



# GREER COUNTY

## Financial Audit

For the fiscal year ended June 30, 2018

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

**GREER 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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July 28, 2021

TO THE CITIZENS OF  
GREER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Greer 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



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

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**Board of County Commissioners**

District 1 – Brent York  
District 2 – Terry Nickell  
District 3 – Steven Fite

**County Assessor**

Junita Reeves

**County Clerk**

Leanne Coffman

**County Sheriff**

Devin Huckabay

**County Treasurer**

Donna Bull

**Court Clerk**

Rhonda Henry

**District Attorney**

Ken Darby

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

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## **FINANCIAL SECTION**

## Independent Auditor's Report

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

***Other Matters***

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2021, on our consideration of Greer 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 Greer 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

July 26, 2021

## **REGULATORY BASIS FINANCIAL STATEMENT**

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

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:				
County General Fund	\$ 307,719	\$ 729,715	\$ 780,778	\$ 256,656
County Highway Fund	1,257,854	1,787,134	1,823,705	1,221,283
County Health Department	70,188	168,391	148,364	90,215
Sheriff Board of Prisoner	19,480	112,274	107,170	24,584
Renovation Sales Tax	470,845	135,445	187,956	418,334
Economic Development Authority Hotel/Motel Sales Tax	1,906	27,288	27,542	1,652
Free Fair Sales Tax	9,718	16,045	12,962	12,801
OSU Extension Sales Tax	100,377	37,033	26,833	110,577
Homeland Security Grant	21,115	1,000	-	22,115
County Bridge and Road Improvement 103	153,979	1,846	12,218	143,607
County Bridge and Road Improvement 105	1,979,281	208,242	379,119	1,808,404
Resale Property	88,156	46,192	29,074	105,274
Treasurer Mortgage Tax Certification Fee	839	1,255	1,403	691
County Clerk Lien Fee	4,055	2,018	574	5,499
County Clerk Records Management Preservation	1,876	6,380	5,761	2,495
Assessor Revolving Fee	9,913	1,421	108	11,226
Sheriff Service Fee	7,342	70,878	61,429	16,791
Sheriff Commissary Fund	1,451	11,391	10,108	2,734
Sheriff Training	61	-	-	61
Sheriff Drug Enforcement	673	-	-	673
Sheriff Medical Reimbursement	211	19,076	19,148	139
Courthouse Security	589	6,777	5,651	1,715
General Obligation Bonds of 1993 and 1996	137,778	-	-	137,778
General Obligation Bond - Sinking Fund	29	-	-	29
County Emergency Fund Sales Tax	294,687	6,772	-	301,459
General Fund Sales Tax	110,130	60,950	-	171,080
Sheriff Sales Tax	4,649	60,950	50,396	15,203
County Clerk Sales Tax	6,586	6,772	9,564	3,794
Court Fund Payroll	-	63,504	63,504	-
Sheriff Insurance Recovery	71	-	-	71
<b>Combined Total - All County Funds</b>	<b>\$ 5,061,558</b>	<b>\$ 3,588,749</b>	<b>\$ 3,763,367</b>	<b>\$ 4,886,940</b>

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

**GREER 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**

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

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

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

**B. Fund Accounting**

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

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

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

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

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

Sheriff Board of Prisoner – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are used for the operation of the jail.

Renovation Sales Tax – accounts for the collection of sales tax money to be disbursed for the purpose of renovation of the Greer County Courthouse and Sheriff Annex Building.

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

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Economic Development Authority Hotel/Motel Sales Tax – accounts for sales tax monies apportioned from hotel and motel tax for economic development in Greer County.

Free Fair Sales Tax – accounts for the collection of sales tax monies and the disbursement for the operations of the free fair organization.

OSU Extension Sales Tax – accounts for the collection of sales tax monies and the disbursement for the operations of the extension office.

Homeland Security Grant – accounts for the collection of grant monies to be disbursed for the purpose of homeland security by Greer County.

County Bridge and Road Improvement 103 – accounts for state receipts and disbursements are for the purpose of maintaining bridges and roads.

County Bridge and Road Improvement 105 – accounts for state receipts and disbursements are for the purpose of maintaining bridges and roads.

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

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

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

County Clerk Records Management Preservation – accounts for fees collected for instruments filed in the County Clerk's office as restricted by state statute for preservation of records.

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

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

Sheriff Commissary Fund – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor and can be used for maintenance and operations of the county jail.

Sheriff Training – accounts for the collection of miscellaneous receipts and disbursements for the training of Sheriff deputies.

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

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Sheriff Drug Enforcement – accounts for the collection of drug forfeitures and disbursements for the purpose of drug enforcement along with equipment and training.

Sheriff Medical Reimbursement – accounts for the collection of medical fees reimbursed from prisoners and disbursements are made for general operations of the Sheriff's office.

Courthouse Security – accounts for the collection of fees through the court system and disbursements are for courthouse security.

General Obligation Bonds of 1993 and 1996 – accounts for funds remaining from the general obligation bonds issued in 1993 and 1996. Disbursements are for the inquiry and possible development of industry in the County.

General Obligation Bond – Sinking Fund – accounts for monies collected from ad valorem taxes for payments of bonds or judgments against the County.

County Emergency Fund Sales Tax – accounts for the collections of sales tax money to be disbursed for county emergencies. This fund was established by the approval of voters of Greer County in October 2014 from remains of sales tax collections of the Industrial Development Authority Sales Tax fund for which sales tax collections were ceased.

General Fund Sales Tax – accounts for the collections of sales tax money to be disbursed for the operations of the County General Fund.

Sheriff Sales Tax – accounts for the collections of sales tax money to be disbursed for the operations in the office of the County Sheriff.

County Clerk Sales Tax – accounts for the collections of sales tax money to be disbursed for the operations in the office of the County Clerk.

Court Fund Payroll – accounts for the monies disbursed for employee payroll of the Court Clerk employees.

Sheriff Insurance Recovery – accounts for the collection of insurance monies from insurance claims to be disbursed to replace damaged equipment.

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

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**C. Basis of Accounting**

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

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

**D. Budget**

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

**E. Cash and Investments**

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

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

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

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

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

**2. Ad Valorem Tax**

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

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

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

**3. Other Information**

**A. Pension Plan**

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.



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

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

**B. Other Post Employment Benefits (OPEB)**

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

**C. Contingent Liabilities**

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

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

**D. Sales Tax**

**Sales Tax of December 18, 1984**

Effective January 1, 1985, the voters of Greer County approved a one percent (1%) sales tax for an unlimited duration, to be distributed in the following manner: 5% to Free Fair, 15% to OSU Extension; and 80% to the County General Fund. These funds are accounted for in the Free Fair Sales Tax fund, OSU Extension Sales Tax fund, and the County General Fund.

**Lodging Tax of October 1, 2002**

Effective October 1, 2002, the voters of Greer County approved a five (5%) lodging sales tax of unlimited duration, in which gross proceeds derived from the service of furnishing of rooms by hotels, apartment hotels, or motels and from the furnishing of any other facility for public lodging. The net revenues from such lodging tax are to be apportioned 50% to the County General Fund of Greer County and 50% to the Economic Development Authority. These funds are accounted for in the County General Fund and the Economic Development Authority Hotel/Motel Sales Tax fund.

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

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**Sales Tax of February 5, 2008**

Effective July 1, 2008, the voters of Greer County approved a 1/2% of 1% (.005%) sales tax for a period of 10 years ending June 30, 2018. The said sales tax provides funds for restoration, maintenance, and capital improvements for the Greer County Courthouse, County Sheriff's Office, and the County Jail. These funds are accounted for in the Renovation Sales Tax fund.

**Sales Tax of June 24, 2014**

Effective October 1, 2014, the voters of Greer County approved a 1/2% of 1% (.005%) sales tax for the period starting October 1, 2014 and ending September 30, 2022. The said sales tax provides funds for continued operations of essential divisions of the county government to be distributed in the following manner: 45% to the County Sheriff; 40% to the County General Fund, 10% to the County Clerk, and 5% to the County Emergency Fund. These funds are accounted for in the Sheriff Sales Tax fund, General Fund Sales Tax fund, County Clerk Sales Tax fund, and the County Emergency Fund Sales Tax fund.

## **SUPPLEMENTARY INFORMATION**

**GREER COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 1,000	\$ -	\$ 1,000
County Sheriff	152,254	141,712	10,542
County Treasurer	67,600	66,584	1,016
County Clerk	68,600	68,104	496
Court Clerk	64,850	64,222	628
County Assessor	63,600	63,600	-
Revaluation of Real Property	178,027	30,283	147,744
General Government	128,525	89,265	39,260
Excise - Equalization Board	4,000	2,788	1,212
County Election Board	58,610	50,016	8,594
Insurance - Benefits	234,590	206,685	27,905
County Audit Budget Account	7,893	-	7,893
Total Expenditures, Budgetary Basis	<u>\$ 1,029,549</u>	<u>\$ 783,259</u>	<u>\$ 246,290</u>

**GREER COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—HEALTH FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 222,113	\$ 154,236	\$ 67,877
Total Expenditures, Budgetary Basis	\$ 222,113	\$ 154,236	\$ 67,877

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

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**1. Budgetary Schedules**

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

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

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

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

TO THE OFFICERS OF  
GREER 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 Greer County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprises Greer County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated July 26, 2021.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2018, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered Greer 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 Greer County's internal control. Accordingly, we do not express an opinion on the effectiveness of Greer 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 responses, 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, 2018-004, and 2018-006.

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 deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2018-003.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Greer County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-004 and 2018-006.

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

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

July 26, 2021

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

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

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

**Condition:** In the assessment of county-wide internal controls, the following weaknesses were noted:

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

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

**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. Additionally, this condition could result in compromised security for computers, computer programs, and data. It also does not allow the County to function in the most effective manner possible.

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

**Management Response:**

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

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

**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

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best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 states in part:

*Definition of Internal Control*

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

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

*Components, Principles, and Attributes*

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

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

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

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

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

**Finding 2018-003 – Lack of Internal Controls and Noncompliance Over the Disbursements of County Lodging Tax**

**Condition:** Upon inquiry and observation of the recordkeeping process of collecting and expending county lodging tax, which was approved by the voters of Greer County and apportioned 50% to the County General Fund and 50% to the Economic Development authority, the following was noted:

- Fifty percent (50%) of the lodging tax was deposited into the County General Fund as specified by Title 68 O.S. § 1370E and identified as such as a revenue source. However, these funds were

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comingled with other general fund monies and not discretely presented within the County General Fund and, therefore, specific expenditures made with lodging tax could not be identified.

- Fifty percent (50%) of the lodging tax was deposited into the Economic Development Authority Hotel/Motel Tax cash fund as specified by Title 68 O.S. § 1370E. However, the funds were directly disbursed to the Economic Development Authority and therefore, specific expenditures made with the lodging tax by the Authority were not authorized by the BOCC and could not be identified.

**Cause of Condition:** Policies and procedures have not been designed and implemented to strengthen internal controls and ensure compliance with state statute and AG Opinions.

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

**Recommendation:** OSAI recommends that the county lodging tax apportioned to the County General Fund be accounted for in a separate account and expended in accordance with 19 O.S. § 1505 as to discretely present the expenditures. In addition, the sales tax should be expended in such a manner to provide assurance that expenditures are made in accordance with the purposes specified by the ballot as outlined by 68 O.S. § 1370E and AG Opinions 2005 OK AG 23 and 2014 OK AG 15.

Further, OSAI recommends the BOCC maintain oversight of the disbursements of county lodging tax, which was approved by the voters of Greer County, with regards to the Economic Development Authority.

**Management Response:**

**Chairman of the Board of County Commissioners:** The Board of County Commissioners implemented changes in fiscal year 2019 and now reports lodging tax in accordance with Oklahoma Statutes and the AG Opinion 2005 and 2014. Further, the BOCC implemented changes in fiscal year 2019 to comply with purchasing laws with regards to disbursements of lodging tax by the Economic Development Authority.

**Criteria:** Title 68 O.S. § 1370E, requires the sales tax collections be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

Further, AG opinion 2005 OK AG 23 dated 07/13/2005 states:

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

Additionally, AG opinion 2014 OK AG 15 dated 10/31/2014 states:

4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund

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and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S.2011, § 1370; 19 O.S.Supp.2013, § 339; 19 O.S.2011, § 345; Cavin v. Bd. of County Comm'rs, 1934 OK 245 ¶ 11, 33 P.2d 477, 479.

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

**Finding 2018-004 – Lack of Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding 2002-002, 2003-001, 2005-002, 2012-003, 2013-003)**

**Condition:** The audit of forty (40) disbursements reflected that six (6) disbursements were not properly encumbered in accordance state statute.

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

**Effect of Condition:** This condition resulted in noncompliance with state statute which 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. Such controls should include ensuring that funds are encumbered prior to the receipt of goods and/or services, implementing a review process with adequate documentation to support the review, and implementing procedures to ensure authorized personnel requisition, receive, and approve cash disbursements in accordance with 19 O.S. § 1505.

**Management Response:**

**Chairman of Board of County Commissioners:** The Board of County Commissioners will express to fellow County officials the importance of County funds being encumbered prior to the receipt of goods and/or services.

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

10.03 Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system. The common control activity categories listed in figure 6 are meant only to illustrate the range and variety of control activities that may be useful to management. The list is not all inclusive and may not include particular control activities that an entity may need.

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Additionally, GAO Standards – Section 2 – Objectives of an Entity – OV2.23 states in part:

*Compliance Objectives*

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

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

**Finding 2018-006 – Lack of Internal Controls and Noncompliance Over the Disbursements of County Sales Tax**

**Condition:** Upon inquiry and observation of the recordkeeping process of collecting and expending county sales tax, the following was noted:

- A county sales tax was apportioned to the County General Fund as specified by Title 68 O.S. § 1370E and identified as such as a revenue source. However, the funds were not discretely presented within the County General Fund and therefore, specific disbursements made with sales tax funds could not be identified.

**Cause of Condition:** Policy and procedures have not been designed and implemented to strengthen internal controls and ensure compliance with state statute and AG Opinions.

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

**Recommendation:** OSAI recommends that the County sales tax apportioned to the County General Fund and be accounted for in separate accounts as to discretely present the expenditures. In addition, the sales tax should be expended in such a manner to provide assurance that expenditures are in accordance with the purposes specified by the sales tax ballot as outlined by Title 68 O.S. § 1370E and AG Opinions.

**Management Response:**

**Chairman of the Board of County Commissioners:** This condition has been corrected. We established a separate cash fund to account for this sales tax beginning July 1, 2019.

**Criteria:** Title 68 O.S. § 1370E, requires the sales tax collections be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

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Further, AG opinion 2005 OK AG 23 dated 07/13/2005 states:

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

Additionally, AG opinion 2014 OK AG 15 dated 10/31/2014 states:

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



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