



# STEPHENS COUNTY

## Financial Audit

For the fiscal year ended June 30, 2017

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

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

---

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](http://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.



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | [www.sai.ok.gov](http://www.sai.ok.gov)

June 24, 2019

TO THE CITIZENS OF  
STEPHENS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Stephens County, Oklahoma for the fiscal year ended June 30, 2017. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first and last names clearly legible.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



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

---

**Board of County Commissioners**

District 1 – David McCarley  
District 2 – Todd Churchman  
District 3 – Dee Bowen

**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, 2017**

---

**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 (with Combining Information)—Major Funds.....	4
Notes to the Financial Statement.....	5

**OTHER SUPPLEMENTARY INFORMATION**

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	12
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund .....	13
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds .....	14
Notes to Other Supplementary Information .....	15

**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 <i>Government Auditing Standards</i> .....	17
Schedule of Findings and Responses .....	19

## **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, 2017, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

### ***Management's Responsibility for the Financial Statement***

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

### ***Auditor's Responsibility***

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

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



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

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

As described in Note 1, the financial statement is prepared by 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, 2017, or changes in financial position for the year then ended.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Stephens County, for the year ended June 30, 2017, in accordance with the basis of accounting described in Note 1.

***Other Matters***

***Supplementary and Other 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 other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the financial statement.

The other supplementary information is the responsibility of management and was derived from and related 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 other 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 June 20, 2019, 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

June 20, 2019

## **REGULATORY BASIS FINANCIAL STATEMENT**

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

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:				
Major Funds:				
County General Fund	\$ 6,111,544	\$ 4,311,109	\$ 4,256,643	\$ 6,166,010
County Highway Fund	13,304,458	7,556,730	6,089,889	14,771,299
County Health Department	1,497,123	886,517	1,147,516	1,236,124
Resale Property	798,945	313,158	231,246	880,857
Sheriff Service Fee	1,061,502	337,811	209,725	1,189,588
Community Development Block Grant (CDBG)	-	186,095	-	186,095
Governmental Building Authority Jail Operations	526,054	1,626,716	1,756,062	396,708
Governmental Building Authority Facility Operations	-	580,000	580,000	-
Governmental Building Authority Jail Sales Tax	4,438,530	11,467	453,106	3,996,891
Governmental Building Authority Facility Sales Tax	-	793,450	772,417	21,033
Stephens County Fire Departments and Nutrition Centers	2,023,197	811,451	823,504	2,011,144
Remaining Aggregate Funds	1,693,429	1,609,523	1,852,574	1,450,378
<b>Combined Total - All County Funds, as Restated</b>	<b>\$ 31,454,782</b>	<b>\$ 19,024,027</b>	<b>\$ 18,172,682</b>	<b>\$ 32,306,127</b>

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, 2017**

---

**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 statute.

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

Community Development Block Grant (CDBG) – accounts for a grant received for handicap accessibility and tripping hazards at the courthouse and parking lot repairs at the fairgrounds.

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

---

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.

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 Nutrition Centers, excluding personal services and travel expenses.

**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. All other funds included in the audit shall be presented in the aggregate in a combining statement.

**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

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

---

and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**E. Cash and Investments**

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

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

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

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

**2. Ad Valorem Tax**

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

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 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.

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

---

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

**3. Other Information**

**A. Pension Plan**

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

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

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

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

**C. Contingent Liabilities**

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

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.

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

---

**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 Nutrition Centers. This sales tax shall commence on the 1<sup>st</sup> day of April 2013 and shall expire and cease to be collected on the 30<sup>th</sup> 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 Nutrition Centers. The sales tax is accounted for in the Stephens County Fire Departments and Nutrition Centers 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 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 cumulative; and providing severability of provisions. . The sales tax is accounted for in two funds known as the Governmental Building Authority Facility Sales Tax 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 two funds known as the Governmental Building Authority Jail Sales Tax and the Governmental Building Authority Jail Operations.



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

---

**E. Tax Abatements**

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

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

The County had \$47,566 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2017.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

**Restatement of Fund Balance**

During the fiscal year, the County had a reclassification of funds. Court Fund Payroll was reclassified as a county fund and represents payroll expenditures of County employees. Sheriff Drug Buy/Forfeiture, Sheriff Donation, Reserve Academy were reclassified as county funds which were previously reported in Official Depository. County Education Authority Acceptance Fee, Governmental Building Authority Facility Operations (T&A), and Governmental Building Authority Sales Tax (T&A) funds were reclassified as trust and agency funds.

Prior year ending balance, as reported	\$35,278,098
--	--------------

**Funds reclassified to County Funds:**

Court Fund Payroll reclassified from a	
Trust and Agency Fund to a County Fund	-
Sheriff Drug Buy/Forfeiture reclassified from a	
Trust and Agency Fund to a County Fund	3,025
Sheriff Donation reclassified from a	
Trust and Agency Fund to a County Fund	13,386

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

---

Reserve Academy reclassified from a Trust and Agency Fund to a County Fund	3,620
Funds reclassified as Trust and Agency Funds:	
County Education Authority Acceptance Fee	(52,372)
Governmental Building Authority Facility Operations (T&A)	(213,027)
Governmental Building Authority Facilities Sales Tax (T&A)	<u>(3,577,948)</u>
Prior year ending balance, as restated	<u>\$31,454,782</u>

## **OTHER SUPPLEMENTARY INFORMATION**

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

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 6,111,544	\$ 6,111,544	\$ -
Less: Prior Year Outstanding Warrants	(105,481)	(105,481)	-
Less: Prior Year Encumbrances	(125,776)	(89,358)	36,418
Beginning Cash Balances, Budgetary Basis	5,880,287	5,916,705	36,418
Receipts:			
Ad Valorem Taxes	3,245,308	3,526,344	281,036
Charges for Services	175,000	209,491	34,491
Intergovernmental Revenues	517,801	459,328	(58,473)
Miscellaneous Revenues	8,500	115,946	107,446
Total Receipts, Budgetary Basis	3,946,609	4,311,109	364,500
Expenditures:			
District Attorney	15,000	12,266	2,734
County Sheriff	759,192	749,865	9,327
County Treasurer	207,680	205,160	2,520
County Commissioners	1,169	1,167	2
OSU Extension	108,657	57,566	51,091
County Clerk	345,212	343,135	2,077
Court Clerk	226,362	226,276	86
County Assessor	242,761	238,664	4,097
Revaluation of Real Property	301,174	270,814	30,360
Drug Court Account	16,800	16,729	71
General Government	7,376,355	1,841,111	5,535,244
Excise-Equalization Board	8,002	6,698	1,304
County Election Board	110,806	105,438	5,368
Charity	33,268	28,026	5,242
District Court	10,000	-	10,000
Wildlife Trapper	2,400	2,400	-
County Audit Budget Account	47,058	45,807	1,251
Free Fair Budget Account	15,000	11,962	3,038
Total Expenditures, Budgetary Basis	9,826,896	4,163,084	5,663,812
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	6,064,730	\$ 6,064,730
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		86,212	
Add: Current Year Outstanding Warrants		15,068	
Ending Cash Balance		\$ 6,166,010	

**STEPHENS COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**COUNTY HEALTH DEPARTMENT FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,497,123	\$ 1,497,123	\$ -
Less: Prior Year Outstanding Warrants	(1,574)	(1,574)	-
Less: Prior Year Encumbrances	(294,529)	(285,727)	8,802
Beginning Cash Balances, Budgetary Basis	<u>1,201,020</u>	<u>1,209,822</u>	<u>8,802</u>
Receipts:			
Ad Valorem Taxes	812,914	883,307	70,393
Charges for Services	-	2,533	2,533
Intergovernmental Revenues	<u>2,533</u>	<u>677</u>	<u>(1,856)</u>
Total Receipts, Budgetary Basis	<u>815,447</u>	<u>886,517</u>	<u>71,070</u>
Expenditures:			
Health and Welfare	<u>2,016,467</u>	<u>1,106,633</u>	<u>909,834</u>
Total Expenditures, Budgetary Basis	<u>2,016,467</u>	<u>1,106,633</u>	<u>909,834</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>989,706</u>	<u>\$ 989,706</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		244,289	
Add: Current Year Outstanding Warrants		<u>2,129</u>	
Ending Cash Balance		<u>\$ 1,236,124</u>	

**STEPHENS COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2017
Remaining Aggregate Funds:				
Sheriff Housing	\$ 496,159	\$ 344,151	\$ 622,903	\$ 217,407
Victims of Crime Advocate (VOCA) Grant	7,500	-	-	7,500
Treasurer Mortgage Tax Certification Fee	49,857	7,850	22,861	34,846
County Clerk Lien Fee	297,263	74,911	82,209	289,965
County Clerk Record Management & Preservation Fund	361,465	63,995	64,862	360,598
Assessor Revolving Fee	45,965	17,389	40,936	22,418
Assessor Visual Inspection	7,645	2,037	3,440	6,242
Sheriff Grant Fund	308	132,379	87,898	44,789
Sheriff Commissary	123,929	195,777	155,001	164,705
Sheriff Training	1	-	-	1
Community Service Sentencing Program	1,063	-	-	1,063
Drug Abuse Resistance Education (DARE)	8	-	-	8
Free Fair	72,265	213,207	208,013	77,459
Civil Defense	127,973	67,792	70,094	125,671
Courthouse Building	598	-	-	598
County Reward Fund	1,619	195	-	1,814
Wireless 911 Fee	31,491	73,979	77,145	28,325
Land Line 911 Fee	32,334	130,892	136,064	27,162
Sheriff Special Fund	11,160	-	-	11,160
Drug Court Salary	4,795	25,000	23,713	6,082
Court Fund Payroll	-	254,489	254,489	-
Sheriff Drug Buy/Forfeiture	3,025	1,880	280	4,625
Sheriff Donation	13,386	600	1,012	12,974
Reserve Academy	3,620	3,000	1,654	4,966
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 1,693,429</b>	<b>\$ 1,609,523</b>	<b>\$ 1,852,574</b>	<b>\$ 1,450,378</b>

**STEPHENS COUNTY, OKLAHOMA**  
**NOTES TO OTHER SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

**1. Budgetary Schedules**

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department 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 Combined 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.

**2. Remaining County Funds**

Remaining aggregate funds as presented on the financial statement are as follows:

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 victim's advocate for the Sheriff's Department.

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

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 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 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 OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

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.

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

Drug Court Salary – accounts for monies collected from the Oklahoma Department of Mental Health and Substance Abuse Services and is disbursed for salaries of the drug court administration.

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

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

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

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



## **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, 2017, 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 June 20, 2019.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2017, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2017-001 and 2017-024.

### **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 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**

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

June 20, 2019

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

---

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

**Finding 2017-001 – Inadequate County-Wide Controls (Repeat Finding – 2012-001, 2013-001, 2014-001, 2015-001, 2016-001)**

**Condition:** When assessing the county-wide controls the following weaknesses were noted:

- County-wide controls regarding Risk Assessment and Monitoring have not been designed.

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

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

**Recommendation:** The Oklahoma State Auditor and Inspector's Office (OSAI) recommends that the County design and implement procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

**Management Response:**

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

**Criteria:** Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

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

---

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

**Finding 2017-024 – Inadequate Internal Controls Over the Financial Statement Presentation**

**Condition:** The County has not designed and implemented internal controls to ensure the accurate presentation of the County's financial statement. During the review and reconciliation of the financial statement as initially prepared by the County, we determined that the beginning balance was overstated by \$3,823,316, the disbursements were overstated by \$98,174, which resulted in the ending balance being overstated by \$3,692,801. The misstatement was due to the County reporting the portion of revenue and disbursements that belong to the Governmental Building Authority Facility Operations and the Government Building Authority Facility Sales Tax, Trust and Agency Funds, as County monies.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that the County's financial statement is accurately presented.

**Effect of Condition:** This condition resulted in the County's financial statement being materially overstated.

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

**Management Response:**

**Chairman of the Board of County Commissioners and County Treasurer:** This is how the Authority funds were initially set up in 2001. We have corrected the way we report the Authority funds and have implemented policies and procedures to ensure accurate presentation of the financial statement.

**Criteria:** Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization.

The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. Professional audit standards preclude the external financial statement auditor from performing any part of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

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

---

**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 2017-008 – Inadequate Internal Controls and Noncompliance Over the Court Clerk Disbursement Processes (Repeat Finding)**

**Condition:** Upon inquiry and observation of records, with regards to the disbursement processes of the Court Fund and Court Clerk Revolving Fund, we noted the following:

- The Court Clerk performs the duties of requisitioning, preparing vouchers, calculating amounts to other agencies, signing vouchers, mailing or delivering vouchers to vendors, and receiving goods and services.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to internal controls over the disbursement processes of the Court Fund and Court Clerk Revolving Fund.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends that the duties of the disbursement processes be adequately segregated regarding requisitioning, receiving goods and services, issuing vouchers, and mailing or delivering vouchers to vendors.

**Management Response:**

**Court Clerk:** We will work to have another employee help in the process of the Court Fund and Court Clerk Revolving Fund expenditure processes.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. 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 or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Effective internal controls are necessary to ensure stewardship and accountability of public funds.



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | [www.sai.ok.gov](http://www.sai.ok.gov)