



ROGER MILLS COUNTY

Financial Report

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

**ROGER MILLS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Cindy Byrd, CPA | State Auditor & Inspector

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February 12, 2020

TO THE CITIZENS OF
ROGER MILLS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Roger Mills County, Oklahoma for the fiscal year ended June 30, 2017. 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".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**ROGER MILLS COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Board of County Commissioners

District 1 – Brian Hay
District 2 – Justin Walker
District 3 – Jim Barber

County Assessor

Sarah Batterton

County Clerk

Jimmy Beavin

County Sheriff

Darren Atha

County Treasurer

Bab Coker

Court Clerk

Jan Bailey

District Attorney

Angela Marsee

**ROGER MILLS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
ROGER MILLS 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 Roger Mills County, Oklahoma, as of and for the year ended June 30, 2017, 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 Roger Mills 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 Roger Mills County as of June 30, 2017, 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 Roger Mills County, for the year ended June 30, 2017, 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 are 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 January 27, 2020, on our consideration of Roger Mills 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 Roger Mills County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

January 27, 2020

REGULATORY BASIS FINANCIAL STATEMENT

ROGER MILLS COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
County General Fund	\$ 9,476,269	\$ 2,675,906	\$ -	\$ -	\$ 3,242,908	\$ 8,909,267
County Highway Fund	4,710,889	4,989,675	-	-	5,655,144	4,045,420
Roger Mills County Hospital Sales Tax	37,667	627,664	-	-	624,753	40,578
Rural Fire Sales Tax	1,688,696	87,141	-	-	252,637	1,523,200
Senior Citizens Sales Tax	777,628	44,460	-	-	270,070	552,018
County Free Fair Sales Tax	115,180	19,876	-	-	42,206	92,850
OSU Extension Sales Tax	241,791	15,691	-	-	23,075	234,407
Emergency Management Sales Tax	195,569	7,846	-	-	16,077	187,338
Economic Development Sales Tax	84,066	3,662	-	-	17,968	69,760
Bankhead Jones Monies	466,668	231,175	-	-	194,282	503,561
Roger Mills County Revolving Sales Tax	368,365	239,768	-	-	-	608,133
County Bridge Road Improvement Fund 105	433,656	163,581	-	-	193,519	403,718
Sheriff Prisoner Revolving	241,752	101,459	-	-	115,596	227,615
County Clerk Lien Fee	547,933	18,027	-	-	105,491	460,469
Sheriff Service Fee	369,685	36,337	6,092	-	3,030	409,084
911 Dispatch	5,260	32,088	-	-	19,153	18,195
Grants	4,161	7,378	-	-	10,801	738
County Clerk Records Preservation Fee	38,396	13,260	-	-	-	51,656
Resale Property	23,234	12,344	-	-	5,481	30,097
Courthouse Security	6,092	-	-	6,092	-	-
Assessor Revolving	63,656	14,564	-	-	12,448	65,772
Treasurer Mortgage Tax Certification Fee	786	720	-	-	-	1,506
Court Fund Payroll	29,041	51,512	-	-	61,779	18,774
Assessor Visual Inspection	1,783	4	-	-	-	1,787
Reward Fund	10	200	-	-	-	210
Sheriff Forfeiture	7,303	-	-	-	-	7,303
Combined Total - All County Funds	\$ 19,935,536	\$ 9,394,338	\$ 6,092	\$ 6,092	\$ 10,866,418	\$ 18,463,456

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

**ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

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

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

Roger Mills County Hospital Sales Tax – accounts for sales tax collected and disbursed as restricted by sales tax ballot.

Rural Fire Sales Tax – accounts for sales tax collected and disbursed as restricted by sales tax ballot.

Senior Citizens Sales Tax – accounts for sales tax collected and disbursed as restricted by sales tax ballot.

**ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

County Free Fair Sales Tax – accounts for sales tax collected and disbursed as restricted by sales tax ballot.

OSU Extension Sales Tax – accounts for sales tax collected and disbursed as restricted by sales tax ballot.

Emergency Management Sales Tax – accounts for sales tax collected and disbursed as restricted by sales tax ballot.

Economic Development Sales Tax – accounts for sales tax collected and disbursed as restricted by sales tax ballot.

Bankhead Jones Monies – accounts for the highway portion of direct federal payments received from the U.S. Department of Agriculture. Disbursements are to be used for public roads of the County in compliance with grant provisions.

Roger Mills County Revolving Sales Tax – accounts for sales tax collected and disbursed as restricted by sales tax ballot.

County Bridge Road Improvement Fund 105 – accounts for County Bridge and Road Improvement Fund (CBRIF) monies for road and bridge construction in the County, meeting County Road Standards, with the County agreeing to provide adequate maintenance over the life of the structures to protect the investment.

Sheriff Prisoner Revolving – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are used for the operations of the Sheriff's department.

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

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

911 Dispatch – accounts for payments to Public Safety Answering Points (PSAP) call center, including landlines and cell phones. The account is under the direction of Roger Mills County Sheriff's Office to pay dispatchers.

Grants – accounts for various state and local grants the County received during the year and disbursed as outlined by the grant agreements.

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

**ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Courthouse Security – accounts for fees received through the court system to be disbursed for security improvements and operations for the Roger Mills County Courthouse.

Assessor Revolving – accounts for the collection of fees and disbursements for copies 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.

Court Fund Payroll – accounts for monies received from the Court Clerk’s Court Fund for the disbursement of payroll to Court Fund employees.

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

Reward Fund – accounts for a percentage of fines imposed for littering and is used to pay rewards for the arrest and conviction or for evidence leading to the arrest and conviction of any person who violates the provisions of state littering laws.

Sheriff Forfeiture – accounts for money forfeited or money earned from the sale of items forfeited to the Sheriff in relation to drug seizures and disbursements for drug enforcement.

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.

**ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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."

**ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

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.

**ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

On May 14, 2013, Roger Mills County voters approved a one and one-half percent (1.5%) sales tax effective December 1, 2013 and ending on November 30, 2019. The Roger Mills County Hospital Authority is to receive .9 of one cent. The Roger Mills County Rural Fire Departments are to receive .125 of one cent (Cheyenne, Crawford, Hammon, Reydon, Strong City, and Berlin each receiving 14.29% and Leedey and Sweetwater each receiving 7.13%). The remaining .475 of one cent is for the general operation and capital improvements for the Roger Mills County Senior Citizens Centers, the Roger Mills County Civil Defense/Emergency Management, the Oklahoma State University Extension Office, the Roger Mills County Revolving Sales Tax for the Sheriff's Office, the General Government Department, the Election Board Office, and the Excise Board Office.

The sales tax is accounted for in the following funds: Roger Mills County Hospital Sales Tax, Rural Fire Sales Tax, Senior Citizens Sales Tax, County Free Fair Sales Tax, OSU Extension Sales Tax, Emergency Management Sales Tax, Economic Development Sales Tax, and Roger Mills County Revolving Sales Tax.

E. Tax Abatements

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

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

The County had \$286,821 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2017.

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

**ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

\$6,092 was transferred from Courthouse Security fund to the Sheriff Service Fee fund in accordance with 28 O.S. § 153(E).

SUPPLEMENTARY INFORMATION

ROGER MILLS COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 9,476,269	\$ 9,476,269	\$ -
Less: Prior Year Outstanding Warrants	(138,892)	(138,892)	-
Less: Prior Year Encumbrances	(33,213)	(30,557)	2,656
Beginning Cash Balances, Budgetary Basis	9,304,164	9,306,820	2,656
Total Receipts, Budgetary Basis	1,959,384	2,675,906	716,522
Total Expenditures, Budgetary Basis	11,263,548	3,258,785	8,004,763
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	8,723,941	\$ 8,723,941
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		140,548	
Add: Current Year Encumbrances		44,778	
Ending Cash Balance		\$ 8,909,267	

**ROGER MILLS COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. Budgetary Schedules

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

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

INTERNAL CONTROL AND COMPLIANCE SECTION

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

TO THE OFFICERS OF
ROGER MILLS 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 Roger Mills County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprises Roger Mills County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 27, 2020.

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, 2017, 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 Roger Mills 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 Roger Mills County's internal control. Accordingly, we do not express an opinion on the effectiveness of Roger Mills 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 questioned costs that we consider to be material weaknesses: 2017-001 and 2017-002

Compliance and Other Matters

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

Roger Mills County's Response to Findings

Roger Mills County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Roger Mills 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

January 27, 2020

**ROGER MILLS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 2017-001 – Inadequate County-Wide Controls (Repeat Finding 2015-001, 2016-001)

Condition: County-wide controls have not been adequately designed to address Control Environment, Risk Assessment and Monitoring.

Additionally, the distribution of the handbook is not adequately documented or monitored. The handbook is the method in which to communicate some important aspects of the control environment and County policies.

Cause of Condition: Policies and procedures have not been designed and implemented to address the Control Environment, Risk Assessment and Monitoring.

Effect of Condition: Without written documentation of the county-wide controls, it is more difficult to retain organizational knowledge, communicate that knowledge to personnel, indicate the internal controls are present and monitor those controls. These conditions do not allow the County to function in the most effective manner possible with regard to assessing risk and monitoring activities.

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

Management Response:

Chairman of the Board of County Commissioners: We will continue to design and address Risk Assessment and Monitoring through the County-Wide Control Checklist. We will maintain signed employee handbook acknowledgement forms at each office.

County Clerk: We will design and implement procedures for county-wide control in our monthly officer meeting.

County Treasurer: We will design procedures to implement county-wide controls in our monthly officer meeting.

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.

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 2017-002 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding 2015-004, 2016-004)

Condition: Upon inquiry and observation of the County’s payroll process and test of twenty (20) payroll disbursements, the following weaknesses were noted:

- The two (2) employees who are responsible for payroll processing have the ability to add a new employee or change employee deductions within the system.
- Thirteen (13) warrants did not have the affidavits signed by the supervisor or county official.

Cause of Condition: Policies and procedures have not been designed and implemented for review and approval of payroll affidavits and the payroll process to ensure a proper segregation of duties.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financials reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends all County employees have properly approved time records/affidavits to support monthly payroll on file with the County Clerk. Each employee’s time record should reflect the hours worked for each day; the compensatory time earned, annual, sick and compensatory

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time taken or paid; and be approved by the County officer or department head. OSAI further recommends that payroll duties be segregated. One individual should not be responsible for processing payroll claims while still having the ability to enroll new hires into the system and change withholding amounts.

Management Response:

District 1 Commissioner: We will make sure all affidavits are signed by a supervisor or elected official.

District 3 Commissioner: We will verify that all affidavits are signed by a supervisor or elected official.

County Clerk: We will create a policy to verify all new hires and employee deductions. I will also check with my software provider to see if segregating the functions of payroll is possible.

County Treasurer: I will make sure all affidavits are signed by a supervisor or elected official.

Criteria: 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.

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