



# ELLIS COUNTY

## Financial Report

For the fiscal year ended June 30, 2018

**Cindy Byrd, CPA**  
State Auditor & Inspector

**ELLIS COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

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April 7, 2021

TO THE CITIZENS OF  
ELLIS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Ellis County, Oklahoma for the fiscal year ended June 30, 2018. 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



**ELLIS COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**Board of County Commissioners**

District 1 – Mike Latta  
District 2 – Frankie Stevens  
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

**ELLIS COUNTY, OKLAHOMA**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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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 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, 2018, 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, 2018, 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 Ellis County, for the year ended June 30, 2018, in accordance with the basis of accounting described in Note 1.

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and 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 March 30, 2021, 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.

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 30, 2021

## **REGULATORY BASIS FINANCIAL STATEMENT**

**ELLIS COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**(WITH COMBINING INFORMATION)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:				
County General Fund	\$ 10,561,014	\$ 3,033,609	\$ 7,045,183	\$ 6,549,440
County Highway Cash	6,431,301	5,171,433	5,479,311	6,123,423
Board of Prisoners	30,377	10,425	3,735	37,067
Resale Property	198,560	36,441	25,960	209,041
Treasurer Mortgage Tax Certification Fee	9,442	824	921	9,345
Assessor Visual Inspection	195	-	-	195
Sheriff Service Fee	80,555	60,235	43,637	97,153
County Clerk Lien Fee	139,627	22,082	37,022	124,687
Sheriff Forfeiture	4,480	-	124	4,356
Assessor Revolving	37,332	5,720	9,392	33,660
Sheriff Dare	131	-	-	131
RM&P Cash Account	72,471	21,545	37,609	56,407
Senior Citizens Transport Sales Tax	38,139	11,840	20,873	29,106
Newman Memorial Hospital Sales Tax	50,916	778,318	784,919	44,315
Catesby Fire Department Sales Tax	192,904	31,658	40,210	184,352
Harmon Fire Department Sales Tax	166,147	31,607	37,527	160,227
Arnett Fire Department Sales Tax	22,862	31,536	13,236	41,162
Fargo Fire Department Sales Tax	223,027	31,798	76,627	178,198
Gage Fire Department Sales Tax	107,358	31,638	41,004	97,992
Shattuck Fire Department Sales Tax	359,354	32,055	151	391,258
Extension Sales Tax	1,290,702	94,327	83,886	1,301,143
Free Fair Sales Tax	452,882	58,954	65,925	445,911
Restoration Sales Tax	745,841	70,745	37,515	779,071
PL911	304,134	43,193	77,984	269,343
PC911	178,495	32,565	220	210,840
EMS 2 Sales Tax	673,135	260,412	338,193	595,354
<b>Combined Total - All County Funds</b>	<b>\$ 22,371,381</b>	<b>\$ 9,902,960</b>	<b>\$ 14,301,164</b>	<b>\$ 17,973,177</b>

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, 2018**

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**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 school districts, ambulance service 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 Cash – accounts for state, local, and miscellaneous receipts and disbursements are for the purpose of constructing and maintaining county roads and bridges.

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.

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.

**ELLIS COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

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

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.

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

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

RM&P Cash Account – accounts for records management and preservation fees collected for instruments filed with the County Clerk and disbursements as restricted by state statute.

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

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

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

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

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

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

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

Shattuck Fire Department Sales Tax – 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, 2018**

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

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

Restoration Sales Tax – accounts for sales tax collected and disbursed on behalf of the account as specified in the sales tax ballot.

PL911 – accounts for monies received from private telephone companies for the operations of emergency 911 services.

PC911 – accounts for monies received from private telephone companies for the operations of emergency wireless 911 services.

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

**C. Basis of Accounting**

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

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

**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

**ELLIS COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**E. Cash and Investments**

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

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

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

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

**2. Ad Valorem Tax**

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

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 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, 2018**

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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.

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



**ELLIS COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**D. Sales Tax**

**Sales Tax of August 27, 2002**

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, County General Fund, Restoration and Maintenance of Ellis County Courthouse, and Senior Citizens Transportation Bus.

These funds are accounted for in cash funds as reported on the County's Financial Statement as Senior Citizens Transport 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, and Restoration Sales Tax.

The County General Fund portion of the county sales tax is comingled with other funds in the County General Fund. Any sales tax dollars not needed to balance the County General Fund budget were put into the County General Fund Sales Tax Account and Ellis County Jail Sales Tax Account within the County General Fund.

**Sales Tax of February 10, 2015**

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

- .66% 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% to be used for wages and maintenance and operations of the Ellis County Emergency Medical Service.
- .12% 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 Newman Memorial Hospital Sales Tax and EMS 2 Sales Tax.

**ELLIS COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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The County General Fund portion of the county sales tax is comingled with other funds in the County General Fund. Any sales tax dollars not needed to balance the County General Fund budget were put into the County General Fund Sales Tax Account and Ellis County Jail Sales Tax Account within the County General Fund.

**E. Tax Abatements**

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$322,849 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2018.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

## **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, 2018**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 10,561,014	\$ 10,561,014	\$ -
Less: Prior Year Outstanding Warrants	(218,550)	(218,550)	-
Beginning Cash Balances, Budgetary Basis	10,342,464	10,342,464	-
 Total Receipts, Budgetary Basis	 1,264,134	 3,033,609	 1,769,475
Total Expenditures, Budgetary Basis	11,606,598	7,201,232	4,405,366
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 6,174,841	 \$ 6,174,841
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		374,599	
Ending Cash Balance		\$ 6,549,440	

**ELLIS COUNTY, OKLAHOMA  
NOTE TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**1. Budgetary Schedules**

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

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

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

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

TO THE OFFICERS OF  
ELLIS 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 Ellis County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively 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 March 30, 2021.

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, 2018, 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) 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 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: 2018-001, 2018-002, and 2018-003.

### **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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as items 2018-002 and 2018-003.

### **Ellis County's Response to Findings**

Ellis County's response to the findings identified in our audit are 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 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 30, 2021



**ELLIS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

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

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

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

**Management Response:**

**Chairman of the Board of County Commissioners:** We will meet quarterly to discuss county-wide controls regarding Risk Assessment and Monitoring.

**County Clerk:** We will meet quarterly to discuss county-wide controls regarding Risk Assessment and Monitoring.

**County Treasurer:** During our quarterly meetings, we will review over the County-Wide Control Checklist provided by the State Auditor and Inspector’s Office and discuss and record ways to reduce and address 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 Control – OV1.01 states in part:

*Definition of Internal Control*

Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

*Components, Principles, and Attributes*

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

**Finding 2018-002 – Lack of Internal Controls and Noncompliance Over Discrete Presentation of Sales Tax Activity**

**Condition:** Upon inquiry and observation of the recordkeeping of county sales tax, OSAI noted sales tax appropriations and expenditures were not discretely presented within the County General Fund. The following weaknesses were noted:

- Sales tax collections within the County General Fund were comingled with other revenue sources.
- There is not an independent verification of amounts appropriated into individual sales tax accounts within the County General Fund.
- The Board of County Commissioners did not pass a resolution specifying how the collections of the one (1) cent sales tax were to be divided between the County General Fund, Free Fair Sales Tax fund, Extension Sales Tax fund, Restoration Sales Tax fund, and Senior Citizens Transport Sales Tax fund.
- It could not be determined how much county sales tax was expended or if the county sales tax was expended in accordance with the sales tax ballot.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with state statute and Attorney General (AG) opinions.

**ELLIS COUNTY, OKLAHOMA  
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**Effect of Condition:** These conditions resulted in noncompliance with state statute and nonconformity with AG opinions.

**Recommendation:** OSAI recommends that the County establish policies and procedures that would allow for the sales tax balances and activity to be distinguished from other revenue sources within the County General Fund as required by state statute and AG opinions.

**Management Response:**

**Chairman of the Board of County Commissioners:** As this has been corrected, I will follow-up to make sure we are compliant.

**County Clerk:** These issues have been resolved. Sales tax is now discretely presented in the General County Fund. The BOCC does a resolution now regarding sales tax collections for the one cent ballot.

**County Treasurer:** These issues have already been resolved.

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

*Appropriate documentation of transactions and internal control*

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

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

*Internal Control System Monitoring*

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

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.

Effective internal controls require management properly implement procedures to ensure sales tax expenditures are made in compliance with state statute, AG opinions, and the sales tax ballot.

**ELLIS COUNTY, OKLAHOMA  
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Title 68 O.S. § 1370(E) states in part, "...there are hereby created one or more county sales tax revolving funds in each county which levies a sales tax under this section if any or all of the proceeds of such tax are not to be deposited in the general revenue fund of the county or comply with the provisions of subsection G of this section. Each such revolving fund shall be designated for a particular purpose and shall consist of all monies generated by such sales tax which are designated for such purpose. Monies in such funds shall only be expended for the purposes specifically designated as required by this section. A county sales tax revolving fund shall be a continuing fund not subject to fiscal year limitations."

AG opinion 2014 OK AG 15 states:

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

AG opinion 2005 OK AG 23 states:

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

**Finding 2018-003 – Lack of Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding 2008-002, 2012-004, 2013-004)**

**Condition:** Upon inquiry and observation of the County's disbursement process and a test of fifty-seven (57) purchase orders and payroll expenditures reflected the following weaknesses:

- Eight (8) expenditures were not properly encumbered.

**Cause of Condition:** Policies and procedures have not been designed and implemented regarding the disbursement process to strengthen internal controls and ensure compliance with state statute.

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

**Recommendation:** OSAI recommends the County practice proper purchasing procedures. All purchases should be properly requisitioned, encumbered, approved, and received with proper supporting documentation attached in accordance with 19 O.S. § 1505.

**ELLIS COUNTY, OKLAHOMA  
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**Management Response:**

**Chairman of the Board of County Commissioners:** We will make sure all offices encumber prior to purchasing.

**County Clerk:** We will make sure all offices encumber prior to purchasing.

**County Assessor:** I will make sure to encumber contracts prior to service being provided.

**Criteria:** The 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.

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

*Definitions of Objectives*

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

Title 19 O.S. § 1505(C) and 1505(E) requires county funds to be encumbered prior to the receipt of goods and/or services and disbursements of county funds should be supported with invoices and receiving reports.



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