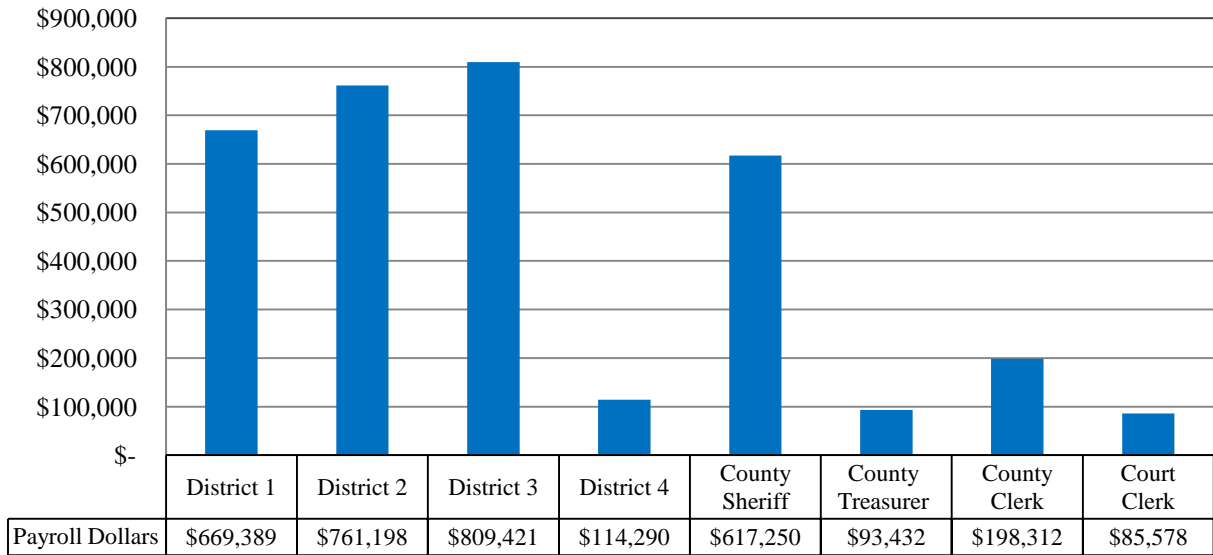
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2011	\$34,024,166	\$9,389,970	\$22,709,905	\$1,230,069	\$64,893,972	\$513,877,886
1/1/2010	\$27,420,789	\$9,376,224	\$22,084,923	\$1,233,435	\$57,648,501	\$453,581,403
1/1/2009	\$23,498,438	\$9,019,597	\$21,312,965	\$1,256,563	\$52,574,437	\$412,901,431
1/1/2008	\$16,289,555	\$8,672,504	\$20,632,049	\$1,237,682	\$44,356,426	\$345,634,099
1/1/2007	\$15,714,957	\$8,666,575	\$20,929,328	\$1,219,915	\$44,090,945	\$343,297,160



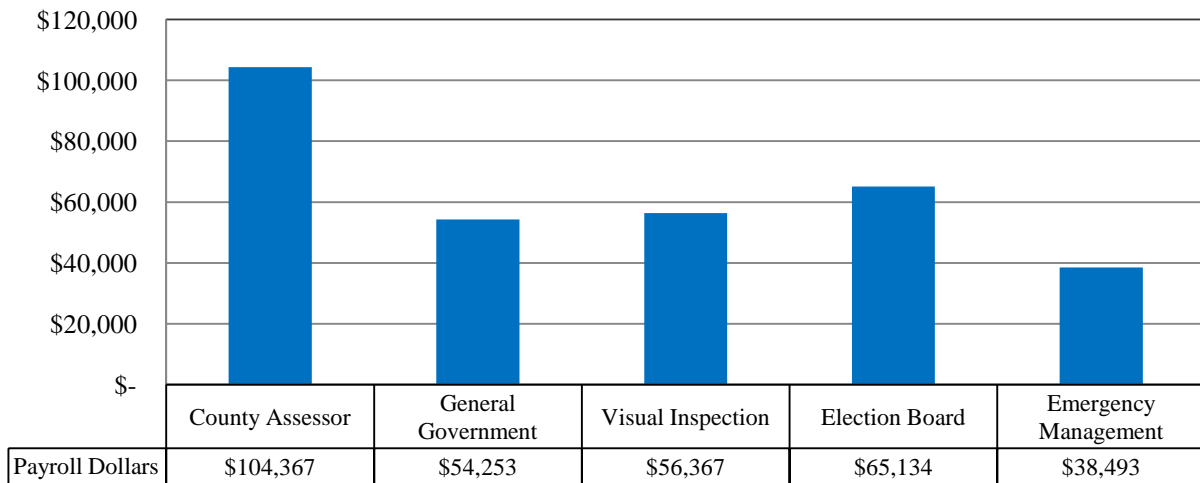
**ELLIS COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2012.

Payroll Expenditures by Department



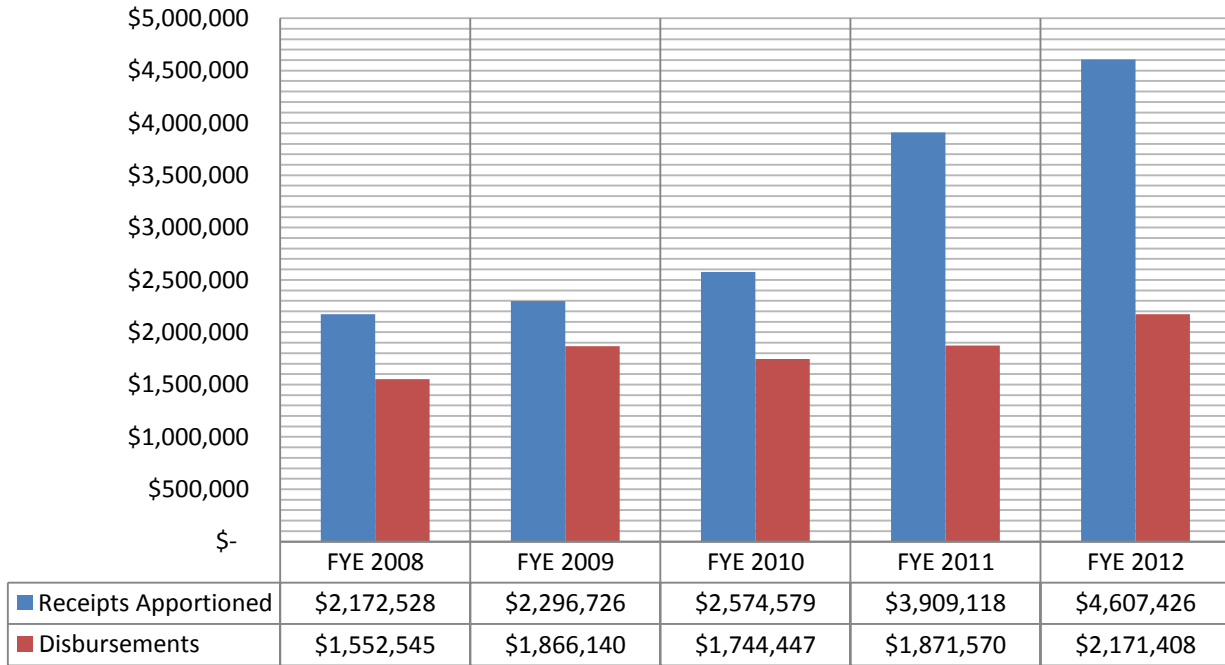
Payroll Expenditures by Department



**ELLIS COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

County General Fund

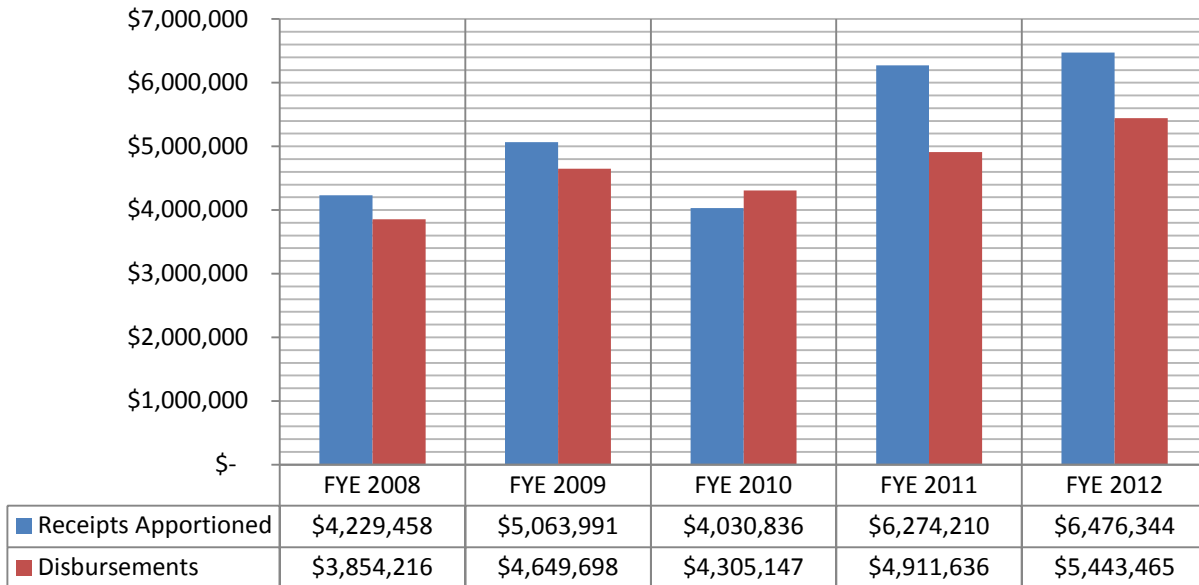
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.



**ELLIS COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Independent Auditor's Report

TO THE OFFICERS OF
ELLIS COUNTY, OKLAHOMA

We have audited the combined 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, 2012, listed in the table of contents as the financial statement. This financial statement is the responsibility of Ellis County's management. Our responsibility is to express an opinion on the combined total—all county funds 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Ellis County as of June 30, 2012, or changes in its financial position for the year then ended.

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 Ellis County, for the year ended June 30, 2012, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2014, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

September 29, 2014

REGULATORY BASIS FINANCIAL STATEMENT

ELLIS 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, 2012

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2012
Combing Information:				
Major Funds:				
County General Fund	\$ 4,362,062	\$ 4,607,426	\$ 2,171,408	\$ 6,798,080
County Highway Cash	4,324,640	6,476,344	5,443,465	5,357,519
Senior Citizens Transport Sales Tax	40,776	30,022	46,768	24,030
Newman Memorial Hospital Sales Tax	1,955,078	1,588,726	1,650,838	1,892,966
Catesby Fire Department Sales Tax	84,133	79,823	20,817	143,139
Harmon Fire Department Sales Tax	125,432	79,837	74,231	131,038
Arnett Fire Department Sales Tax	74,363	80,090	78,751	75,702
Fargo Fire Department Sales Tax	138,533	80,209	9,938	208,804
Gage Fire Department Sales Tax	97,394	80,111	64,832	112,673
Shattuck Fire Department Sales Tax	172,959	80,263	7,646	245,576
Extention Sales Tax	778,190	239,625	64,512	953,303
Free Fair Sales Tax	338,441	149,766	63,444	424,763
Restoration Sales Tax	35,918	167,973	21,542	182,349
EMS 2 Sales Tax	388,186	750,428	477,919	660,695
Remaining Aggregate Funds	591,198	289,702	103,506	777,394
Combined Total - All County Funds, as restated	\$ 13,507,303	\$ 14,780,345	\$ 10,299,617	\$ 17,988,031

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, 2012**

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 service, 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 major county funds included as combining information within the financial statement:

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

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

Senior Citizens Transport Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

Newman Memorial Hospital Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

Catesby Fire Department Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

**ELLIS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Harmon Fire Department Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

Arnett Fire Department Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

Fargo Fire Department Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

Gage Fire Department Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

Shattuck Fire Department Sales Tax – accounts for sales tax collected and disbursed on behalf of the account

Extension Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

Free Fair Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

Restoration Sales Tax – accounts for sales tax collected and disbursed on behalf of this account.

EMS 2 Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

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.

**ELLIS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

D. Budget

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

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

**ELLIS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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. Unpaid real property taxes become a lien upon said property on October 1 of each year.

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.

**ELLIS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

D. Sales Tax

On August 27, 2002, Ellis County voters approved a 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 Ellis County Free Fair, OSU Extension, General Fund, Restoration and Maintenance of Ellis County Courthouse, and Senior Citizens Transportation Bus.

On April 6, 2010, Ellis County voters approved a 1% sales tax commencing on October 1, 2010 for five (5) years. The 1% will be divided as follows:

- .50% 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% to be used for funding of Ellis County Emergency Medical Service, to be used for wages and maintenance and operations of the Ellis County Emergency Medical Service.
- .25% 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 Senior Citizens Transport Sales Tax, Newman Memorial Hospital Sales Tax, Catesby Fire Department Sales Tax, Harmon Fire Department Sales Tax, Arnett Fire Department Sales Tax, Fargo Fire Department Sales Tax, Gage Fire Department Sales Tax, Shattuck Fire Department Sales Tax, Extension Sales Tax, Free Fair Sales Tax, Restoration Sales Tax, and EMS 2 Sales Tax.

E. Restatement of Beginning Fund Balance

The prior year ending combined total fund balance of \$13,507,305 was overstated due to rounding errors totaling \$2. The beginning fund balance for all county funds has been restated to reflect the correct balance of \$13,507,303.

OTHER SUPPLEMENTARY INFORMATION

ELLIS 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, 2012

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 4,362,062	\$ 4,362,062	\$ -
Less: Prior Year Outstanding Warrants	(123,885)	(123,885)	-
Less: Prior Year Encumbrances	(9,927)	(3,925)	6,002
Beginning Cash Balances, Budgetary Basis	<u>4,228,250</u>	<u>4,234,252</u>	<u>6,002</u>
Receipts:			
Ad Valorem Taxes	638,398	704,425	66,027
Sales Tax	-	2,677,578	2,677,578
Charges for Services	20,000	108,604	88,604
Intergovernmental Revenues	81,501	949,830	868,329
Miscellaneous Revenues	-	166,989	166,989
Total Receipts, Budgetary Basis	<u>739,899</u>	<u>4,607,426</u>	<u>3,867,527</u>
Expenditures:			
District Attorney	3,500	3,267	233
County Sheriff	746,396	724,907	21,489
County Treasurer	121,378	117,035	4,343
County Clerk	203,112	203,112	-
Court Clerk	90,378	90,378	-
County Assessor	115,768	115,211	557
Revaluation of Real Property	98,567	97,220	1,347
General Government	3,477,422	742,453	2,734,969
Excise-Equalization Board	2,800	2,287	513
County Election Board	81,773	78,842	2,931
Charity	1	-	1
Recording	10,000	-	10,000
County Audit Budget Account	17,054	17,054	-
Total Expenditures, Budgetary Basis	<u>4,968,149</u>	<u>2,191,766</u>	<u>2,776,383</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	6,649,912	<u>\$ 6,649,912</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		3,050	
Add: Current Year Outstanding Warrants		145,118	
Ending Cash Balance		<u>\$ 6,798,080</u>	

ELLIS COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2012
Remaining Aggregate Funds:				
Resale Property	\$ 63,009	\$ 70,701	\$ 5,880	\$ 127,830
Sheriff Service Fee	30,509	25,133	33,146	22,496
Treasurer Mortgage Tax Certification Fee	10,116	820	674	10,262
County Clerk Lien Fee	84,136	47,089	28,927	102,298
Assessor Visual Inspection	195	-	-	195
Board of Prisoners	20,704	15,371	10,661	25,414
Sheriff Forfeiture	2,417	-	1,688	729
Assessor Revolving	26,535	9,567	2,080	34,022
Sheriff Dare	131	-	-	131
RM&P Cash Account	79,648	31,380	20,450	90,578
PL911	220,292	68,790	-	289,082
PC911	53,506	20,851	-	74,357
Combined Total - Remaining Aggregate Funds	\$ 591,198	\$ 289,702	\$ 103,506	\$ 777,394

**ELLIS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—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 Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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

2. Remaining County Funds

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

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

Sheriff Service Fee – accounts for the collection and disbursements of Sheriff Process service fees as restricted by 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 statute.

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

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

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

Sheriff Forfeiture – accounts for money forfeited or money earned from the sale of items forfeited to the sheriff in relation to drug bust.

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

**ELLIS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Sheriff Dare – grant money expended to educate children on drug awareness.

RM&P Cash Account – accounts for fees collected for instruments filed with County Clerk as restricted by statute.

PL911 – On February 5, 2008, the Ellis County voters approved a E911 be established and that an emergency telephone fee not exceeding 15% or maximum allowed by state be collected by the local service provider from all telephone customers located within the County for the purpose of funding the operations of the Ellis County E911 system.

PC911 – On February 5, 2008, the Ellis County voters approved a 911 wireless emergency telephone fee of the maximum amount required by law (currently \$0.50 per month per wireless connection) be imposed upon each wireless connection in Ellis County as determined by the zip code of the subscriber, for the purpose of providing revenue to fund the costs of processing 911 emergency wireless calls.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521.3495 • Fax: 405-521.3426

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 the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Ellis County, Oklahoma, as of and for the year ended June 30, 2012, which comprises Ellis County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated September 29, 2014. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with 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, 2012, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ellis County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ellis County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting. *2012-1 and 2012-4.*

Compliance and Other Matters

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

Ellis County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Ellis County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

September 29, 2014

**ELLIS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 2012-1 – Inadequate County-Wide Controls

Condition: County-wide controls regarding Risk Management and Monitoring have not been designed.

Cause of Condition: Procedures have not been designed to address risks of the County.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design 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:

County Sheriff: I will discuss with the other elected officials, the possibility of a fifteen minute quarterly meeting to discuss risks to the County. With regard to monitoring, each Monday I check the deposits, books, logs, paper service, verify that receipts match deposits, and verify that all bonds and papers that have been served are in the proper places.

Court Clerk: I will look at the possibility of meetings with other elected officials to address risks and solutions on a quarterly basis.

District 2 Commissioner: I will be willing to meet on a yearly basis to discuss risks to the County with the other elected officials.

District 3 Commissioner: It would be possible to have quarterly meetings with other elected officials to discuss risks to the County and solutions to those risks.

District 1 Commissioner: I would be willing to meet with other elected officials on a quarterly basis to address risks and solutions to risks.

County Clerk: I will be willing to meet quarterly with other elected officials to discuss risks to the County and solutions to those risks.

County Assessor: I will meet with the other elected officials on a quarterly basis to discuss risks to the County and solutions to those risks.

**ELLIS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

County Treasurer: I am willing to meet with other elected officials on a quarterly basis to discuss risks to the County and solutions to those risks.

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 Risk Assessment and Monitoring for the achievement of these goals.

Finding 2012-4 – Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry and observation of the purchasing process and the test of fifty purchase orders, the following weaknesses were noted:

- Employees that are not designated requisitioning officers in District 1, District 2, and District 3, ordered goods and services, prior to the Commissioners signing as requisitioning officers at the weekly Board of County Commissioners meeting as they approve the purchase orders for payment.

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

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

Recommendation: OSAI recommends the following:

- Designated requisitioning officers should initiate the purchase of goods and services.
- The County should comply with purchasing laws and ensure that adequate documentation is attached to all purchase orders.

Management Response:

County Clerk: Procedures have been implemented to ensure compliance with state statutes.

District 1 Commissioner: We will try to implement procedures to ensure that we comply with purchasing statutes.

District 2 Commissioner: I will do everything possible to ensure purchasing laws are complied with.

District 3 Commissioner: I will do everything possible to ensure compliance with state statutes.

**ELLIS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated.

Additionally, adequate supporting documentation such as itemized invoices should be attached to each purchase order prior to payment.

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 2012-5 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory (Repeat Finding)

Condition: Upon inquiry of each County officer, and observation and verification of fixed assets inventory records, we noted the following weaknesses:

- The offices of District 1, District 2, and District 3 were able to provide us with an inventory list; however, there was no indication of a fixed assets inventory count being performed.
- The County Clerk, County Sheriff, Court Clerk, County Treasurer, and County Assessor could not provide inventory records with indication of an inventory count being performed.
- Additionally, District 1, District 2, District 3, and the Court Clerk did not file their inventory records with the County Clerk.

Cause of Condition: Procedures have not been designed and implemented by County officers to comply with state statutes.

Effect of Condition: When fixed assets are not monitored properly, opportunities for misuse or loss of equipment can occur.

Recommendation: OSAI recommends that management implement internal controls to ensure compliance with 19 O.S. § 1502, 19 O.S. § 178.1, and 19 O.S. § 178.2.

Management Response:

District 1 Commissioner: Procedures have now been implemented to ensure compliance with statutes regarding verification of fixed assets inventory.

**ELLIS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

District 2 Commissioner: Procedures have now been implemented to ensure compliance with statutes regarding verification of fixed assets inventory.

District 3 Commissioner: Procedures have now been implemented to ensure compliance with statutes regarding verification of fixed assets inventory.

County Assessor: Procedures have been implemented to perform an annual inventory of fixed assets and file the documentation with the County Clerk.

County Clerk: Procedures have been implemented to document the performance of an annual fixed assets inventory.

Court Clerk: Procedures have been implemented to perform inventory verification with the signature of the individual that performs the count and the date the count was performed. Additionally, the documentation of the inventory count will be filed with the County Clerk.

County Sheriff: An inventory of fixed assets has been performed as of the date of this response.

County Treasurer: Procedures have been implemented to perform an annual inventory of fixed assets and file the documentation with the County Clerk.

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.

Further, Title 19 O.S. § 1502, 19 O.S. § 178.1, and 19 O.S. § 178.2 provides guidance with regard to accounting for fixed assets by each office and filing inventory summaries with the County Clerk.

Finding 2012-6 – Inadequate Internal Controls and Noncompliance Over Consumable Inventory (Repeat Finding)

Condition: Upon inquiry of District personnel, and upon observation and verification of the consumable inventory records, the following weaknesses were noted:

- **District 1 Commissioner:** A monthly verification of consumable inventory is not performed.
- **District 2 Commissioner:** A monthly verification of consumable inventory is not performed.
- **District 3 Commissioner:** A monthly verification of consumable inventory is not performed. The physical inventory verification of seven consumable inventory items reflected five consumable items were incorrectly reported on inventory cards.

**ELLIS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Cause of Condition: Procedures have not been designed and implemented to perform a monthly verification of consumable inventory to ensure accuracy of inventory records and to safeguard consumable inventory.

Effect of Condition: When consumable inventory is not monitored, opportunities for misuse or loss of can occur.

Recommendation: OSAI recommends that management implement internal controls to ensure compliance with 19 O.S. § 1504A.

Management Response:

District 1 Commissioner: We will perform a monthly verification of consumable inventory.

District 2 Commissioner: We are already performing consumable inventory counts on a monthly basis, but we were not documenting the inventory count.

District 3 Commissioner: We will implement procedures to ensure a monthly consumable verification is performed.

Criteria: Effective internal controls include designing and implementing procedures to ensure that all supplies, materials, and equipment received, disbursed, stored and consumed by their department comply with 19 O.S. § 1504A.

Finding 2012-7 – Inadequate Control Procedures Over Court Fund Expenditures

Condition: Upon inquiry and the observation of the Court Fund expenditures process, it was determined that the Court Clerk prepares the Court Fund claims, initiates payments, prints and signs vouchers, mails or delivers payments to the vendors, and reconciles monthly with the County Treasurer.

Cause of Condition: Procedures to segregate the duties over Court Fund expenditures have not been designed.

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, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the Court Clerk design and implement procedures to ensure a proper segregation of duties over the expenditures process. The following accounting functions of the expenditures process should be adequately segregated:

- Preparation of Court Fund claims
- Printing and signing of vouchers

**ELLIS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

- Monthly reconciliation with the County Treasurer

Management Response:

Court Clerk: We will implement a segregation of duties over the Court Fund expenditures.

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.



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV