



GARVIN COUNTY

Financial Report

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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April 5, 2021

TO THE CITIZENS OF
GARVIN COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first letters of the first and last names being capitalized.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

Board of County Commissioners

District 1 – Kenneth Holden
District 2 – Gary Ayers
District 3 – Mike Gollihare

County Assessor

Tammy Murrah

County Clerk

Lori Fulks

County Sheriff

Larry Rhodes

County Treasurer

Sandy Goggans

Court Clerk

Laura Lee

District Attorney

Greg Mashburn

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

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
GARVIN 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 Garvin County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

As described in Note 1, the financial statement is prepared by Garvin 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 Garvin County as of June 30, 2019, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Garvin County, for the year ended June 30, 2019, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 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 22, 2021, on our consideration of Garvin 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 Garvin 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 22, 2021

REGULATORY BASIS FINANCIAL STATEMENT

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

	Beginning Cash Balances July 1, 2018	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2019
Combining Information:						
County General Fund	\$ 1,962,794	\$ 3,681,287	\$ 259	\$ -	\$ 3,562,457	\$ 2,081,883
County Highway Fund	3,789,953	7,831,247	-	-	5,746,033	5,875,167
Sales Tax	6,731,188	4,273,876	-	-	3,024,133	7,980,931
Use Tax	2,289,900	712,076	-	-	31,154	2,970,822
RT-105	1,770,740	597,100	-	-	385,316	1,982,524
RT-103	17,629	116	-	-	-	17,745
Emergency Manager	6,344	1,000	-	-	4,335	3,009
County Health Department Grant	804	-	-	-	804	-
Reward Fund	600	298	-	-	-	898
Resale Property	740,089	178,361	36,606	-	88,226	866,830
Civil Defense	19	-	-	19	-	-
County Health Department	573,633	706,925	-	-	577,570	702,988
Sheriff Service Fee	164,120	425,518	-	13,080	396,233	180,325
County Clerk Lien Fee	588,759	149,377	-	-	63,211	674,925
County Treasurer Mortgage Certification Fee	109,229	3,730	-	-	1,613	111,346
County Assessor Revolving Fund	17,490	6,398	-	-	11,987	11,901
County Assessor Hardware	160	-	-	160	-	-
Community Service Sentencing Program	1,302	-	-	-	1,125	177
Sheriff Drug Enforcement	1,414	22,802	-	-	1,339	22,877
CDBG-B Architect	1	-	-	1	-	-
Fair Barn	6,341	3,495	-	-	-	9,836
911 County-Wide	199,056	249,104	280,032	-	142,759	585,433
911 Wireless	152,900	220,580	-	280,032	74,741	18,707
Sheriff Training	2,058	4,314	-	-	2,268	4,104
County Sinking	44,663	1,734	-	-	-	46,397
GOLTB 96	371,359	2,902	-	-	-	374,261
GOLTB 97	693	-	-	-	-	693
Hazard Mitigation Grant	2,785	-	-	-	-	2,785
Sherriff Drug Task Force	75	-	-	75	-	-
Court Fund Payroll	20,000	207,257	-	-	207,042	20,215
Sheriff Commissary	-	24,580	13,080	-	14,300	23,360
Donations	-	9,072	-	-	5,000	4,072
Combined Total - All County Funds	\$ 19,566,098	\$ 19,313,149	\$ 329,977	\$ 293,367	\$ 14,341,646	\$ 24,574,211

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

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

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

Sales Tax – accounts for the sales tax collected and expended for the purpose of maintaining and operating the Garvin County Courthouse, Sheriff's Department/Jail, county roads and bridges, Garvin County 911, the Emergency Management Department, and the 12 fire departments in Garvin County.

Use Tax – accounts for sales tax remitted to the County by the Oklahoma Tax Commission and disbursements are for the general operation of the County.

RT-105 – accounts for monies collected from Oklahoma Department of Transportation and disbursements are restricted for road and bridge projects.

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

RT-103 – accounts for monies collected from Oklahoma Department of Transportation and disbursements are restricted for bridge projects.

Emergency Manager – accounts for monies collected from State and Local Agreements (SLA) grants and disbursed for operations of the command center for the emergency manager.

County Health Department Grant – accounts for monies received for a National Association of County and City Health Officials (NACCHO) grant and disbursed for Medical Reserve Corps units.

Reward Fund – accounts for monies collected from fines for dumping/littering and disbursements are for signs and expenses associated with stopping illegal dumping.

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

Civil Defense – accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

County Health Department – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues. Disbursements are for the operation of the County Health Department.

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

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

County Treasurer Mortgage 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 statutes.

County Assessor Revolving Fund – accounts for the collection of fees for copies and the disbursement of funds as restricted by state statute.

County Assessor Hardware – accounts for the collection of funding through the state for computer equipment.

Community Service Sentencing Program – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

Sheriff Drug Enforcement – accounts for proceeds from drug forfeitures and is used for payments for the purchase of illegal drugs in sting operations.

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

CDBG-B Architect – accounts for monies received and disbursed as restricted by grant agreement.

Fair Barn – accounts for the collection of revenue generated from building rent, booth rental, and other fees to be used for fair expenses.

911 County-Wide – accounts for revenues from various telecommunication companies and disbursements are provided for the operation of the emergency 911 system.

911 Wireless – accounts for monies received from the wireless telephone companies for operation of the emergency 911 services.

Sheriff Training – accounts for court ordered restitution and donations and disbursed for training purposes.

County Sinking – accounts for debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments. Currently there is no long-term debt.

GOLTB 96 – accounts for collection of interest from invested general obligation limited tax bonds.

GOLTB 97 – accounts for collection of interest from invested general obligation limited tax bonds.

Hazard Mitigation Grant – accounts for grant funds received from the Federal Emergency Management Agency and disbursements are made to individuals for safe room projects.

Sheriff Drug Task Force – accounts for proceeds from drug forfeitures and used to purchase task force equipment.

Court Fund Payroll – accounts for monies from the Court Fund and disbursed for payroll of the Court Clerk's employees.

Sheriff Commissary – accounts for the collections from the sale of commissary items to inmates and disbursements to improve or provide jail services and any surplus may be expended for administration expenses for training, equipment, travel, or for capital expenditures.

Donations – accounts for monies received for various offices and disbursements are restricted per Board of County Commissioner's resolution for each donation.

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

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 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).

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

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

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

2. Ad Valorem Tax

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

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

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

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.

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. Sales Tax

Sales Tax Sales Tax of March 6, 2012

The voters of Garvin County approved a one-fourth (1/4%) of one percent sales tax through an election on March 6, 2012, that went into effect March 6, 2012, or as soon thereafter as provided by law. This sales tax has an unlimited duration. This sales tax was established for the purpose of maintaining and operating the twelve (12) fire departments of Garvin County and maintaining and operating the Emergency Management Department of Garvin County; providing that the first four percent (4%) of the proceeds shall be provided to the Garvin County Emergency management Department and the remainder to be divided equally among the twelve (12) fire departments and volunteer fire departments in Garvin County including Elmore City, Hennepin, Katie, Lindsay, Maysville, Paoli, Pauls Valley, Pernell, Rush Creek, Stratford, Walker, and Wynnewood. These funds are accounted for in the Sales Tax fund.

Sales Tax of March 4, 2014

The voters of Garvin County approved a one-half percent (1/2%) sales tax through an election of March 4, 2014, that went into effect on July 1, 2014. This sales tax has a limited duration of seven (7) years and terminates on June 30, 2021. This sales tax was established for the following

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

purposes: twenty-five percent (25%) for the maintenance and operation of the Garvin County Sheriff's Department and jail, twenty-five percent (25%) for the maintenance of county roads and bridges, twelve and one-half percent (12.5%) for Garvin County 911 service, thirty-seven and one-half percent (37.5%) for general maintenance and operation of Garvin County. These funds are accounted for in the Sales Tax fund.

E. Interfund Transfers

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

- A residual transfer of \$259 was transferred to the County General Fund from the following funds: \$19 from Civil Defense fund, \$160 from County Assessor Hardware fund, \$75 from Sheriff Drug Task Force fund, \$4 from the Grants-911 fund (a trust and agency fund), and \$1 from CDBG-B Architect fund all by Board of County Commissioner Resolution to close out the funds.
- \$280,032 was transferred from the 911 Wireless fund to the 911 County-Wide fund by Board of County Commissioner Resolution to consolidate the funds.
- \$36,606 was transferred from Excess Resale fund (a trust and agency fund) to Resale Property fund in accordance with 68 O.S. § 3131C.
- \$13,080 was transferred from the Sheriff Service Fee fund to Sheriff Commissary fund for the purpose of separating the funds in accordance with 19 O.S. § 514.2.

SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
District Attorney County	\$ 32,000	\$ 28,000	\$ 4,000
County Sheriff	807,873	806,830	1,043
County Treasurer	267,895	222,741	45,154
County Commissioners	293,014	265,690	27,324
OSU Extension	98,024	59,160	38,864
County Clerk	265,757	227,413	38,344
Court Clerk	192,546	185,475	7,071
County Assessor	223,313	185,749	37,564
Revaluation of Real Property	402,589	358,573	44,016
Insurance/Benefits	1,328,376	729,434	598,942
Purchasing Agent	61,629	46,598	15,031
General Government	895,908	234,073	661,835
Excise-Equalization Board	7,103	1,938	5,165
County Election Board	114,724	100,456	14,268
Charity	12,000	3,525	8,475
Emergency Management	60,282	14,380	45,902
County Audit Budget Account	53,861	53,861	-
Free Fair Budget Account	122,391	118,880	3,511
Stratford EMS	51,914	51,914	-
Total Expenditures, Budgetary Basis	<u>\$ 5,291,199</u>	<u>\$ 3,694,690</u>	<u>\$ 1,596,509</u>

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

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 1,106,247	\$ 551,257	\$ 554,990
Total Expenditures, Budgetary Basis	<u>\$ 1,106,247</u>	<u>\$ 551,257</u>	<u>\$ 554,990</u>

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

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health 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
GARVIN 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 Garvin County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprises Garvin County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 22, 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, 2019, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Garvin 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 Garvin County's internal control. Accordingly, we do not express an opinion on the effectiveness of Garvin County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2019-001, 2019-002, and 2019-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Garvin County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Garvin County's Response to Findings

Garvin County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Garvin 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 22, 2021

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

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2019-001 – Lack of County-Wide Controls and Information Systems (Repeat Finding 2013-001, 2014-001, 2016-001)

Condition: County-wide controls regarding Risk Assessment, Information and Communication, and Monitoring have not been designed.

Further, upon review of the computer systems within the County Clerk's office and County Treasurer's office, it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Cause of Condition: Policies and procedures have not been designed and implemented to address Risk Assessment, Information and Communication, and Monitoring in the County or to prevent unauthorized access to data.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design and implement policies and procedures to document their internal control framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps taken to properly communicate pertinent information in a timely manner and the methodology to monitor the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook. OSAI further recommends the County comply with best practices presented in the criteria. The specifics of the recommendation has been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners will work towards assessing and identifying risks to design written county-wide controls.

County Treasurer: The County Treasurer's office will implement necessary controls.

County Clerk: The County Clerk's office will implement necessary controls.

**GARVIN COUNTY, OKLAHOMA
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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.

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.

Further, according to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support Ds5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Finding 2019-002 – Lack of Internal Controls Over the County Financial Statement

Condition: Garvin County has not designed and implemented internal controls to accurately present the County Financial Statement. During the review and reconciliation of the financial statement as prepared by the County, we determined that cash receipts were overstated \$22,111,422, disbursements were

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

overstated \$21,115,021, and the ending cash balance was overstated \$996,401. The misstatement was due to the County reflecting the Trust and Agency funds as County Funds on the Financial Statement.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the County's Financial Statement is accurately presented.

Effect of Condition: This condition resulted in the County Financial Statement being materially overstated.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure the Financial Statement is accurately presented.

Management Response:

Chairman of the Board of County Commissioners and County Treasurer: We will ensure that only County Funds are reported on the County Financial Statement. This condition was corrected for fiscal year ending June 30, 2020.

Criteria: The County is required to present a financial statement for each fiscal year ended June 30. Title 19 O.S. § 171 states, in part, "Unless the county elects to prepare its financial statement in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board, the county shall present their financial statements in a regulatory basis of accounting."

The limitations of the auditor are described in the American Institute of Certified Public Accountants Clarified Statements on Auditing Standards AU-C § 210, which states, in part: "The concept of an independent audit requires that the auditor's role does not involve assuming management's responsibility for the preparation and fair presentation of the financial statements or assuming responsibility for the entity's related internal control and that the auditor has a reasonable expectation of obtaining the information necessary for the audit insofar as management is able to provide or procure it. Accordingly, the premise is fundamental to the conduct of an independent audit."

Finding 2019-004 – Lack of Internal Controls Over the Payroll Disbursement Process (Repeat Finding 2007-002, 2008-002, 2012-002, 2013-003, 2014-003)

Condition: Upon inquiry and observation of the payroll disbursement process, we noted the following:

- Only the Payroll Clerk enrolls new employees, inputs payroll information into the system, maintains personnel files, prepares the OPERS reports, state and federal tax reports, and there is no evidence of review. In addition, the Payroll Clerk processes payroll claims reports for errors, but there is no evidence that a payroll verification is printed out and used for review of errors.

Cause of Condition: Policies and procedures have not been designed over the payroll disbursement process to strengthen internal controls.

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

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

Recommendation: OSAI recommends the County implement a system of internal controls over the payroll disbursement process. Further, management should be aware of these conditions and determine if duties can be adequately segregated with regards to the payroll disbursement process. In the event segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions.

Management Response:

County Clerk: We will implement segregation of duties for the payroll process.

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

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principal 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

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

No matters were noted.



Cindy Byrd, CPA | State Auditor & Inspector

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