



STEPHENS COUNTY

Financial Audit

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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

September 14, 2021

TO THE CITIZENS OF
STEPHENS COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

Board of County Commissioners

District 1 – Kreg Murphree
District 2 – Todd Churchman
District 3 – Russell Morgan

County Assessor

Dana Buchanan

County Clerk

Jenny Moore

County Sheriff

Wayne McKinney

County Treasurer

Janice Graham

Court Clerk

Dana Blevins

District Attorney

Jason Hicks

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

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FINANCIAL SECTION

Independent Auditor's Report

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

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

Unmodified Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2021, on our consideration of Stephens 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 Stephens County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

September 7, 2021

REGULATORY BASIS FINANCIAL STATEMENT

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

	Beginning Cash Balances July 1, 2018	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2019
Combining Information:						
County General Fund	\$ 6,352,931	\$ 4,945,424	\$ -	\$ -	\$ 4,417,184	\$ 6,881,171
County Highway Fund	14,813,049	10,392,110	-	400,000	8,181,799	16,623,360
County Health Department	1,417,565	898,864	-	-	704,269	1,612,160
Resale Property	972,654	288,881	-	-	268,269	993,266
Sheriff Service Fee	1,273,125	325,787	-	-	389,850	1,209,062
Governmental Building Authority Jail Operations	439,385	1,819,915	-	-	1,950,435	308,865
Governmental Building Authority Facility Operations	163,525	1,150,970	-	-	910,721	403,774
Governmental Building Authority Jail Sales Tax	3,650,015	75,710	-	-	112,609	3,613,116
Governmental Building Authority Facility Sales Tax	516,471	324,110	-	-	113,507	727,074
Stephens County Fire Departments and Nutrition Centers	1,942,464	907,962	-	-	681,171	2,169,255
Sheriff Housing	422,257	333,768	-	-	437,830	318,195
Victims of Crime Advocate (VOCA) Grant	7,500	-	-	-	-	7,500
Treasurer Mortgage Tax Certification Fee	35,051	7,850	-	-	6,013	36,888
County Clerk Lien Fee	298,376	73,168	-	-	35,385	336,159
County Clerk Record Management & Preservation Fund	342,772	63,445	-	-	121,081	285,136
Assessor Revolving Fee	30,242	19,689	-	-	19,710	30,221
Assessor Visual Inspection	9,510	26,514	-	-	27,037	8,987
Sheriff Grant Fund	84	-	-	-	-	84
Sheriff Commissary	196,164	145,389	-	-	142,821	198,732
Sheriff Training	1	-	-	-	-	1
Community Service Sentencing Program	1,063	-	-	-	-	1,063
Drug Abuse Resistance Education (DARE)	8	-	-	-	-	8
Free Fair	68,111	223,379	-	-	67,233	224,257
Civil Defense	71,368	78,099	-	-	126,322	23,145
Courthouse Building	598	-	-	-	-	598
County Reward Fund	2,009	97	-	-	-	2,106
Wireless 911 Fee	68,870	134,556	-	-	146,567	56,859
Land Line 911 Fee	41,586	83,369	-	-	76,621	48,334
Disability Reimbursement Insurance Fund (DRIF)	74	1,445	-	-	1,519	-
Sheriff Special Fund	11,160	-	-	-	-	11,160
Court Fund Payroll	-	79,925	-	-	73,305	6,620
Fair Facility	-	120,456	2,380,208	-	-	2,500,664
Sheriff Drug Buy/Forfeiture	2,200	20,441	-	-	-	22,641
Sheriff Donation	14,324	1,580	-	-	1,448	14,456
Reserve Academy	4,966	-	-	-	-	4,966
Combined Total - All County Funds, as Restated	\$ 33,169,478	\$ 22,542,903	\$ 2,380,208	\$ 400,000	\$ 19,012,706	\$ 38,679,883

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Stephens 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 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.

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

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

Governmental Building Authority Jail Operations – accounts for funds collected from a county sales tax to be used for the maintenance and operation of the Stephens County Jail.

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

Governmental Building Authority Facility Operations – accounts for the funds collected from a county sales tax to be used for maintenance and operation of the Stephens County Fairgrounds and Buildings.

Governmental Building Authority Jail Sales Tax – accounts for funds collected from a county sales tax to be used for the maintenance and operation of the Stephens County Jail.

Governmental Building Authority Facility Sales Tax – accounts for the funds collected from a county sales tax to be used for maintenance and operation of the Stephens County Fairgrounds and Buildings.

Stephens County Fire Departments and Nutrition Centers – accounts for the collection of the sales tax money and is disbursed for the purpose of maintenance and operation of the Stephens County Fire Departments and Stephens County Senior Centers, excluding personal service and travel expenses.

Sheriff Housing – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of maintaining the jail.

Victims of Crime Advocate (VOCA) Grant – accounts for grant monies received to pay salaries of victims' advocate for the Sheriff's Department.

Treasurer Mortgage Tax Certification Fee – accounts for the collections and disbursements as restricted by state statute.

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

County Clerk Record Management & Preservation Fund – 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 restricted by state statute.

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

Sheriff Grant Fund – accounts for funds received from various grants to the Sheriff's office.

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

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

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

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

Drug Abuse Resistance Education (DARE) – accounts for state funds disbursed for the purpose of drug education and drug awareness.

Free Fair – accounts for monies received from rentals and used for the operation of the fairgrounds.

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

Courthouse Building – accounts for monies received for courthouse improvements.

County Reward Fund – accounts for monies collected and disbursed to citizens involved in the reporting of littering offenses.

Wireless 911 Fee – accounts for the collection of fees imposed on wireless users within the county for the operation of the Emergency 911 service.

Land Line 911 Fee – accounts for the collection of fees imposed on land line users within the county for the operation of the Emergency 911 service.

Disability Reimbursement Insurance Fund (DRIF) – accounts for the collection of insurance premiums to be repaid to county employees.

Sheriff Special Fund – accounts for the sale of unclaimed or seized property and disbursed in accordance with state statutes.

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

Fair Facility – accounts for excess money received from the Governmental Building Authority Trust Fund and funds collected from a county sales tax for maintenance and operations for the Fair Facility.

Sheriff Drug Buy/Forfeiture – accounts for monies received from the District Attorney’s office disbursed for undercover drug buys.

Sheriff Donation – accounts for donations received and disbursed for the specific purpose of said donation.

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

Reserve Academy – accounts for monies received from students for the payment of class fees and disbursed for classroom supplies.

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

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

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.

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

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

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.

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 November 6, 2012

On November 6, 2012, the voters of Stephens County approved a fifteen-one-hundredths percent (.15%) sales tax for the support of the Stephens County Fire Departments and the Stephens County Senior Centers. This sales tax shall commence on the 1st day of April 2013 and shall expire and cease to be collected on the 30th day of March, 2020. This sales tax shall be used for the purpose of acquiring, purchasing, continuing, equipping, repairing, renovating, operating, maintaining, training and advancing fire protection, prevention and/or communication services or equipment, including maintenance and/or construction of buildings or facilities, but not to include salaries in the County of Stephens, Oklahoma, to support the fire departments in Stephens County and the maintaining, continuing, equipping, repairing, renovating or operating the Stephens County Senior Centers. The sales tax is accounted for in Stephens County Fire Departments and Nutrition Centers fund.

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

Sales Tax of November 7, 2000

On November 7, 2000, the voters of Stephens County approved a one-fourth of one percent (1/4%) sales tax for the sole purpose to pay for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining County Fair facilities for the County of Stephens, Oklahoma; to pay the principal of and interest on indebtedness incurred on behalf of said County by the Stephens County Government Building Authority for such purposes; providing that said sales tax shall expire and cease to be collected on December 31, 2020; fixing effective date; making provisions accumulative; and providing severability of provisions. The said sales tax shall expire December 31, 2020 at which time all indebtedness of the Governmental Building Authority Facility Operations will be retired. The sales tax is accounted for in two funds known as the Governmental Building Authority Facility Sales Tax, Fair Facility, and Governmental Building Authority Facility Operations.

Sales Tax of August 22, 2000

On August 22, 2000, the voters of Stephens County approved a one-half of one percent (1/2%) sales tax for the purpose of acquiring, constructing, equipping, repairing, renovating, operating, and maintaining county jail facilities and parking facilities for Stephens County, Oklahoma; to pay the principal of and interest on indebtedness incurred on behalf of said County by Stephens County Governmental Building Authority for such purposes; providing that three-tenths of one percent (3/10%) sales tax shall be levied until repealed by a majority of the electors of Stephens County in an election called for that purpose, and further providing that the remaining two-tenths of one percent (2/10%) sales tax be expired on October 1, 2005; fixing effective date; making provisions cumulative, and providing severability of provisions. The sales tax is accounted for in the two funds known as the Governmental Building Authority Facility Sales Tax fund and the Governmental Building Authority Jail Operations fund.

E. Interfund Transfers

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

- \$400,000 was transferred from County Highway Fund to Emergency Transportation Revolving Fund (a Trust and Agency Fund) for the reimbursement of borrowed funds used for bridge and road projects in the county.
- \$2,380,208 was transferred from the Governmental Building Authority Trust Fund (a Trust and Agency Fund) to the Fair Facility fund for maintenance and operations of the facility.

F. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Drug Court, which is administered by the District Attorney, was reclassified as a trust and agency fund and represents expenditures of drug court.

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

Prior year ending balance, as reported	\$33,173,638
Funds reclassified to Trust and Agency Funds:	
Drug Court Salary reclassified from a County Fund to a Trust and Agency Fund	<u>(4,160)</u>
Prior year ending balance, as restated	<u>\$33,169,478</u>

SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
District Attorney County	\$ 55,000	\$ 54,900	\$ 100
County Sheriff	777,085	777,077	8
County Treasurer	207,680	207,398	282
County Commissioners	1,501	358	1,143
OSU Extension	129,233	64,984	64,249
County Clerk	345,212	332,279	12,933
Court Clerk	222,268	220,183	2,085
County Assessor	250,149	248,847	1,302
Revaluation of Real Property	272,373	259,072	13,301
Drug Court	16,800	15,000	1,800
General Government	7,709,762	2,152,336	5,557,426
Excise-Equalization Board	8,002	7,007	995
County Election Board	114,107	109,606	4,501
Charity	33,268	29,983	3,285
Wildlife Trapper	2,400	2,400	-
District Court	10,000	4,425	5,575
County Audit Budget Account	70,717	70,717	-
Free Fair Budget Account	15,000	15,000	-
Total Expenditures, Budgetary Basis	\$ 10,240,557	\$ 4,571,572	\$ 5,668,985

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

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 2,097,787	\$ 749,984	\$ 1,347,803
Total Expenditures, Budgetary Basis	\$ 2,097,787	\$ 749,984	\$ 1,347,803

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

1. Budgetary Schedules

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

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

INTERNAL CONTROL AND COMPLIANCE SECTION

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

TO THE OFFICERS OF
STEPHENS 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 Stephens County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprises Stephens County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated September 7, 2021.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2019, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Stephens 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 Stephens County's internal control. Accordingly, we do not express an opinion on the effectiveness of Stephens 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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness: 2019-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stephens 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*.

We noted a certain matter regarding statutory compliance that we reported to the management of Stephens County, which is included in Section 2 of the schedule of findings and responses contained in this report.

Stephens County's Response to Findings

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

September 7, 2021

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

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

Finding 2019-001 – Lack of County-Wide Internal Controls (Repeat Finding 2010-001, 2011-001, 2012-001, 2013-001, 2014-001, 2015-001, 2016-001, 2017-001, 2018-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide internal controls regarding Risk Assessment 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 internal 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 and Inspector’s Office (OSAI) recommends that the County design and implement procedures to identify and address risks. 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: The Board of County Commissioners will work towards assessing and identifying risks to design written county-wide internal 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 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.

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

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.

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

Finding 2019-010 – Lack of Internal Controls Over the Schedule of Expenditures of Federal Awards (SEFA) – (Repeat Finding)

Condition: Total federal expenditures on the SEFA were overstated by \$588,644:

- Expenditures reported on the SEFA for Public Assistance Grant CFDA 97.036 were \$695,213. Actual federal expenditures obtained from the County’s records confirm \$136,401 expended for a variance of \$558,812.
- Expenditures reported on the SEFA for Emergency Management Performance Grant CFDA 97.042 were \$54,431. Actual federal expenditures obtained from the County’s records confirm \$24,599 expended for a variance of \$29,832.

Cause of Condition: Internal controls over the SEFA have not been designed and implemented to ensure accurate reporting of expenditures for federal awards.

Effect of Condition: This condition resulted in the erroneous reporting and a material misstatement of the County’s SEFA and could increase the potential for material noncompliance.

Recommendation: OSAI recommends county officials and department heads gain an understanding of federal programs awarded to Stephens County. Internal control procedures should be designed and

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

implemented to ensure accurate reporting of expenditures on the SEFA and to ensure compliance with federal requirements.

Management Response:

Chairman of the Board of County Commissioners: We will work to ensure accurate reporting of all federal expenditures.

Criteria: Accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

Further, Title 2 *CFR* 200 § 200.510(a)(b) *Financial Statements* reads as follows:

(a) *Financial statements.* The auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. The financial statements must be for the same organizational unit and fiscal year that is chosen to meet the requirements of this part. However, non-Federal entity-wide financial statements may also include departments, agencies, and other organizational units that have separate audits in accordance with §200.514 Scope of audit, paragraph (a) and prepare separate financial statements.

(b) *Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended.

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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