



GRANT COUNTY

Financial Audit

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**GRANT COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

September 13, 2021

TO THE CITIZENS OF
GRANT COUNTY, OKLAHOMA

Transmitted herewith is the audit of Grant County, Oklahoma for the fiscal year ended June 30, 2020. 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, 2020**

Board of County Commissioners

District 1 – Max L. Hess
District 2 – Cindy Bobbitt
District 3 – Steve Stinson

County Assessor

Robin Herod

County Clerk

Cindy Pratt

County Sheriff

Scott Sterling

County Treasurer

Penny Huff

Court Clerk

Deana Kilian

District Attorney

Mike Fields

**GRANT COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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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, 2020 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, 2020 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, 2020 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 August 25, 2021, 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

August 25, 2021

REGULATORY BASIS FINANCIAL STATEMENT

GRANT COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Beginning Cash Balances July 1, 2019	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
Combining Information:						
County General	\$ 3,028,021	\$ 2,851,844	\$ -	\$ -	\$ 3,601,921	\$ 2,277,944
County Highway Unrestricted	2,291,738	3,889,712	500,000	-	4,603,055	2,078,395
Health	957,817	333,201	-	-	167,740	1,123,278
County Donations	4,000	22,505	-	-	17,093	9,412
County Bridge and Road Improvement	1,166,400	1,941,407	500,000	1,647,462	-	1,960,345
Fair Improvement-ST	57,881	128,063	-	-	32,242	153,702
Rural Fire-ST	4,422,505	361,988	542,160	-	968,034	4,358,619
Ambulance Service District-ST	588,992	90,754	135,540	-	141,098	674,188
Sheriff-ST	59,735	42,688	67,770	-	41,401	128,792
Emergency Medical Service-ST	1,100,940	48,202	-	745,470	7,732	395,940
Sheriff Service Fee	54,134	55,979	1,699	-	76,876	34,936
Sheriff Commissary	11,428	7,298	-	-	15,531	3,195
Sheriff Forfeiture	2,110	-	-	-	-	2,110
Jail	688	321	-	-	605	404
Sheriff Board of Prisoners	2,663	-	-	1,699	964	-
Juvenile Detention	2,305	-	-	-	205	2,100
911 Phone Fees	185,314	67,002	-	-	62,590	189,726
Local Emergency Planning Committee	8,275	3,075	-	-	84	11,266
Emergency Management	2,907	-	-	-	-	2,907
County Clerk Lien Fee	19,099	7,468	-	-	3,706	22,861
County Clerk Change Fund	25	-	-	-	-	25
County Clerk Records Management and Preservation	40,651	14,990	-	-	28,601	27,040
Assessor Revolving Fee	27,917	3,078	-	-	8,903	22,092
Resale Property	77,404	39,032	-	-	34,714	81,722
Treasurer Mortgage Certification	1,398	905	-	-	1,353	950
Free Fair Board	10,969	7,900	-	-	1,200	17,669
Combined Total - All County Funds	\$ 14,125,316	\$ 9,917,412	\$ 1,747,169	\$ 2,394,631	\$ 9,815,648	\$ 13,579,618

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, 2020**

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 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 – accounts for revenues from ad valorem, officer's fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

County Highway Unrestricted – accounts for revenues from state-imposed fuel taxes and disbursements are for the maintenance and construction of county roads and bridges.

Health – accounts for revenues from ad valorem taxes, miscellaneous fees charged by the health department, and state and federal funds. Disbursements are for the operation of the County Health Department.

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

**GRANT COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Fair Improvement-ST – accounts for the collections and disbursement of the 0.25% sales tax for the County Fairgrounds improvements.

Rural Fire-ST – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

Ambulance Service District-ST – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

Sheriff-ST – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

Emergency Medical Service-ST – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

Sheriff Service Fee – accounts for the collection and disbursement of sheriff process service fees, housing of prisoners' contracts, court fees, and other various contracts and disbursements of funds as restricted by state statute.

Sheriff Commissary – accounts for monies received from the commissary sales and disbursement of funds as restricted by state statute.

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

Jail – accounts for the receipt of state reimbursements and disbursements are for the operation of the jail.

Sheriff Board of Prisoners – 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.

911 Phone Fees – 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.

**GRANT COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

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

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

Free Fair Board – accounts for the collection of rental fees for the fairgrounds and the disbursements are for expenses of the fairgrounds.

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, 2020**

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, 2020**

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, 2020**

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

D. Sales Tax

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 Fair Improvement-ST fund.

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: Sheriff-ST, Rural Fire-ST, Ambulance Service District-ST and Emergency Medical Service-ST funds.

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.

**GRANT COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 \$611,892 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2020.

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:

- \$250,000 was transferred from the County Bridge and Road Improvement fund to the County Highway Unrestricted as a loan for highway purposes.
- \$1,397,462 was transferred from the County Bridge and Road Improvement fund to the Emergency Transportation Revolving fund (a trust and agency fund) to repay a loan for bridge and road improvement.
- \$250,000 was transferred from the Emergency Transportation Revolving fund (a trust and agency fund) to the County Highway Unrestricted fund as a loan for bridge and road improvement.
- \$500,000 was transferred from the Emergency Transportation Revolving fund (a trust and agency fund) to the County Bridge and Road Improvement fund as a loan for bridge and road improvement.
- \$542,160 was transferred from Emergency Medical Service-ST fund to Rural Fire-ST fund by BOCC resolution.
- \$135,540 was transferred from Emergency Medical Service-ST fund to Ambulance Service District-ST fund by BOCC resolution.
- \$67,770 was transferred from Emergency Medical Service-ST fund to Sheriff-ST fund by BOCC resolution.
- \$1,699 was transferred from Sheriff Board of Prisoners fund to Sheriff Service Fee fund to close the fund in accordance with 19 O.S. § 180.43.

SUPPLEMENTARY INFORMATION

GRANT COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	County General Fund		
	Budget	Actual	Variance
District Attorney - State	\$ 24,246	\$ 23,858	\$ 388
District Attorney - County	1,767	1,446	321
County Sheriff	531,011	510,620	20,391
County Treasurer	131,131	130,445	686
County Commissioners	236,415	225,228	11,187
County Commissioners O.S.U. Extension	30,539	10,127	20,412
County Clerk	140,838	140,128	710
Court Clerk	138,925	138,342	583
County Assessor	123,192	120,425	2,767
Revaluation of Real Property	230,841	208,493	22,348
General Government	739,463	245,604	493,859
Excise - Equalization Board	5,800	2,573	3,227
County Election Expense	59,765	59,536	229
Insurance - Benefits	975,557	733,934	241,623
Charity	8,000	-	8,000
Recording Account	43,258	43,248	10
Library	2,000	1,000	1,000
Emergency Management	87,300	34,461	52,839
Reward Fund	5,000	210	4,790
County Audit Budget	46,629	21,931	24,698
Free Fair Account	35,703	22,556	13,147
Building Maintenance Account	956,888	956,885	3
Total Expenditures, Budgetary Basis	<u>\$ 4,554,268</u>	<u>\$ 3,631,050</u>	<u>\$ 923,218</u>

GRANT COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Health Fund		
	Budget	Actual	Variance
County Health Budget Account	\$ 1,227,822	\$ 191,965	\$ 1,035,857
Total Expenditures, Budgetary Basis	\$ 1,227,822	\$ 191,965	\$ 1,035,857

**GRANT COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the County 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
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, 2020 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 August 25, 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, 2020, 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.

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: 2020-001, 2020-002 and 2020-004.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-004.

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

August 25, 2021

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 2020-001 – Lack of County-Wide Internal Controls (Repeat Finding - 2008-004, 2009-004, 2010-001, 2011-001, 2012-001, 2013-001, 2017-001, 2018-001, 2019-001)

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

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

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

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

Management Response:

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

County Clerk: The County Officers will work on county-wide controls using the checklist provided by the Oklahoma State Auditor and Inspector's Office.

County Treasurer: My goal is to try to have a meeting with officers, together if possible, or separately if not possible, to use the “County-Wide Internal Controls Checklist” for quarterly officers meetings to hopefully address the risks to each office. We have some new leadership that I believe will be motivated to see this happen and to ensure this will not continue to be a yearly audit finding.

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.

**GRANT COUNTY, OKLAHOMA
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The GAO Standards – Section 1 – Fundamental Concepts of Internal Controls – OV1.01 states in part:

Definition of Internal Controls

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

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

Components, Principles, and Attributes

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

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

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

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

Finding 2020-002 – Lack of Internal Controls Over the County's Financial Statement Presentation (Repeat Finding – 2019-002)

Condition: The County has not designed and implemented internal controls to ensure the accurate presentation of the County's financial statement. During the review and reconciliation of the financial statement as initially prepared by the County, we determined that the beginning balance was overstated by \$1,806,191, the apportionments were overstated by \$10,493,287, the disbursements were overstated by \$10,668,812, and the ending balance was overstated by \$3,028,128.

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 misstatement of the County's financial statement.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure the County's financial statement is accurately presented.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Management Response:

Chairman of the Board of County Commissioners: The BOCC will work to implement policies and procedures to ensure accurate reporting of the County's financial statements.

County Treasurer: I will accurately prepare the financial statements in accordance with state statute and will seek advice from seasoned Treasurers in the future. Understanding every cent was account for properly, there is no misappropriation or malfeasance associated to my office.

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 2020-004 – Lack of Internal Controls and Noncompliance Over Disbursements

Condition: Upon inquiry of County personnel, and a test of sixty-one (61) purchase orders and payroll expenditures, the following weaknesses were noted:

- Twenty-one (21) expenditures totaling \$1,424,430 were not encumbered prior to receiving goods or services.
- Fifteen (15) expenditures totaling \$857,993 were not supported by adequate documentation.
- One (1) expenditure totaling \$96,709 was not charged to the proper period.

Additionally, offices are allowed to call or email the Purchasing Agent to requisition a purchase order. The Purchasing Agent also has the ability to enroll new employees and has payroll duties.

- One employee enrolls new hires, removes terminated employees from payroll system, inputs payroll information into the system, prepares and prints payroll warrants, distributes payroll warrants, and maintains personnel files.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Effect of Condition: These conditions resulted in noncompliance with state statute and 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 disbursement process including payroll. Such controls should include ensuring that funds are encumbered prior to the receipt of goods and/or services, be supported by adequate documentation, and that purchase orders and warrants should be issued in accordance with 19 O.S. § 1505.

Additionally, the following key accounting functions of the payroll process should be adequately segregated:

- Enrolling/removing employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individuals.

Management Response:

Chairman of the Board of County Commissioners: I will review the purchase orders listed and discuss with the BOCC how to resolve these issues.

County Commissioner District 2: I was not in office at this time, but I will make sure adequate documentation is attached and we receive invoices prepared by vendors.

County Commissioner District 3: I will make sure purchase orders are supported by proper documentation.

County Clerk: I will work with the other elected officials to correct the issues within our purchasing process. I will work to better segregate duties with the payroll process. I have already made a new policy in my office that requires all departments to send a signed requisition to the purchasing agent prior to encumbering the funds.

Criteria: GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Objectives of an Entity – Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Additionally, GAO Standards – Principle 6 – Define Objectives and Risk Tolerances – 6.05 states:

Definitions of Objectives

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

The GAO Standards – Principle 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, Principle 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.

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



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