



STEPHENS COUNTY

Financial Report

For the fiscal year ended June 30, 2022

Cindy Byrd, CPA
State Auditor & Inspector

**STEPHENS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



OKLAHOMA
Office of the State Auditor & Inspector

Cindy Byrd, CPA | State Auditor & Inspector

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

April 8, 2024

TO THE CITIZENS OF
STEPHENS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Stephens County, Oklahoma for the fiscal year ended June 30, 2022. 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.

This report is 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.

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, 2022**

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

Debbie Burden

Court Clerk

Melody Harper

District Attorney

Jason Hicks

**STEPHENS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

TABLE OF CONTENTS

FINANCIAL SECTION

Report of State Auditor and Inspector 1

 Financial Statement:

 Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis 4

 Notes to the Financial Statement..... 5

SUPPLEMENTARY INFORMATION

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—General Fund..... 12

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—Health Fund..... 13

 Note to Supplementary Information..... 14

INTERNAL CONTROL AND COMPLIANCE SECTION

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..... 15

Schedule of Findings and Responses..... 17

FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
STEPHENS COUNTY, OKLAHOMA

Report on the Audit of the Financial Statement

Opinion

We have audited the 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, 2022, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the regulatory basis total receipts, disbursements, and changes in cash balances for all county funds of Stephens County, as of and for the year ended June 30, 2022, in accordance with the financial reporting provisions of Title 19 O.S. § 171 of Oklahoma Statutes described in Note 1.

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 (U.S. GAAP) section of our report, the financial statement referred to above does not present fairly, in accordance with U.S. GAAP, the financial position of Stephens County as of June 30, 2022, or changes in financial position for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Stephens County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinions.

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 U.S. GAAP to meet the requirements of the State of Oklahoma. The effects on the financial statement of the variances

between the regulatory basis of accounting described in Note 1 and U.S. GAAP, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management 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 prescribed or permitted by Oklahoma state law, 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Stephens County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit 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 Stephens County's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Stephens County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 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. Such 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. The 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 GAAS. 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 February 26, 2024, 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

February 26, 2024

REGULATORY BASIS FINANCIAL STATEMENT

STEPHENS COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Beginning Cash Balances July 1, 2021	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2022
County Funds:						
County General	\$ 7,257,757	\$ 4,774,054	\$ -	\$ 40,000	\$ 4,974,302	\$ 7,017,509
County Highway Unrestricted	12,106,709	10,175,827	-	-	8,221,030	14,061,506
Health	2,333,641	1,014,530	-	-	867,608	2,480,563
Resale Property	1,146,773	471,783	-	-	362,167	1,256,389
Sheriff Service Fee	1,794,369	706,048	-	-	614,324	1,886,093
Jail-ST	584,964	1,892,835	-	-	1,834,573	643,226
Governmental Building Authority-Jail	5,876	-	-	-	2,351	3,525
Governmental Building Authority-Fair	140	-	-	140	-	-
Rural Fire-ST	2,467,951	902,315	-	-	752,158	2,618,108
Treasurer Mortgage Certification	43,678	9,906	-	-	9,787	43,797
County Clerk Lien Fee	375,255	44,053	-	-	52,435	366,873
County Clerk Records Management and Preservation	294,178	133,106	-	-	113,556	313,728
Assessor Revolving Fee	29,496	31,352	-	-	28,724	32,124
Sheriff Commissary	221,666	238,287	-	-	301,732	158,221
Sheriff Training	10,636	-	-	-	875	9,761
Free Fair Building	170,641	247,160	-	-	178,544	239,257
Emergency Management	95,660	39,400	40,000	-	76,437	98,623
Courthouse Building	598	-	-	-	-	598
Reward Fund	2,106	-	-	-	-	2,106
911 Phone Fees	51,625	206,050	-	-	189,555	68,120
Court Clerk Payroll	7,690	256,512	-	-	263,215	987
Fair-ST	1,669,021	1,600,037	-	-	965,562	2,303,496
Jail	5,228	1,954	-	-	-	7,182
County Donations	5,734,792	3,403	140	-	186,943	5,551,392
County Bridge and Road Improvement	1,764,133	694,623	-	-	1,284,263	1,174,493
Free Fair Board	40,521	55,470	-	-	53,652	42,339
Local Emergency Planning Committee	2,580	1,000	-	-	1,643	1,937
Senior Citizens-ST	107,113	72,104	-	-	48,623	130,594
Sheriff Forfeiture	30,971	3,118	-	-	30,700	3,389
Safe Room Grant	28,010	4,000	-	-	4,000	28,010
Sheriff Donation Fund	19,973	-	-	-	300	19,673
American Rescue Plan Act 2021	4,190,028	4,191,091	-	-	106,161	8,274,958
Rural Economic Action Plan Revolving Fund	-	135,000	-	-	135,000	-
Total - All County Funds	\$ 42,593,779	\$ 27,905,018	\$ 40,140	\$ 40,140	\$ 21,660,220	\$ 48,838,577

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, 2022**

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 within the financial statement:

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

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

Health – 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.

Jail-ST – 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, 2022**

Governmental Building Authority-Jail – 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-Fair – accounts for excess money received from a county sales tax for maintenance and operation of the Fair Facility.

Rural Fire-ST – accounts for the collection of the sales tax revenue and is disbursed for the purpose of maintenance and operation of the Stephens County Fire Departments.

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

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

County Clerk Records Management and 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 restricted by state statute.

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

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

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

Emergency Management – 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.

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

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

**STEPHENS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

Fair-ST– accounts for excess money received from the Governmental Building Authority Trust Fund and funds collected from a county sales tax to be used for maintenance and operation of the Fair Facility.

Jail – accounts for fees collected by the Court Clerk to be used for the operation of the Sheriff's office.

County Donations – accounts for donations to the County for specified projects as restricted by resolutions approved by the Board of County Commissioners.

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

Free Fair Board – accounts for free fair fees collected and disbursements for stock show expenses.

Local Emergency Planning Committee – accounts for revenues from a state grant and disbursements as restricted by the grant agreement.

Senior Citizens-ST – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution for senior citizens centers.

Sheriff Forfeiture – accounts for monies received from the District Attorney's office and disbursed for undercover drug buys.

Safe Room Grant – accounts for grant monies received to reimburse recipients of safe rooms.

Sheriff Donation Fund – accounts for donations to the Sheriff's Office for specified projects as restricted by resolutions approved by the Board of County Commissioners.

American Rescue Plan Act 2021 – accounts for monies received from the United States Department of Treasury and disbursed for responding to the COVID-19 public health emergency and its negative economic impact, premium pay to eligible workers, the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, and investments in water, sewer, and broadband infrastructure as restricted by federal requirements.

Rural Economic Action Plan Revolving Fund – accounts for monies received from the State of Oklahoma for the purpose of economic development.

**STEPHENS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 (U.S. GAAP), 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 allows Oklahoma counties to present their financial statement in accordance with 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, which specifies the format and presentation of such regulatory basis financial statements: 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).

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.

**STEPHENS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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.

**STEPHENS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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; however, 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 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 Jail-ST fund.

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

**STEPHENS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

principal of and interest on indebtedness incurred on behalf of said County by the Stephens County Government Building Authority for such purposed; 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 the Fair-ST fund.

Sales Tax of June 26, 2018

On June 26, 2018, the voters of Stephens County approved a fifteen-one-hundredths percent (.15%) sales tax, in addition to all existing sales tax, for the support of the Stephens County, Oklahoma Fire Departments and the Stephens County, Oklahoma Senior Citizens Nutrition Center. This sales tax shall commence on the 1st day of April 2020 and shall be levied until repealed by a majority of the electors of Stephens County in an election called for that purpose. 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 Stephens County, State of Oklahoma, to support the fire departments in Stephens County, Oklahoma and the maintaining, continuing, equipping, repairing, renovating or operating of the Senior Citizens Nutrition Centers in Stephens County, Oklahoma. This sales tax is accounted for in the Senior Citizens- ST and the Rural Fire – ST funds.

Sales Tax of September 10, 2019

On September 10, 2019, the voters of Stephens County approved a one-quarter percent (.25%) sales tax, in addition to all existing sales tax, for the support of the Stephens County, Oklahoma Fairgrounds. This sales tax shall commence on the 1st day of January 2021 and shall expire and cease to be collected on the 31st day of December 2041. This sales tax shall be used for the purpose of maintaining, operating, and improving the Stephens County Fairgrounds; the maintaining, operating and purchase of equipment; the construction, maintaining and operation of buildings; the acquiring and improving of property for the Stephens County Fairgrounds; and/or for the retirement of any bonds issued for such purpose. The sales tax is accounted for in the Fair -ST fund.

E. Interfund Transfers

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

- \$40,000 was transferred to the Emergency Management fund from the County General fund for County matching funds of the EMPG Grant for fiscal year 2021-2022.
- \$140 was transferred to the County Donations fund from the Governmental Building Authority-Fair fund, by BOCC resolution, for the purpose of closing the fund.

SUPPLEMENTARY INFORMATION

STEPHENS COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund		
	Budget	Actual	Variance
District Attorney	\$ 70,000	\$ 70,000	\$ -
County Sheriff	892,079	853,066	39,013
County Treasurer	238,173	237,879	294
County Commissioners	91,970	70,017	21,953
OSU Extension	170,301	126,049	44,252
County Clerk	389,804	384,769	5,035
County Court Clerk	240,662	238,330	2,332
County Assessor	285,410	277,481	7,929
Visual Inspection	290,304	271,725	18,579
District Court	46,935	33,245	13,690
General Government	8,209,564	2,107,807	6,101,757
Excise Equalization	8,002	6,154	1,848
Election Board	141,471	127,822	13,649
Charity	36,268	34,540	1,728
Courthouse Security	119,860	119,860	-
E-911	50,000	49,701	299
Tick Eradication	2,400	2,400	-
County Audit Budget	55,101	55,101	-
Free Fair Board - ST	20,000	15,000	5,000
Total Expenditures, Budgetary Basis	\$ 11,358,304	\$ 5,080,946	\$ 6,277,358

STEPHENS COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 2,999,758	\$ 944,166	\$ 2,055,592
Total Expenditures, Budgetary Basis	\$ 2,999,758	\$ 944,166	\$ 2,055,592

**STEPHENS COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund presents 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 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 auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Stephens County, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise Stephens County’s financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated February 26, 2024.

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 (U.S. GAAP). 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 as of and for the year ended June 30, 2022, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Report on 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) as a basis for designing 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.

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: 2022-001.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2022-009

Report on 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 financial statement. 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 item 2022-009.

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

Stephens County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Stephens County's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Stephens County's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

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 results 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

February 26, 2024

**STEPHENS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 2022-001 – Lack of County-Wide Internal Controls and Disaster Recovery Plans (Repeat Finding - 2010-001, 2011-001, 2012-001, 2013-001, 2014-001, 2015-001, 2017-001, 2018-001, 2019-001, 2020-001, 2021-001)

Condition: While assessing the county-wide controls, the following weaknesses were noted:

- County-wide internal controls regarding Risk Assessment and Monitoring have not been designed and implemented.
- The County Sheriff and Court Clerk offices did not have updated disaster recovery plans in place.

Cause of Condition: Policies and procedures have not been designed and implemented to address the Risk Assessment and Monitoring in the County or to ensure that all offices have an updated Disaster Recovery Plan.

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

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement 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. Additionally, all offices should design and implement a disaster recovery plan that is in place at all times.

Management Response:

Chairman of Board of County Commissioners: The Board of County Commissioners will work to implement assessing and identifying risks.

County Sheriff: I will ensure to maintain an updated Disaster Recovery Plan over information systems and employees within my office.

Court Clerk: I will ensure to maintain an updated Disaster Recovery Plan over information systems and employees within my office. I have updated my plan as of June 13, 2023.

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

**STEPHENS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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.

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, an important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a County being unable to function in the event of a disaster.

According to the standards of the Information Systems Audit and Control Association (CobiT Delivery and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

Finding 2022-009 – Lack of Internal Controls and Noncompliance Over Sales Tax (Repeat Finding - 2021-009)

Condition: Upon inquiry and observation over sales tax collections, we noted the following:

- Jail-ST fund revenue is commingled with other revenue sources.

**STEPHENS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

- \$16,661 in medical fees acquired from inmate trust accounts were deposited into the Jail-ST fund that should have been deposited into the Sheriff Commissary fund.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with AG Opinions and 68 O.S. § 1370E.

Effect of Condition: These conditions resulted in noncompliance with the AG Opinions and state statute.

Recommendation: OSAI recommends that internal controls be designed and implemented to ensure sales tax collections are appropriated in accordance with the sales tax ballot. Furthermore, other forms of revenues should not be co-mingled with sales tax revenues and revenues that belong to the Sheriff Commissary fund should be accounted for separately from the County sales tax money.

Management Response:

Chairman of Board of County Commissioners: We will ensure that sales tax money is not co-mingled with other revenue sources.

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

Appropriate documentation of transactions and internal control

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Title 68 O.S. § 1370E requires the sales tax collections to 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 7/13/2005 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. 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, 1943 OK 245 ¶ 11, 33 P.2d 477, 479.

**STEPHENS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

Finding 2022-0007 – Lack of Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories (Repeat Finding)

Condition: Upon the observation of fixed asset inventory items, the following was noted:

- The performance of the annual inventory count of fixed assets could not be verified for the County Commissioner District 1, County Assessor, County Sheriff, Court Clerk, Health Department, Jail, and Free Fair.
- The performance of the annual inventory count of fixed assets could not be verified for the Velma, Oakridge, Meridian, Marlow, Loco, Empire, Duncan, Doyle, Corum, Comanche, Central, and Bray Fire Departments.
- The performance of the annual inventory count of fixed assets could not be verified for the Marlow, Duncan, and Velma Senior Nutrition Centers.
- There was no evidence of review of the annual inventory count of fixed assets for the County Clerk.

Also, in visually verifying a sample of ten (10) items at each highway district, the following was noted:

- District 1 – Item # 302-170 2016 Freightliner truck had improper display of identification number.
- District 2 – Item #332-018 John Deere Backhoe was not located on the inventory listing.
- District 3 – The following items were not properly marked as "Property of Stephens County" or with an inventory identification number:
 - 301-069 – 1999 Chevrolet Pickup
 - 301-088 – 2008 Chevrolet Pickup
 - 301-109 – 2020 Ford F250
 - 302-180 – 2020 Mack Truck
 - 302-182 – 2020 Mack Truck

Cause of Condition: Policies and procedures have not been designed and implemented to ensure each office performs an annual inventory count and provide evidence of review of fixed assets within the fiscal year.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in misuse or loss of equipment regarding fixed assets.

**STEPHENS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Recommendation: OSAI recommends management design and implement a system of internal controls to ensure that an annual inventory count of fixed assets is being performed by each department and that evidence exists for the preparation and review of the annual inventory count of fixed assets.

Management Response:

Chairman of Board of County Commissioners: We will work to ensure all departments, including those funded with sales tax monies, perform a fixed assets count within each fiscal year. We will perform a review of fixed assets on hand and ensure that each item is visually verified, the individual performing the visual verification and the individual maintaining the list both sign and date asset listing verification list; and file that copy with the County Clerk. We will get this corrected.

County Assessor: We will perform a review of fixed assets on hand and ensure that each item is visually verified, the individual performing the visual verification and the individual maintaining the list both sign and date asset listing verification list; and file that copy with the County Clerk.

County Sheriff: We will perform a review of fixed assets on hand and ensure that each item is visually verified, the individual performing the visual verification and the individual maintaining the list both sign and date asset listing verification list; and file that copy with the County Clerk.

Court Clerk: We will perform a review of fixed assets on hand and ensure that each item is visually verified, the individual performing the visual verification and the individual maintaining the list both sign and date asset listing verification list; and file that copy with the County Clerk.

County Clerk: We do have two people perform the inventory audit annually. We will make sure that both signatures are present going forward.

County Commissioner District 2: We will perform a review of fixed assets on hand and ensure that each item is visually verified, the individual performing the visual verification and the individual maintaining the list both sign and date asset listing verification list; and file that copy with the County Clerk.

County Commissioner District 3: We will perform a review of fixed assets on hand and ensure that each item is visually verified, the individual performing the visual verification and the individual maintaining the list both sign and date asset listing verification list; and file that copy with the County Clerk.

Criteria: GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Physical Control over Vulnerable Assets

Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.”

Title 19 O.S. § 178.1, which requires the board of county commissioners in each county of this state to take or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment.

**STEPHENS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Title 19 O.S. § 1502(A)(1), which requires a prescribed uniform identification system for all supplies, materials, and equipment of a county used for maintenance for roads and bridges.

Title 19 O.S. § 1502(B)(1) which requires a prescribed uniform identification system for all supplies, materials, and equipment of a county not used in the construction and maintenance for roads and bridges.

Title 19 O.S. § 1504 which requires the receiving officer to maintain a record of all items received, disbursed, stored, and consumed by the department.

Title 69 O.S. § 645, all county owned, rented, or leased road machinery or equipment be clearly and visibly marked "Property Of ..."

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



Cindy Byrd, CPA | State Auditor & Inspector

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