



# GRANT COUNTY

## Financial Audit

For the fiscal year ended June 30, 2018

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

**GRANT 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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June 26, 2019

TO THE CITIZENS OF  
GRANT COUNTY, OKLAHOMA

Transmitted herewith is the audit of Grant 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



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

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**Board of County Commissioners**

District 1 – Max L. Hess  
District 2 – Cindy Bobbitt  
District 3 – Patrick Ronck

**County Assessor**

Robin Herod

**County Clerk**

Cindy Pratt

**County Sheriff**

Scott Sterling

**County Treasurer**

Penny Dowell

**Court Clerk**

Deana Kilian

**District Attorney**

Mike Fields

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

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## **FINANCIAL SECTION**

## Independent Auditor's Report

TO THE OFFICERS OF  
GRANT 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 Grant 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 Grant 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 Grant 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 Grant County, for the year ended June 30, 2018, in accordance with the basis of accounting described in Note 1.

***Other Matters***

***Supplementary and Other 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 other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the financial statement.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2019, on our consideration of Grant 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 Grant 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

June 24, 2019

## **REGULATORY BASIS FINANCIAL STATEMEN**

**GRANT 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	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:						
County General Fund	\$ 3,881,110	\$ 2,149,299	\$ -	\$ 7,500	\$ 2,259,910	\$ 3,762,999
Highway Cash Fund	3,226,209	5,188,528	232,661	-	5,782,164	2,865,234
County Health Department	710,555	260,579	-	-	193,963	777,171
Donations	-	4,000	-	-	-	4,000
County Bridge and Road Improvement	1,061,816	421,241	-	232,661	211,211	1,039,185
Sales Tax - Fairgrounds Improvements	2,844,457	137,923	-	-	2,849,483	132,897
Sales Tax - Rural Fire	5,124,933	374,185	-	-	350,361	5,148,757
Sales Tax Emergency Medical Service	787,491	89,536	-	-	245,861	631,166
Sales Tax - Sheriff	70,118	57,641	-	-	67,673	60,086
Sales Tax Grant County Emergency Service Association	1,072,992	48,260	-	-	1,845	1,119,407
Sheriff Service Fee	27,394	38,921	4,410	-	39,318	31,407
Communication Tower	4,410	-	-	4,410	-	-
Sheriff Commissary	25,981	19,980	-	-	36,157	9,804
Sheriff Forfeiture	-	-	2,110	-	-	2,110
Sheriff Jail Fund	798	306	-	-	-	1,104
Department of Corrections	38,173	100,791	-	-	100,754	38,210
Juvenile Detention	1,644	-	7,500	-	6,839	2,305
E-911 Phone Remittance	182,493	72,652	-	-	68,986	186,159
Local Emergency Planning Committee	13,518	2,596	-	-	5,868	10,246
Sheriff Controlled Dangerous Substance Revolving	2,110	-	-	2,110	-	-
CEM-OP Plan Grant	2,851	-	56	-	-	2,907
County Clerk Lien Fee	34,049	5,925	-	-	19,562	20,412
County Clerk Change Fund	25	-	-	-	-	25
County Clerk Records Preservation Fee	54,974	9,680	-	-	17,489	47,165
County Assessor Revolving	24,242	2,780	-	-	1,354	25,668
Civil Emergency Management	56	-	-	56	-	-
Resale Property	85,553	24,487	-	-	29,805	80,235
Treasurer Mortgage Tax Certification Fee	1,772	895	-	-	1,127	1,540
<b>Combined Total - All County Funds</b>	<b>\$ 19,279,724</b>	<b>\$ 9,010,205</b>	<b>\$ 246,737</b>	<b>\$ 246,737</b>	<b>\$ 12,289,730</b>	<b>\$ 16,000,199</b>

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

**GRANT 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**

Grant 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, 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.

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

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

Donations – accounts for the donations received and acknowledged by resolutions by the Board of County Commissioners and to be disbursed for the purpose for which they were donated.

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

Sales Tax – Fairgrounds Improvements – accounts for the collections and disbursement of the .25% sales tax for the County Fairgrounds Improvement.

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

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

Sales Tax Emergency Medical Service – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

Sales Tax Grant County Emergency Service Association – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

Communication Tower – accounts for the collection of fees from local police departments and disbursed for the maintenance and operations of the Sheriff's communication tower.

Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor and to improve or provide jail services. Additionally, any surplus funds can be expended for administering expenses for training, equipment, travel, or for capital expenditures.

Sheriff Forfeiture – accounts for property seized from those who participate in certain illegal activity and disbursed as restricted by state statute.

Sheriff Jail Fund – accounts for the receipt of state reimbursements and disbursement for the operation of the jail.

Department of Corrections – accounts for the collections of state held prisoners and disbursements are for the purpose of maintaining the jail.

Juvenile Detention – accounts for state funds received for the transport of juveniles to detention facilities and disbursed for the operation of the Sheriff's office.

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

Local Emergency Planning Committee – accounts for the receipt and disbursement of Hazard Material Emergency Preparedness Planning Grant.

Sheriff Controlled Dangerous Substance Revolving – accounts for all collections from confiscated property and drug related arrests and disbursements as restricted by state statute.

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

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CEM-OP Plan Grant – accounts for the receipt and disbursement of a state grant for the operation of the Civil Emergency Management Program.

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

County Clerk Change Fund – accounts for cash obtained from the County Clerk’s funds and held in the office for change.

County Clerk Records Preservation Fee – accounts for fees collected for instruments filed with the County Clerk as restricted by state statute to be used for preservation of records.

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

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

Resale Property – accounts for the collection of interest and penalties on delinquent taxes and disposition of sale 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.

**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.

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

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**D. Budget**

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

**E. Cash and Investments**

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

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

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

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

**2. Ad Valorem Tax**

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

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

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

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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.

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.



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

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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 of March 1, 2011**

The voters of Grant County approved a continuation of a one percent (1%) sales tax on March 1, 2011. Duration is 10 years ending April 30, 2021. This sales tax was established to provide revenue for the County Sheriff, Rural Fire, and Emergency Medical Services to the County through the following twelve entities:

1. Deer Creek Fire Department
2. Grant County Sheriff's Department
3. Hawley Fire Department
4. Lamont Fire Department
5. Manchester Fire Department
6. Medford Emergency Medical Service
7. Medford Fire Department
8. Nash Fire Department
9. Pond Creek Emergency Medical Service
10. Pond Creek Fire Department
11. Wakita Fire Department
12. Grant County Emergency Service Association

These funds are accounted for in the following funds: Sales Tax - Sheriff, Sales Tax – Rural Fire, Sales Tax Emergency Medical Service and Sales Tax Grant County Emergency Service Association.

**Sales Tax of February 8, 2011**

The voters of Grant County approved a ¼ percent (0.25%) sales tax on February 8, 2011. Duration is 10 years ending February 28, 2021. This sales tax was established to provide revenue for the County Fairgrounds improvements.

These funds are accounted for in the following fund: Sales Tax - Fairgrounds Improvements.

**Sales Tax Agreement of June 9, 2015**

The voters of Grant County authorized the Board of County Commissioners to enter into a sales tax agreement with the Grant County Economic Development Authority for the administration of the existing ¼ percent (0.25%) fairgrounds improvements sales tax. The Authority was also authorized to issue up to \$900,000 in debt obligations for the purpose of acquiring, constructing,

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

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and equipping a new all-purpose Fairgrounds Building in Pond Creek, Oklahoma. The average rate of interest is to not exceed five percent (5%) with an average maturity not to exceed eighty-four (84) months with the aforementioned obligations being secured by a pledge of the one-quarter cent (1/4) sales tax revenues toward retirement of the obligations.

**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 \$763,963 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.

**F. Interfund Transfers**

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

- \$7,500 was transferred from the County General Fund to the Juvenile Detention fund for an insufficiency of funds.
- \$232,661 was transferred from the County Bridge and Road Improvement fund to the Highway Cash Fund for reimbursement of expenses for bridge and road improvements.
- \$4,410 was transferred from Communication Tower fund to the Sheriff Service Fee fund to close out the fund for the Chart of Accounts conversion.

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

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- \$2,110 was transferred from the Sheriff Controlled Dangerous Substance Revolving fund to the Sheriff Forfeiture fund to close out the fund for the Chart of Accounts conversion.
- \$56 was transferred from the Civil Emergency Management fund to the CEM-OP Plan Grant fund to close out the fund for the Chart of Accounts conversion.

## **OTHER SUPPLEMENTARY INFORMATION**

**GRANT 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**

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	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 3,881,110	\$ 3,881,110	\$ -
Less: Prior Year Outstanding Warrants	(113,109)	(113,109)	-
Less: Prior Year Encumbrances	(10,638)	(7,197)	3,441
Beginning Cash Balances, Budgetary Basis	<u>3,757,363</u>	<u>3,760,804</u>	<u>3,441</u>
 Total Receipts, Budgetary Basis	 <u>2,226,989</u>	 <u>2,149,299</u>	 <u>(77,690)</u>
Total Expenditures, Budgetary Basis	<u>5,984,352</u>	<u>2,352,481</u>	<u>3,631,871</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 3,557,622	 <u>\$ 3,557,622</u>
 Operating Transfers		(7,500)	
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		153,917	
Add: Current Year Encumbrances		<u>58,960</u>	
Ending Cash Balance		<u>\$ 3,762,999</u>	

**GRANT COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**COUNTY HEALTH DEPARTMENT FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 710,555	\$ 710,555	\$ -
Less: Prior Year Outstanding Warrants	(381)	(381)	-
Less: Prior Year Encumbrances	(75,780)	(27,282)	48,498
Beginning Cash Balances, Budgetary Basis	<u>634,394</u>	<u>682,892</u>	<u>48,498</u>
 Total Receipts, Budgetary Basis	 <u>320,717</u>	 <u>260,579</u>	 <u>(60,138)</u>
 Total Expenditures, Budgetary Basis	 <u>955,111</u>	 <u>211,344</u>	 <u>743,767</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 732,127	 <u>\$ 732,127</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		32,150	
Add: Current Year Outstanding Warrants		<u>12,894</u>	
Ending Cash Balance		<u>\$ 777,171</u>	

**GRANT COUNTY, OKLAHOMA**  
**NOTE TO OTHER 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 and the County Health Department 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  
GRANT 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 Grant County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprises Grant County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 24, 2019.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 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 Grant 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 Grant County's internal control. Accordingly, we do not express an opinion on the effectiveness of Grant County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement



of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2018-001, 2018-003, 2018-004, and 2018-007.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2018-002 and 2018-005.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Grant 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*.

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

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

June 24, 2019

**GRANT 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 – Inadequate County-Wide Controls (Repeat Finding 2008-004, 2009-004, 2010-001, 2011-001, 2012-001, 2013-001, 2017-001)**

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

**Cause of Condition:** Policies and procedures have not been designed and implemented to address county-wide controls.

**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 (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 the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

**Management Response:**

**Chairman of the Board:** I will encourage better communication and cooperation among the officers. We will discuss the county-wide control framework on a quarterly basis.

**County Clerk:** I am more than willing to coordinate the quarterly officers' meetings.

**County Treasurer:** I am very open to meeting with all officers and I would like to see better communications and have a better understanding of policies and procedures.

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

Control Environment is the foundation of an effective internal control system and begins with the "tone at the top" - the words and actions of management. Under an effective control environment, employees view internal control as essential and integral to doing their day-to-day job duties.

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

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

Information and Communication is a component of internal control which should allow for effective communication of relevant, accurate, and timely information that is required to meet the County's objectives, including reliable financial reporting, efficient and effective operations, and compliance with laws and regulations.

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

**Finding 2018-002 – Inadequate Internal Controls Over Information Technology – County Clerk and County Treasurer (Repeat Finding 2017-002)**

**Condition:** Upon review of the computer systems within the office of the County Clerk and County Treasurer, it was noted that there does not appear to be adequate internal 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 prevent unauthorized access to data.

**Effect of Condition:** This condition could result in compromised security for computers, computer programs, and data.

**Recommendation:** OSAI recommends the County comply with best practices presented in the criteria. The specifics of the recommendation have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

**Management Response:**

**County Clerk:** I will work to correct the information technology issues in regard to my office.

**County Treasurer:** We will work to address these information technology issues.

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

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**Criteria:** 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 2018-003 – Inadequate Internal Controls and Noncompliance Over Acceptance of Bids and Bidding Procedures (Repeat Finding 2013-009, 2017-003)**

**Condition:** Based on inquiry of County officials and staff, observation of the bidding process, and review of the Board of County Commissioners' (BOCC) minutes, the four (4) bids tested reflected the following:

- One (1) bid invitation included the following wording, "Qualified bidders will be allowed to increase their bid amount during the Board of County Commissioners' meeting after the submitted bids have been opened."
- Four (4) bids did not have proper proof of mailing of request for bids.
- Two (2) bids did not have proper date and time received documented on proposals submitted by vendors.
- Two (2) bids had no evidence of accepted bids recorded in the BOCC minutes.
- Two (2) bids had no evidence of notifying successful bidders.
- Two (2) bids did not retain vendor bid proposals to document the lowest bidder was accepted.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with 19 O.S. § 1505.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes regarding the solicitation and awarding of bids. These conditions could result in the county not awarding to the lowest and best acceptable bid.

**Recommendation:** OSAI recommends the County design and implement policies and procedures to ensure that bids are solicited and awarded in accordance with state statutes.

**Management Response:**

**District 1:** The BOCC will review the receiving, recording, and awarding of bids to see that documentation is complete. We will discuss bidding procedures in the quarterly officers' meetings. "Qualified bidders will be allowed to increase their bid amount during the Board of County Commissioners' meeting" has been removed from the invitation to bid.

**District 2:** I will work with the County Clerk to improve on bid documentation.

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

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**District 3:** I was not in office during this fiscal year. The BOCC will make sure that all bid documentation is complete and accurate and bid awarding is recorded in the minutes. The wording in the bid invitation will no longer be used.

**County Clerk:** I understand and will work to correct these issues. Future bids will be opened and awarded in BOCC meetings. I have taken steps to correctly document the mailing of bids. I will have a meeting with my employees to reiterate the importance of time and date stamping the bid as they are received.

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

Best business practices would include soliciting bids from vendors with the goal of obtaining quality goods and/or services for the best price while also ensuring compliance with state statutes.

Title 19 O.S. § 1505 requires that counties award bids to the lowest and best bidders, proof of mailing or emailing shall be made by the affidavit of the person mailing or emailing the request for bids and shall be made a part of official record of the county, the county purchasing agent shall notify the successful bidders and shall maintain a copy of the notification, and the board of county commissioners shall keep a written record of the meeting as required by law.

**Finding 2018-004 – Inadequate Internal Controls Over Reconciliation of County Clerk's Appropriation Ledger to County Treasurer's General Ledger (Repeat Finding 2017-004)**

**Condition:** The County Clerk does not reconcile the appropriation ledger to the County Treasurer's general ledger.

**Cause of Condition:** Policies and procedures have not been designed and implemented regarding a monthly reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger.

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

**Recommendation:** OSAI recommends that the County Clerk's appropriation ledger be reconciled to the County Treasurer's general ledger on a monthly basis. The reconciliation should be reviewed and approved by someone other than the preparer and documentation of the reviewed and approved reconciliation should be maintained.

**Management Response:**

**County Clerk:** We are currently reconciling on a quarterly basis but will begin to reconcile monthly.

**GRANT COUNTY, OKLAHOMA  
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**Criteria:** Safeguarding controls are an important aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not prepared or not timely prepared, are deficiencies in internal control. To help ensure a proper accounting of funds, reconciliations should be performed on a monthly basis and document evidence of a review by someone other than the preparer.

**Finding 2018-005 – Internal Controls Over Sales Tax Appropriations (Repeat Finding 2017-005)**

**Condition:** Upon inquiry and observation, review of documentation and testwork regarding the County sales tax, the following weakness was noted:

- There was no evidence of review or verification of sales tax appropriated to the individual budgeted sales tax accounts. One employee of the County Clerk's office is responsible for calculating and appropriating the sales tax.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure sales tax collections are being properly apportioned, appropriated to the designated funds, and duties are properly segregated.

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

**Recommendation:** OSAI recommends management design and implement policies and procedures to ensure the calculation of sales tax apportionments and appropriations are reviewed by someone other than the preparer and the documentation of the review be maintained.

**Management Response:**

**County Clerk:** We will print out a report and verify the sales tax appropriations to the 308 form. We will segregate the duties of calculating and inputting of the appropriations of sales tax.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions, and safeguarding assets from misappropriation.

**Finding 2018-007 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding 2010-007, 2011-010, 2012-010, 2013-006, 2017-007)**

**Condition:** Upon inquiry of officers and staff, observation of records, and test of payroll disbursements, the following weaknesses were noted:

**GRANT COUNTY, OKLAHOMA  
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- The duties of processing payroll are not adequately segregated. One employee enrolls new employees, processes payroll, compares the payroll claims to the direct deposit, creates and prints payroll affidavits, and notarizes all affidavits.
- Of the twenty (20) payroll disbursements tested, one (1) disbursement lacked evidence of supervisor approval on submitted timesheet.

**Cause of Condition:** Policies and procedures have not been designed and implemented over the payroll process to ensure a proper segregation of duties and review and approval of timesheets being documented.

**Effect of Condition:** These conditions could result in unrecorded transactions, inaccurate reporting of employee's time and leave balances, misstated financials reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends that payroll duties be segregated. One individual should not be responsible for processing payroll claims while still having the ability to enroll new hires into the system and change withholding amounts. Additionally, all County employees should have properly approved time records to support monthly payroll on file with the County Clerk. Each employee's time record should reflect the hours worked for each day; the compensatory time earned, annual, sick and compensatory time taken or paid; and be approved by the County officer or department head.

**Management Response:**

**Chairman of the Board:** The BOCC receives a book of timesheets for the month and reviews them to make sure they are signed and then the Commissioners sign them.

**County Clerk:** I will work to implement segregation of duties of the payroll process. We will inquire of our software provider of the possibility of scanning payroll records into the system. If that is not possible, we will start scanning to the hard drive for record retention.

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





Cindy Byrd, CPA | State Auditor & Inspector

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