



STEPHENS COUNTY

Financial Audit

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**STEPHENS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

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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, 2018. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

Board of County Commissioners

District 1 – David McCarley
District 2 – Todd Churchman
District 3 – Russell Morgan

County Assessor

Dana Buchanan

County Clerk

Jenny Moore

County Sheriff

Wayne McKinney

County Treasurer

Janice Graham

Court Clerk

Dana Blevins

District Attorney

Jason Hicks

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

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
STEPHENS COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Stephens County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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



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

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

As described in Note 1, the financial statement is prepared by 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, 2018, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Stephens County, for the year ended June 30, 2018, 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, 2018

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:				
Major Funds:				
County General Fund	\$ 6,166,010	\$ 4,411,060	\$ 4,224,139	\$ 6,352,931
County Highway Fund	14,771,299	8,594,669	8,552,919	14,813,049
County Health Department	1,236,124	863,885	682,444	1,417,565
Resale Property	880,857	399,762	307,965	972,654
Sheriff Service Fee	1,189,588	333,936	250,399	1,273,125
Community Development Block Grant (CDBG)	186,095	163,904	349,999	-
Governmental Building Authority Jail Operations	396,708	1,847,541	1,804,864	439,385
Governmental Building Authority Facility Operations	-	568,525	405,000	163,525
Governmental Building Authority Jail Sales Tax	3,996,891	43,383	390,259	3,650,015
Governmental Building Authority Facility Sales Tax	21,033	1,004,765	509,327	516,471
Stephens County Fire Departments and Nutrition Centers	2,011,144	922,506	991,186	1,942,464
Remaining Aggregate Funds	1,450,378	1,634,109	1,452,033	1,632,454
Combined Total - All County Funds	\$ 32,306,127	\$ 20,788,045	\$ 19,920,534	\$ 33,173,638

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, 2018**

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, 2018**

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, 2018**

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, 2018**

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, 2018**

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 1st day of April 2013 and shall expire and cease to be collected on the 30th day of March, 2020. This sales tax shall be used for the purpose of acquiring, purchasing, continuing, equipping, repairing, renovating, operating, maintaining, training and advancing fire protection, prevention and/or communication services or equipment, including maintenance and/or construction of buildings or facilities, but not to include salaries in the County of Stephens, Oklahoma, to support the fire departments in Stephens County and the maintaining, continuing, equipping, repairing, renovating or operating the Stephens County Senior 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 said sales tax shall expire December 31, 2020, at which time all indebtedness of the Governmental Building Authority Facility Operations will be retired. The sales tax is accounted for in two funds known as the Governmental Building Authority Facility Sales Tax 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, 2018**

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 \$263,364 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2018.

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.

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, 2018

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 6,166,010	\$ 6,166,010	\$ -
Less: Prior Year Outstanding Warrants	(15,068)	(15,068)	-
Less: Prior Year Encumbrances	(86,212)	(58,026)	28,186
Beginning Cash Balances, Budgetary Basis	<u>6,064,730</u>	<u>6,092,916</u>	<u>28,186</u>
Receipts:			
Ad Valorem Taxes	3,349,120	3,439,114	89,994
Charges for Services	188,500	266,011	77,511
Intergovernmental Revenues	426,881	449,069	22,188
Miscellaneous Revenues	10,000	256,866	246,866
Total Receipts, Budgetary Basis	<u>3,974,501</u>	<u>4,411,060</u>	<u>436,559</u>
Expenditures:			
District Attorney County	55,000	54,970	30
County Sheriff	760,562	760,559	3
County Treasurer	207,680	204,720	2,960
County Commissioners	1,501	-	1,501
OSU Extension	117,033	90,770	26,263
County Clerk	345,212	340,905	4,307
Court Clerk	222,268	221,247	1,021
County Assessor	250,149	248,493	1,656
Revaluation of Real Property	280,504	247,614	32,890
Drug Court Account	16,800	10,846	5,954
General Government	7,573,002	1,944,346	5,628,656
Excise-Equalization Board	8,002	7,609	393
County Election	108,550	107,180	1,370
Charity	33,268	23,855	9,413
District Court	5,001	3,600	1,401
Wildlife Trapper	2,400	2,400	-
County Audit Budget Account	37,299	2,980	34,319
Free Fair Budget Account	15,000	14,095	905
Total Expenditures, Budgetary Basis	<u>10,039,231</u>	<u>4,286,189</u>	<u>5,753,042</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	6,217,787	<u>\$ 6,217,787</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		26,883	
Add: Current Year Encumbrances		108,261	
Ending Cash Balance		<u>\$ 6,352,931</u>	

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, 2018

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,236,124	\$ 1,236,124	\$ -
Less: Prior Year Outstanding Warrants	(2,129)	(2,129)	-
Less: Prior Year Encumbrances	(244,289)	(52,060)	192,229
Beginning Cash Balances, Budgetary Basis	989,706	1,181,935	192,229
Receipts:			
Ad Valorem Taxes	838,919	861,461	22,542
Charges for Services	-	1,736	1,736
Intergovernmental Revenues	1,736	688	(1,048)
Total Receipts, Budgetary Basis	840,655	863,885	23,230
Expenditures:			
Health and Welfare	1,830,361	796,295	1,034,066
Total Expenditures, Budgetary Basis	1,830,361	796,295	1,034,066
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,249,525	\$ 1,249,525
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		120,926	
Add: Current Year Outstanding Warrants		47,114	
Ending Cash Balance		\$ 1,417,565	

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, 2018

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2018
Remaining Aggregate Funds:				
Sheriff Housing	\$ 217,407	\$ 465,667	\$ 260,817	\$ 422,257
Victims of Crime Advocate (VOCA) Grant	7,500	-	-	7,500
Treasurer Mortgage Tax Certification Fee	34,846	7,585	7,380	35,051
County Clerk Lien Fee	289,965	68,385	59,974	298,376
County Clerk Record Management & Preservation Fund	360,598	66,785	84,611	342,772
Assessor Revolving Fee	22,418	19,674	11,850	30,242
Assessor Visual Inspection	6,242	31,160	27,892	9,510
Sheriff Grant Fund	44,789	-	44,705	84
Sheriff Commissary	164,705	160,901	129,442	196,164
Sheriff Training	1	-	-	1
Community Service Sentencing Program	1,063	-	-	1,063
Drug Abuse Resistance Education (DARE)	8	-	-	8
Free Fair	77,459	227,983	237,331	68,111
Civil Defense	125,671	58,796	113,099	71,368
Courthouse Building	598	-	-	598
County Reward Fund	1,814	195	-	2,009
Wireless 911 Fee	28,325	133,821	93,276	68,870
Land Line 911 Fee	27,162	99,216	84,792	41,586
Sheriff Special Fund	11,160	-	-	11,160
Drug Court Salary	6,082	32,121	34,043	4,160
Court Fund Payroll	-	257,313	257,313	-
Disability Reimbursement Insurance Fund (DRIF)	-	1,169	1,095	74
Sheriff Drug Buy/Forfeiture	4,625	738	3,163	2,200
Sheriff Donation	12,974	2,600	1,250	14,324
Reserve Academy	4,966	-	-	4,966
Combined Total - Remaining Aggregate Funds	\$ 1,450,378	\$ 1,634,109	\$ 1,452,033	\$ 1,632,454

**STEPHENS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

**STEPHENS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

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.

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

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

**STEPHENS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018, 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, 2018, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered 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: 2018-001 and 2018-024.

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, 2018**

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

Finding 2018-001 – Inadequate County-Wide Controls (Repeat Finding – 2012-001, 2013-001, 2014-001, 2015-001, 2016-001, 2017-001)

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, 2018**

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 2018-024 – Inadequate Internal Controls Over the Financial Statement Presentation (Repeat Finding 2017-024)

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 \$3,692,801, the disbursements were overstated by \$1,312,593, which resulted in the ending balance being overstated by \$2,380,208. 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, 2018**

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 2018-008 – 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.
- In the audit of twenty-five (25) Court Fund claims the following was revealed:
 - Two (2) claims did not have all supporting documentation attached; therefore, proper itemization, correct pricing, and mathematical accuracy could not be verified.

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.

OSAI recommends obtaining adequate supporting documentation for all claims.

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. We will also work to ensure all claims have supporting documentation attached.

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. Aspects

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

of effective accounting procedures include proper documentation to support all claims.

Finding 2018-016 – Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards (SEFA)

Condition: During our audit, we identified federal programs that were not listed accurately on the County’s Schedule of Expenditures of Federal Awards (SEFA). Federal expenditures were overstated by \$26,874.

The following misstatements were noted:

- The actual expenditures for the Emergency Management Performance Grants, CFDA 97.042 were \$44,098 and the County reported \$48,697, resulting in an overstatement of the expenditures of \$4,599.
- The actual expenditures for the Edward Byrne Justice Assistance Grant Program, CFDA #16.738 were \$0 and the County reported \$9,982, resulting in an overstatement of the expenditures of \$9,982.
- The actual expenditures for the Juvenile Accountability Block Grant, CFDA #16.523 were \$667 and the County reported \$10,080, resulting in an overstatement of expenditures of \$9,413.
- The expenditures for the Criminal and Juvenile Justice and Mental Health Collaboration Program, CFDA #16.745 were \$0 and the County reported \$2,880, resulting in an overstatement of expenditures of \$2,880.

Reported Total Expenditures of Federal Award	\$453,625
Less: EMPG (CFDA #97.042)	(4,599)
Less: Juvenile Accountability Block Grant (CFDA #16.523)	(9,413)
Less: Criminal Juvenile Justice and Mental Health Collaboration Program CFDA #16.745	(2,880)
Less: Byrne Justice Assistance Grant Program (CFDA #16.738)	(9,982)
Actual Federal Expenditures of Federal Awards	<u>\$426,751</u>
Original SEFA Overstated by	<u>\$ 26,874</u>

Cause of Condition: Policies and procedures have not been designed and implemented to ensure accurate reporting of expenditures for all federal awards.

Effect of Condition: These resulted in the erroneous reporting and a material misstatement of the County’s SEFA and could result in a material noncompliance with federal regulations.

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

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

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

Management Response:

Chairman of the Board of County Commissioners: The BOCC will work to design and implement internal controls to ensure accurate reporting of receipts and expenditures on the SEFA and ensure compliance with federal requirements over federal awards.

Criteria: *Title 2 CFR 200 § 200.510, Financial Statements*, reads as follows:

- (a) *Financial statements.* The auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. The financial statements must be for the same organizational unit and fiscal year that is chosen to meet the requirements of this part. However, non-Federal entity-wide financial statements may also include departments, agencies, and other organizational units that have separate audits in accordance with §200.514 Scope of audit, paragraph (a) and prepare separate financial statements. [...]
- (b) *Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. [...]

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

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



Cindy Byrd, CPA | State Auditor & Inspector

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