

COUNTY AUDIT

# CADDO COUNTY

For the fiscal year ended June 30, 2016



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**CADDO COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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.



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 123 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

May 25, 2018

TO THE CITIZENS OF  
CADDO COUNTY, OKLAHOMA

Transmitted herewith is the audit of Caddo County, Oklahoma for the fiscal year ended June 30, 2016. 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 "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

**CADDO COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**CADDO COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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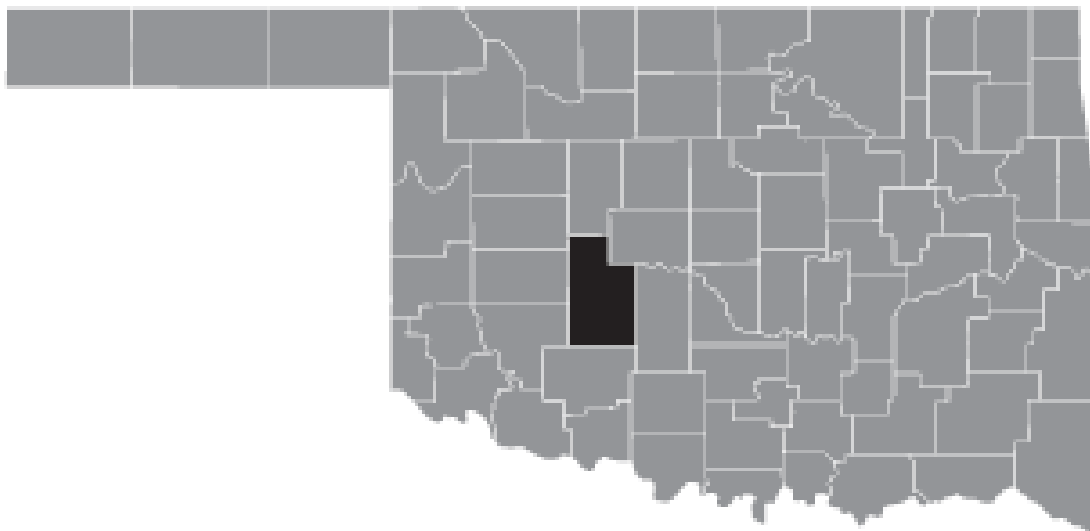
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**CADDO COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Caddo County was organized on August 6, 1901, when much of southwestern Oklahoma was opened by land lottery. Caddo comes from an Indian word, Kaddi, meaning “Life” or “chief”. The county is primarily agricultural and produces much of Oklahoma’s peanuts, alfalfa, and wheat.

As one of the original five “Main Street” communities in the state, Anadarko, the county seat, has sought to establish the economic and historical restoration of its downtown area. It is the site of Western Farmer’s Electric Cooperative, the largest industry in Caddo County.

The American Indian Exposition, one of the largest events of its kind in the world, is held annually in Anadarko, as are the Southern Plains Indian Rendezvous Art Show and the Autumn Festival.

There are three historical societies in Caddo County. They are: Cyril Historical Society in Cyril, Hinton Historical Society in Hinton, and the Philomathic Museum in Anadarko. The National Hall of Fame for American Indians and Tourist Information Center is located on Highway 62 in Anadarko. For more information, call the county clerk’s office at 405/247-6609.

County Seat – Anadarko

Area – 1,290.31 Square Miles

County Population – 29,317  
(2014 est.)

Farms – 1,461

Land in Farms – 707,669 Acres

Primary Source: Oklahoma Almanac 2015-2016

**Board of County Commissioners**

District 1 – Benny Bowling  
District 2 – Randy McLemore  
District 3 – Brent Kinder

**County Assessor**

Edward Whitworth

**County Clerk**

Patrice Dolch

**County Sheriff**

Lennis Miller

**County Treasurer**

Regina Moser

**Court Clerk**

Patti Barger

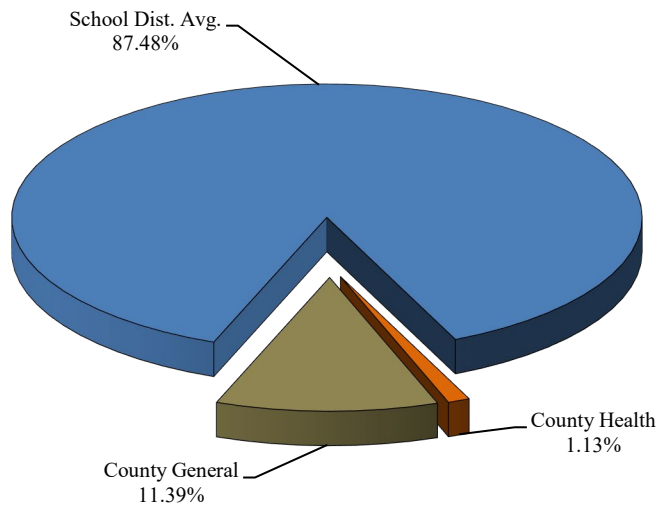
**District Attorney**

Jason Hicks



**CADDO COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

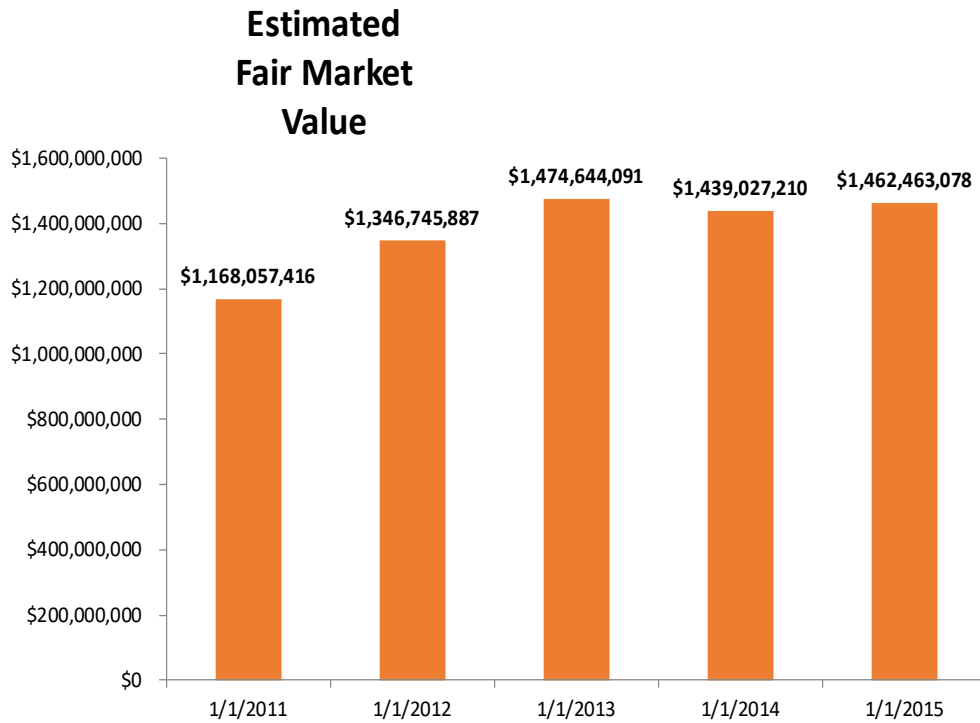
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.24								
County Health	1.02								
Other									
Sugar Creek Ambulance Service (School Districts I-12, I-168, & I-161)	3.08	Anadarko	I-20	35.57	5.08	22.19	11.26	4.10	78.20
		Hydro-Eakley	I-11	36.01	5.14	37.04	11.26	4.10	93.55
		Boone-Apache	I-56	35.86	5.12	33.24	11.26	4.10	89.58
		Ft Cobb-Broxton	I-167	36.26	5.18	52.84	11.26	4.10	109.64
		Lookeba-Sickles	I-12	36.32	5.19	15.65	11.26	4.10	72.52
		Binger-Oney V2	I-168	35.98	5.14	23.54	11.26	4.10	80.02
		Carnegie	I-33	36.03	5.15	16.48	11.26	4.10	73.02
		Cyril	I-64	35.62	5.09	18.73	11.26	4.10	74.80
		Gracemont	I-86	36.94	5.28	8.99	11.26	4.10	66.57
		Cement	I-160	35.67	5.10	22.25	11.26	4.10	78.38
		Hinton V2	I-161	35.59	5.08	21.92	11.26	4.10	77.95
		Jt 2 Grady V6	I-01	35.97	5.14	19.39	16.37	4.10	80.97
		Jt 11/6/9 (Com V9)	I-9	35.50	5.07	11.97	14.15	4.10	70.79
		Jt 9 V12 Washita	I-78	36.48	5.21	16.32	12.00	4.10	74.11
		Jt 99 V2 Grady	I-99	35.66	5.09	15.64	11.26	4.10	71.75
		Jt 131 V6 Grady	I-131	35.02	5.00	6.33	16.37	4.10	66.82

**CADDO COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2015	\$71,260,890	\$35,080,259	\$78,660,804	\$5,746,115	\$179,255,838	\$1,462,463,078
1/1/2014	\$70,647,296	\$34,268,695	\$77,036,007	\$6,669,527	\$175,282,471	\$1,439,027,210
1/1/2013	\$73,794,130	\$40,612,148	\$75,015,525	\$6,696,648	\$182,725,155	\$1,474,644,091
1/1/2012	\$60,889,775	\$39,838,924	\$73,147,945	\$6,754,378	\$167,122,266	\$1,346,745,887
1/1/2011	\$48,041,855	\$35,836,271	\$68,937,670	\$6,680,723	\$146,135,073	\$1,168,057,416

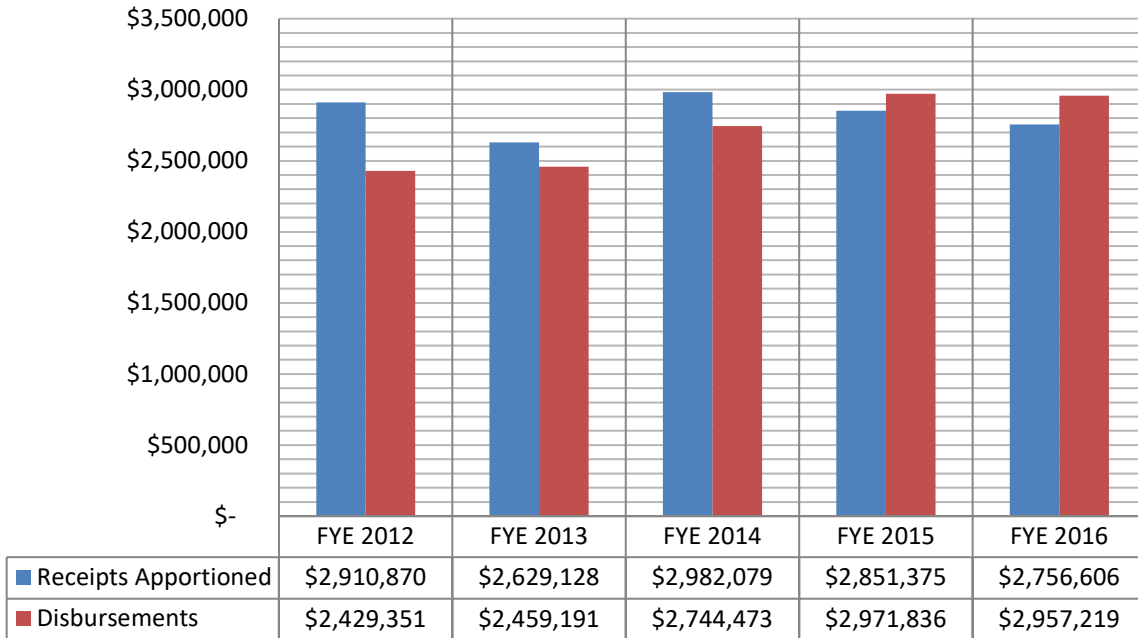


**CADDO COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## County General Fund

The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county’s primary source of operating revenue. The County General Fund is typically used for county employees’ salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county’s ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County’s General Fund for the last five fiscal years.

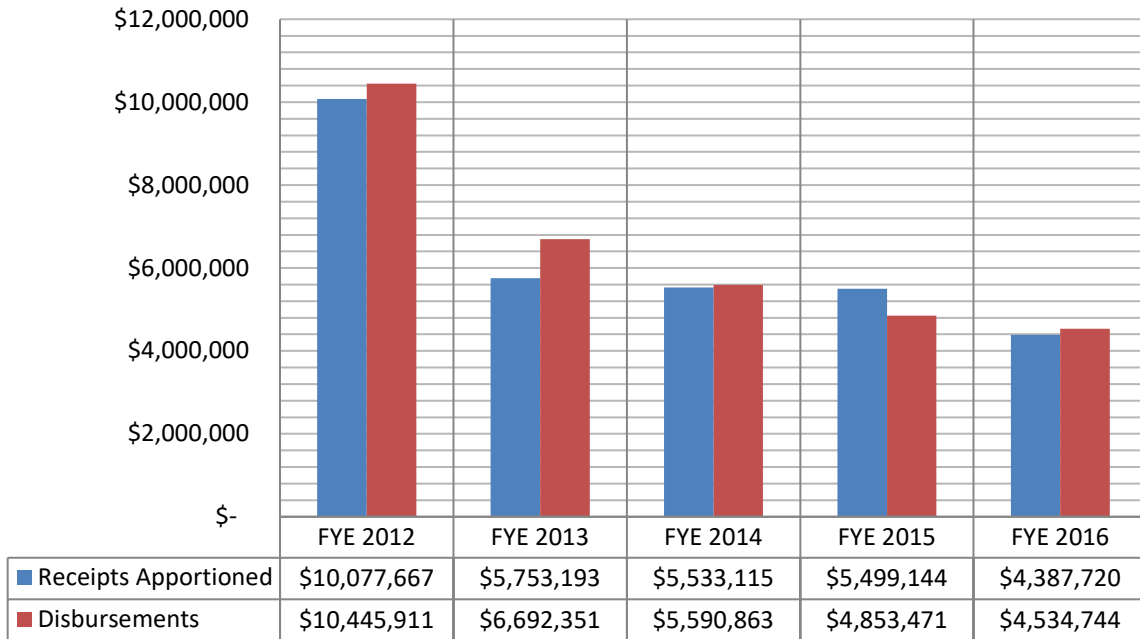


**CADDO COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



**FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 123 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

## **Independent Auditor's Report**

TO THE OFFICERS OF  
CADDO 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 Caddo County, Oklahoma, as of and for the year ended June 30, 2016, 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 the 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 misstatements 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 Caddo 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 statements 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 Caddo County as of June 30, 2016, 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 Caddo County, for the year ended June 30, 2016, in accordance with the basis of accounting described in Note 1.

***Other Matters***

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 is not a required part of the financial statement.

The Other Supplementary Information, as listed in the table of contents, 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, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2018, on our consideration of Caddo 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Caddo County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive, flowing style.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

May 24, 2018



**REGULATORY BASIS FINANCIAL STATEMENT**

**CADDO 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, 2016**

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combing Information:						
Major Funds:						
County General Fund	\$ 1,226,821	\$ 2,756,606	\$ -	\$ -	\$ 2,957,219	\$ 1,026,208
County Highway Fund	1,662,267	4,387,720	-	-	4,534,744	1,515,243
County Highway T-8	876,663	432,206	-	-	774,703	534,166
Caddo County Health Department	265,638	183,272	-	-	136,767	312,143
Sheriff Cash	267,470	249,372	-	-	341,122	175,720
County Use Tax	379,656	231,997	-	-	469,858	141,795
Caddo County Governmental						
Building Authority Capital Improvement Bond	1,093,211	724,447	-	-	909,297	908,361
Caddo County Governmental Building Authority						
Operations and Expenses Renovation						
Maintenance and Operations	1,964	-	-	-	-	1,964
Caddo County Governmental						
Building Authority Gross Revenue						
Operations and Expenses						
Maintenance and Operations	1,012,364	716,984	-	671,994	774	1,056,580
Caddo County Governmental Building Authority						
Bond Interest Maintenance and Operations	69,084	16,800	-	-	9,449	76,435
OSU Extension Sales Tax	66,790	86,067	-	-	120,818	32,039
3/8 911 Sales Tax	26,294	-	141,348	-	166,267	1,375
3/8 Sheriff Sales Tax	157,561	942	530,646	-	688,395	754
Sheriff Sales Tax	149,224	105,158	-	-	208,948	45,434
Capital Improvements Sales Tax	208,708	88,915	-	-	97,219	200,404
Free Fair and Livestock Sales Tax	32,088	60,114	-	-	76,398	15,804
Township Fair Sales Tax	31,945	57,359	-	-	31,254	58,050
Rural Fire Sales Tax	63,892	114,718	-	-	45,596	133,014
Fairgrounds/Facilities Sales Tax	34,002	14,340	-	-	14,405	33,937
Anadarko Senior Citizen Sales Tax	3,664	13,145	-	-	10,881	5,928
Apache Senior Citizen Sales Tax	5,631	13,145	-	-	16,566	2,210
Binger Senior Citizen Sales Tax	6,962	13,145	-	-	18,727	1,380
Carnegie Senior Citizen Sales Tax	6,904	13,145	-	-	16,286	3,763
Cement Senior Citizen Sales Tax	13,705	13,145	-	-	11,699	15,151
Cyril Senior Citizen Sales Tax	1,428	13,145	-	-	13,663	910
Fort Cobb Senior Citizen Sales Tax	4,781	13,145	-	-	15,865	2,061
Hinton Senior Citizen Sales Tax	39,018	13,145	-	-	7,123	45,040
Health Sales Tax	3,838	14,340	-	-	14,610	3,568
Emergency Reserve Fund Sales Tax	60,000	-	-	-	-	60,000
Ambulance Service Fund Sales Tax	24,754	286,794	-	-	292,010	19,538
Ambulance Run Fund Sales Tax	34,940	191,196	-	-	183,311	42,825
Community Development Block Grant						
Rural Economic Action Plan 2010 Baldwin	684	-	-	-	684	-
Court Clerk Oklahoma Bar Foundation 2013 Grant	9	-	-	-	-	9
Sheriff Department of Corrections	162,306	155,193	-	-	288,440	29,059
Washita River Bridge Project	60,000	-	-	-	3,409	56,591
Rural Economic Action Plan-Alden Rural Fire Department	-	80,750	-	-	80,750	-
County Bridge and Road Improvements	825,535	721,162	-	-	730,834	815,863
Court Fund Payroll	2,712	72,373	-	-	72,867	2,218
Remaining Aggregate Funds	1,200,822	590,072	-	-	756,243	1,034,651
<b>Combined Total - All County Funds, As Restated</b>	<b>\$ 10,083,335</b>	<b>\$ 12,444,057</b>	<b>\$ 671,994</b>	<b>\$ 671,994</b>	<b>\$ 14,117,201</b>	<b>\$ 8,410,191</b>

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

**CADDO COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

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

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, 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 are for the purpose of constructing and maintaining county roads and bridges.

County Highway T-8 – accounts for state receipts and disbursements are for the purpose of maintaining roads.

Caddo County Health Department – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

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

**CADDO COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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County Use Tax – accounts for use tax collected and disbursed for the purpose of maintenance and operation of the Sheriff’s department.

Caddo County Governmental Building Authority Capital Improvement Bond – accounts for 50% of the 3/4% county sales tax collected and disbursed for bond payments.

Caddo County Governmental Building Authority Operations and Expenses Renovation Maintenance and Operations – initially set up to account for 50% of the 3/4% county sales tax collected after completion of renovations and shall be disbursed for the operations and expenses of the Caddo County Detention Facility, county-wide dispatch center, and other public safety expenses. This fund will no longer be used to account for the sales tax.

Caddo County Governmental Building Authority Gross Revenue Operations and Expenses Maintenance and Operations – accounts for 50% of the 3/4% county sales tax collected after completion of renovations and shall be disbursed for the operations and expenses of the Caddo County Detention Facility, county-wide dispatch center, and other public safety expenses.

Caddo County Governmental Building Authority Bond Interest Maintenance and Operations – accounts for the collection of an authority acceptance fee from the Bank of Oklahoma. Disbursements are for the County Clerk’s office for maintenance and operation regarding the Caddo County Governmental Building Authority.

OSU Extension Sales Tax – accounts for monies collected from the .50% county sales tax and disbursed for OSU Extension services.

3/8 911 Sales Tax – accounts for monies collected from the 3/4% county sales tax and is expended for the maintenance and operation of the 911 center.

3/8 Sheriff Sales Tax – accounts for monies collected from the 3/4% county sales tax and is expended for the maintenance and operation of the Detention Center and other public safety services.

Sheriff Sales Tax – accounts for a portion of the .50% county sales tax collected and disbursed for the Sheriff’s office.

Capital Improvements Sales Tax – accounts for a portion of the .50% county sales tax collected and disbursed for improvements of the courthouse.

Free Fair and Livestock Sales Tax – accounts for a portion of .50% county sales tax collected and disbursed for improvements of the County fairgrounds.

Township Fair Sales Tax – accounts for a portion of .50% county sales tax collected and disbursed for operation of the township fairs.

**CADDO COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Rural Fire Sales Tax – accounts for a portion of the .50% county sales tax collected and disbursed for maintenance and operation of the rural fire districts in the County.

Fairgrounds/Facilities Sales Tax – accounts for a portion of the .50% county sales tax collected and disbursed for maintenance of the fairground facilities.

Anadarko Senior Citizen Sales Tax – accounts for a portion of the .50% county sales tax collected and disbursed for the maintenance and operation of the senior citizen center.

Apache Senior Citizen Sales Tax – accounts for a portion of the .50% county sales tax collected and disbursed for the maintenance and operation of the senior citizen center.

Binger Senior Citizen Sales Tax – accounts for a portion of the .50% county sales tax collected and disbursed for the maintenance and operation of the senior citizen center.

Carnegie Senior Citizen Sales Tax – accounts for a portion of the .50% county sales tax collected and disbursed for the maintenance and operation of the senior citizen center.

Cement Senior Citizen Sales Tax – accounts for a portion of the .50% county sales tax collected and disbursed for the maintenance and operation of the senior citizen center.

Cyril Senior Citizen Sales Tax – accounts for a portion of the .50% county sales tax collected and disbursed for the maintenance and operation of the senior citizen center.

Fort Cobb Senior Citizen Sales Tax – accounts for a portion of the .50% county sales tax collected and disbursed for the maintenance and operation of the senior citizen center.

Hinton Senior Citizen Sales Tax – accounts for a portion of the .50% county sales tax collected and disbursed for the maintenance and operation of the senior citizen center.

Health Sales Tax – – accounts for a portion of the .50% county sales tax collected and disbursed for the maintenance and operation of the county health department.

Emergency Reserve Fund Sales Tax – accounts for the monies transferred for the Ambulance Service Fund Sales Tax in 2009, to be disbursed for lawsuits awarded against the County. The account must maintain a balance of \$60,000.

Ambulance Service Fund Sales Tax – accounts for the 1/4% county sales tax collected and disbursed for maintenance and operation of the county ambulance services.

Ambulance Run Fund Sales Tax – accounts for the 1/4% county sales tax collected and disbursed for maintenance and operation of the county ambulance services.

**CADDO COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Community Development Block Grant Rural Economic Action Plan 2010 Baldwin – accounts for state grant funds for the capital improvement of the Baldwin Building located at the fairgrounds that was destroyed by a tornado.

Court Clerk Oklahoma Bar Foundation 2013 Grant – accounts for funds received from the Oklahoma Bar Foundation and disbursed for court room renovations.

Sheriff Department of Corrections – accounts for collections of funding through the State Department of Corrections for housing prisoners and disbursed in accordance with state statute.

Washita River Bridge Project – accounts for funds received from Delaware Nation and expended to repair the Washita River Bridge.

Rural Economic Action Plan – Alden Rural Fire Department – accounts for grant monies received from the State of Oklahoma for conservation district and disbursed for equipment.

County Bridge and Road Improvements – accounts for state receipts and disbursed for the purpose of county bridge and road improvements.

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

**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

**CADDO COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**E. Cash and Investments**

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

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

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

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

**2. Ad Valorem Tax**

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

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

**CADDO COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

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

**3. Other Information**

**A. Pension Plan**

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

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

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

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

**C. Contingent Liabilities**

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

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.



**CADDO COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**D. Sales Tax**

**Sales Tax of January 1, 2009**

Caddo County voters approved a .50% sales tax effective January 1, 2009 which expired on January 1, 2014. On May 14, 2013, Caddo County voters approved a continuation of a 50% sales tax with a change in distribution among various entities. This sales tax became effective January 1, 2014 for the duration of 5 years, expiring on January 1, 2019. This sales tax is accounted for within the following sales tax funds and was established for the operations of said funds: County General Fund 33%; OSU Extension Sales Tax 9%; Free Fair and Livestock Sales Tax 6%; Township Fair Sales Tax 6%; Capital Improvements Sales Tax 9%; Sheriff Sales Tax 11%; Rural Fire Sales Tax 12%; Health Sales Tax 1.5%; eight (8) Senior Citizen Nutrition Centers 11%; and Fairground/Facilities Sales Tax 1.5%.

**Sales Tax of August 11, 2009**

On August 11, 2009, Caddo County voters approved a three-quarter of one percent (3/4%) sales tax, effective January 1, 2010 pledged toward the retirement of indebtedness incurred therefore: payment of operations and maintenance expenses related thereto; and to be used specifically for the sole purpose for the renovation, expansion, construction, and equipping the Caddo County Detention Facility, Courthouse Improvements, including additional space in the courthouse to provide a 911 dispatch center, with \$200,000 of bond proceeds to go toward the construction of a new Oklahoma State University Center for Caddo County, and operating and maintaining the Caddo County Detention Facility, county-wide dispatch center, and other public safety expenses. The Caddo County Governmental Building Authority issued \$17,170,000 Sales Tax Revenue Bonds to pay for the construction and three-eighths of one percent (3/8%) shall have a limited duration of thirty (30) years or until the principal and interest on the indebtedness is paid in full. The remaining portion 3/8% will continue until repealed by a majority of Caddo County electors. Sales Tax collections are apportioned as follows and accounted for in the following funds: 50% of 100% will go to the Caddo County Governmental Building Authority Capital Improvement Bond which is pledged toward the retirement of the indebtedness incurred, and the other 50% of 100% will go to the Caddo County Governmental Building Authority Gross Revenue Operations and Expenses Maintenance and Operations for distribution, based on the Estimate of Need approved by the Excise Board, to the 3/8 911 Sales Tax and 3/8 Sheriff Sales Tax funds.

**Sales Tax of May 3, 2012**

On May 3, 2012, Caddo County voters approved a continuation of a one-quarter of one percent (1/4%) sales tax, effective June 1, 2012 expiring May 31, 2017, for the sole purpose of acquiring, continuing, equipping, repairing, renovating, operating, maintaining, and advancing ground ambulance services. These funds are accounted for in the Ambulance Service Fund Sales Tax and the Ambulance Run Fund Sales Tax.

**CADDO COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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 \$265,889 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2016.

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.

**F. Interfund Transfers**

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

- \$141,348 was transferred into the 3/8 911 Sales Tax fund and \$530,646 was transferred into the 3/8 Sheriff Sales Tax fund totaling \$671,994 from the Caddo County Governmental Building Authority Gross Revenue Operations and Expenses Maintenance and Operations fund for the maintenance and operations of the Sheriff's department.

**G. Restatement of Fund Balance**

During the fiscal year, the County had a reclassification of funds. Court Fund Payroll and Drug Court were reclassified as county funds and represents payroll expenditures of County employees and drug court expenditures. Credit Card Tax Payments was reclassified as a trust and agency fund.

**CADDO COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Prior year ending balance, as reported	\$10,132,859
Funds reclassified to County Funds:	
Court Funded Payroll reclassified from a Trust and Agency Fund to a County Fund	2,712
Drug Court reclassified from a Trust and Agency Fund to a County Fund	17,506
Funds reclassified as Trust and Agency Funds:	
Caddo County Educational Facilities Authority reclassified from a County Fund to a Trust and Agency Fund	(69,724)
Credit Card Tax Payments reclassified from a County Fund to an Trust and Agency fund	<u>( 18)</u>
Prior year ending balance, as restated	<u>\$10,083,335</u>

**OTHER SUPPLEMENTARY INFORMATION**

**CADDO 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, 2016**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,226,822	\$ 1,226,821	\$ (1)
Less: Prior Year Outstanding Warrants	(55,424)	(55,424)	-
Less: Prior Year Encumbrances	(29,978)	(22,209)	7,769
Beginning Cash Balances, Budgetary Basis	<u>1,141,420</u>	<u>1,149,188</u>	<u>7,768</u>
Receipts:			
Ad Valorem Taxes	1,668,709	1,529,671	(139,038)
Charges for Services	-	125,189	125,189
Intergovernmental Revenues	5,235	682,047	676,812
County Sales Tax	-	315,473	315,473
Miscellaneous Revenues	-	104,226	104,226
Total Receipts, Budgetary Basis	<u>1,673,944</u>	<u>2,756,606</u>	<u>1,082,662</u>
Expenditures:			
County Sheriff	705,043	703,792	1,251
County Treasurer	282,234	281,163	1,071
County Clerk	265,984	254,105	11,879
Court Clerk	321,744	311,250	10,494
County Assessor	270,018	255,203	14,815
Revaluation of Real Property	303,765	291,053	12,712
Juvenile Shelter Bureau	74,081	65,778	8,303
General Government	87,155	84,013	3,142
Excise-Equalization Board	2,819	2,766	53
County Election Board	96,726	88,863	7,863
Detention Center	561,405	561,020	385
County Audit Budget Account	33,713	33,713	-
Total Expenditures, Budgetary Basis	<u>3,004,687</u>	<u>2,932,719</u>	<u>71,968</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ (189,323)</u>	973,075	<u>\$ 1,162,398</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		44,159	
Add: Current Year Encumbrances		<u>8,974</u>	
Ending Cash Balance		<u>\$ 1,026,208</u>	

**CADDO 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, 2016**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 265,639	\$ 265,638	\$ (1)
Less: Prior Year Outstanding Warrants	(654)	(654)	-
Less: Prior Year Encumbrances	(12,650)	(10,533)	2,117
Beginning Cash Balances, Budgetary Basis	252,335	254,451	2,116
Receipts:			
Ad Valorem Taxes	166,219	151,936	(14,283)
Charges for Services	-	3,074	3,074
Intergovernmental Revenues	-	26,609	26,609
Miscellaneous Revenues	-	1,653	1,653
Total Receipts, Budgetary Basis	166,219	183,272	17,053
Expenditures:			
Health and Welfare	418,554	147,314	271,240
Total Expenditures, Budgetary Basis	418,554	147,314	271,240
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	290,409	\$ 290,409
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		21,440	
Add: Current Year Outstanding Warrants		294	
Ending Cash Balance		\$ 312,143	

**CADDO COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2016
Remaining Aggregate Funds:				
Resale Property	\$ 275,034	\$ 115,960	\$ 109,511	\$ 281,483
CED Circuit Engineering	45,322	-	25,943	19,379
Cash County Treasurer	28,231	3,475	4,609	27,097
Cash County Clerk	101,879	37,939	6,617	133,201
Cash County Assessor	205	-	-	205
Assessor Revolving	16,397	4,442	7,075	13,764
Sheriff State Criminal Alien Assistance Program (SCAAP) Grant	2,239	-	1,950	289
Sheriff Drug Enforcement	2,263	-	-	2,263
Sheriff Courthouse Security	16,850	21,286	29,322	8,814
Sheriff Recovery Justice Assistance Grant	33	-	-	33
Sheriff Special Response Team	3,140	3,500	4,613	2,027
E-911 Association of South Central Oklahoma Governments Cellular Phones	324,372	134,959	385,152	74,179
E-911 Account	4,282	-	3,985	297
County Clerk Records Preservation	140,596	35,814	31,612	144,798
OSU Extension Support Fund	464	-	-	464
E-911-5	107,452	189,845	111,652	185,645
Emergency Management SLA	18,844	15,000	24,206	9,638
Court Clerk Cimarex Settlement	78,610	-	606	78,004
County Farm Lease	11,450	5,725	-	17,175
Local Environmental Planning Commission	3,555	1,000	1,260	3,295
Community Service Sentencing Program	152	-	-	152
Civil Emergency	995	-	-	995
Veterans Statue	751	-	-	751
Reward Fund	200	-	-	200
OSU Capital Outlay	-	1,150	1,150	-
Fair Board Awards and Donations	-	2,345	-	2,345
Special Response Team Donations	-	50	-	50
Sheriff Donations	-	10,000	-	10,000
Apache Nutrition Center Building	-	3,619	-	3,619
Drug Court	17,506	3,963	6,980	14,489
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 1,200,822</b>	<b>\$ 590,072</b>	<b>\$ 756,243</b>	<b>\$ 1,034,651</b>

**CADDO COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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:

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

CED Circuit Engineering – accounts for collections from the Circuit Engineering District to be disbursed for road and bridge projects.

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

Cash County Clerk – accounts for lien fee collections and disbursements as restricted by state statute.

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

Assessor Revolving – accounts for the collection of fees for the copies as restricted by state statute.

Sheriff State Criminal Alien Assistance Program (SCAAP) Grant – accounts for federal grant funds for the purpose of housing illegal alien criminals in the County jail.

Sheriff Drug Enforcement – accounts for forfeitures and disbursements for drug enforcement.



**CADDO COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Sheriff Courthouse Security – accounts for the collections of fees from court costs and disbursed for surveillance equipment.

Sheriff Recovery Justice Assistance Grant – accounts for the collection of grant monies to be disbursed by the Sheriff's office to deter gang related activities.

Sheriff Special Response Team – accounts for all federal grants collected and disbursed for the purpose of the Special Response Team.

E-911 Association of Southern Central Oklahoma Governments Cellular Phones – accounts for the collection of pre-paid 911 fees from the State of Oklahoma to be disbursed for operations of E-911.

E-911 Account – accounts for the collection of fees imposed on the residents within the boundaries of Caddo County from the phone company and disbursements are made to maintain an emergency telephone system.

County Clerk Records Preservation – accounts for fees collected for instruments filed in the County Clerk's office as restricted by state statute for preservation of records.

OSU Extension Support Fund – accounts for collections from donations to be disbursed for operations of the OSU Extension office.

E-911-5 – accounts for monies received from telephone companies to maintain an emergency telephone system.

Emergency Management SLA – accounts for federal funds for the purpose of the County's emergency management program.

Court Clerk Cimarex Settlement – accounts for the collection from a donation to be disbursed for maintenance and operations of the Caddo County Court System.

County Farm Lease – accounts for the collection of a lease-rental from county-owned property and disbursed for maintenance of the property.

Local Environmental Planning Commission – accounts for federal funds collected and disbursed for environmental control.

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

**CADDO COUNTY, OKLAHOMA  
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES—REGULATORY BASIS—  
REMAINING AGGREGATE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Civil Emergency – accounts for funds received from state and local governments to be disbursed for civil emergency purposes.

Veterans Statue – accounts for donations received to restore and repair the veteran’s memorial statue.

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

OSU Capital Outlay – accounts for donations received for the disbursement of supplying furniture for the new OSU facility.

Fair Board Awards and Donations – accounts for donations received for the disbursement of supplying buckles and awards for the free fair.

Special Response Team Donations – accounts for donations received for the disbursement of supplying the Special Response Team.

Sheriff Donations – accounts for donations received for the disbursement of maintaining Sheriff canines.

Apache Nutrition Center Building – accounts for reimbursements from the Association of County Commissioners to be disbursed for hail damages.

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

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 123 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

## **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  
CADDO 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 Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Caddo County, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprises Caddo County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated May 24, 2018.

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, 2016, 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 Caddo 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 Caddo County's internal control. Accordingly, we do not express an opinion on the effectiveness of Caddo County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2016-001, 2016-003, 2016-004, 2016-005, and 2016-006.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2016-020.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Caddo 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2016-004, 2016-005, and 2016-006.

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

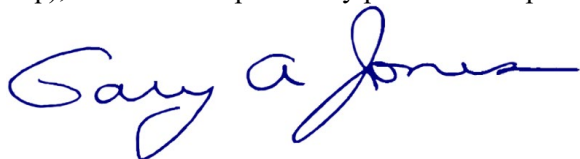
### **Caddo County's Responses to Findings**

Caddo County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Caddo County's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the responses.

### **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.



GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

May 24, 2018

**CADDO COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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 2016-001 - Inadequate County-Wide Internal Controls (Repeat Finding 2010-8, 2011-8, 2012-1, 2013-1, 2014-1, 2015-1)**

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

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

**Cause of Condition:** Policies and procedures have not been designed and implemented to address county-wide controls.

**Effect of Condition:** Without an adequate system of county-wide controls, there is 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 and to ensure that information is communicated effectively. 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:**

**Board of County Commissioners District 1, 2, and 3:** The Board of County Commissioners will work towards assessing and identifying risks to design written county-wide controls and procedures regarding 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, Information and Communication, 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.

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Information and Communication are vital components for an entity to achieve its objectives through the use of quality information to support the internal control system. Such quality information should be comprised of the information received from and the control structures surrounding both IT and manual systems for financial reporting purposes. Further, the entity should effectively communicate financial reporting roles and responsibilities concerning all financial reporting matters.

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 2016-003 - Inadequate Internal Controls Over the Collection Process, Classification of Transfers, Office Reconciliations, and Daily Reports and Noncompliance with State Statute (Repeat Finding 2010-3, 2011-3, 2012-3, 2013-3, 2014-3, 2015-3)**

**Condition:** Upon inquiry and the observation of records, within the office of the County Treasurer, the following was noted:

- Regarding the collection process, all employees work from the same cash drawer.
- Documentation did not exist to support a review of the input of ad valorem tax levies into the software system to ensure accuracy.
- The County Treasurer deleted a miscellaneous receipt from the system.
- Apportionment errors and/or transfers were not properly classified within the software system which resulted in the financial statements being materially misstated.
- The Daily Report of County business was not filed with the County Clerk in accordance with state statute.
- Although monthly reconciliations are performed between the offices of the County Treasurer and County Clerk, funds have been being reconciled inaccurately which caused a variance to carry for two fiscal years in two different funds.

**Cause of Condition:** Internal controls have not been designed and implemented by the County Treasurer to maintain documentation supporting review processes that ensure accuracy of the input of ad valorem tax levies and the proper classification of apportionment errors and/or transfer of funds. Also, internal controls have not been designed and implemented by the County Treasurer and County Clerk to ensure accurate monthly reconciliations between the two offices. Further, procedures have not been designed and implemented to file the Daily Report, which reports County daily business, with the County Clerk.

**Effect of Condition:** These conditions resulted in noncompliance with state statute, unrecorded transactions, and misstated financial reports. These conditions could also result in misappropriation of funds which would not be detected in a timely manner.

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**Recommendation:** OSAI recommends management be aware of these conditions and realize that duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in management's oversight of the office operations and a review of said operations while maintaining supporting documentation of designed and implemented internal controls.

OSAI also recommends that no receipts be deleted from the software system and the classification of apportionment errors and/or transfers within the system used to compile the financial statement of the County be properly classified.

Further, OSAI recommends the County Treasurer file the Daily Report with the County Clerk in accordance with 19 O.S. § 644.1, and ensure monthly reconciliations between the County Treasurer and County Clerk are accurate.

**Management Response:**

**County Treasurer:** We have made it our goal to achieve a fair and equal segregation of duties, so one deputy or official will not be totally responsible for several duties. Management will oversee each operation of the office, to reduce the risk of any one employee being responsible for one area of transactions. We also will not delete any miscellaneous receipts from the software system. Further, we will work to ensure the proper classification of errors and/or transfers, accurate monthly reconciliations are being performed with the County Clerk, and file the Daily Report with the County Clerk.

**County Clerk:** We will work to ensure accurate monthly reconciliations are being performed with the County Treasurer.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, and completeness of the County financial statements. 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.

Title 19 O.S. § 644.1 requires the County Treasurer file the Daily Report, the reporting of daily County business, with the County Clerk.

**Finding 2016-004 - Inadequate Internal Controls and Noncompliance Over Sales Tax Apportionments and Transfers (Repeat Finding 2010-5, 2011-5, 2012-4, 2013-4, 2014-4, 2015-4)**

**Condition:** Upon inquiry and observation of the recordkeeping process of apportioning sales tax collections, the following was noted:

- The three-quarter percent (3/4%) county sales tax was not apportioned and appropriated in accordance with the sales tax ballot.



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Fund	Apportioned and Appropriated By the County	Apportionments and Appropriations As Required Per Ballot	Variance
Caddo County Governmental Building Authority Gross Revenue Operations and Expenses Maintenance and Operations	\$716,984	\$ -	\$716,984
3/8 Sheriff Sales Tax and 3/8 911 Sales Tax	\$ -	\$716,984	(\$716,984)

- The County transferred funds from the Caddo County Governmental Building Authority Gross Revenue Operations and Expenses Maintenance and Operations fund in the amount of \$671,994 to the 3/8 911 Sales Tax fund and the 3/8 Sheriff Sales Tax Fund in the amounts of \$141,348 and \$530,646 respectfully. There are no statutory guidelines that allow for such transfers.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with the sales tax ballot and state statutes 68 O.S. § 1370E and 68 O.S. § 3021.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes. Sales tax was not apportioned in accordance with the sales tax ballot.

**Recommendation:** OSAI recommends that the sales tax collections be apportioned in accordance with the sales tax ballot as approved by the voters of the County in accordance with 68 O.S. § 1370E. Additionally, we further recommend that policies and procedures be designed and implemented to ensure transfers are made in accordance with 19 O.S. § 3021.

**Management Response:**

**Chairman of the Board of County Commissioners:** We will take the finding under consideration and research the available options. As far as the three-quarters percent sales tax, this is how we were told by the bond attorneys and previous auditors to set the sales tax up. We will discuss this matter and look into apportioning the sales tax into the appropriate funds.

**County Clerk:** I will do what is instructed to me by the Board of County Commissioners.

**County Treasurer:** I will do what is instructed to me by the Board of County Commissioners.

**Criteria:** Effective internal controls require that management properly implement procedures to ensure compliance with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

Title 68 O.S. § 3021 states in part, “Fourth: If at any time during the budget year it appears to the county treasurer that there is temporarily insufficient money in a particular fund to meet the requirements of appropriation in the fund, the excise board,.... may temporarily transfer

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from one fund to any other fund with the permission of the county officer in charge of the fund that the money will be temporarily transferred from... Any funds temporarily transferred shall be repaid to the original fund from which they were transferred within the fiscal year that the finds were transferred.”

**Finding 2016-005 - Inadequate Internal Controls and Noncompliance Over the Disbursement and Payroll Processes (Repeat Finding 2010-2, 2011-2, 2012-5, 2013-5, 2014-5, 2015-5)**

**Condition:** We noted the following weaknesses with regards to the disbursement process:

- There was no indication that purchase orders with pre-printed names of the Purchasing Agent and other deputies were reviewed to reduce the risk of unauthorized transactions.
- The names of the County Clerk and the Chairman of the Board are printed on all warrants and these warrants are not initialed by the Official.
- The duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, and prepares end of month payroll reports.

In addition, the audit of seventy (70) disbursements reflected the following:

- Six (6) instances were noted in which the disbursement was not supported by adequate documentation.
- Nine (9) instances were noted in which the disbursement was not properly encumbered.

**Cause of Condition:** Policies and procedures have not been designed and implemented over the disbursement process to strengthen internal controls and ensure compliance with state statute.

**Effect of Condition:** These conditions resulted in noncompliance with state statute and could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends management be aware of these conditions and determine if accounting functions over disbursements can be adequately segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Further, OSAI recommends all disbursements have proper supporting documentation and must be encumbered prior to receiving goods in accordance with 19 O.S. § 1505.

OSAI also recommends the following key accounting functions of the payroll process be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system,

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- Maintaining personnel files, and
- Preparing end of month payroll reports.

**Management Response:**

**Chairman, Board of County Commissioners:** The Board of County Commissioners will express to fellow County Officials the importance of County funds being encumbered prior to the receipt of goods and/or services in accordance with Oklahoma Statutes. Also, we will work toward having all warrants be initialed by the County Clerk and Chairman of the Board. We will work towards ensuring all purchases have proper supporting documentation. Further, we will work to improve segregation of duties in regards to payroll.

**County Clerk:** We will ensure that all warrants are initialed by the County Clerk. We will also ensure all purchases have proper supporting documentation. Further, we will work to improve segregation of duties regarding the processing of payroll.

**County Sheriff:** We will work towards ensuring all purchases are properly encumbered.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated. Also, internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions.

Effective internal controls require that management properly implement procedures to ensure that purchases comply with 19 O.S. § 1505.

**Finding 2016-006 – Inadequate Internal Controls and Noncompliance Over Disbursement of County Sales Tax (Repeat Finding 2015-6)**

**Condition:** Upon inquiry and observation of the recordkeeping process of collecting and expending county sales tax, the following was noted:

- The sales tax appropriations and expenditures were not discretely presented within the County General Fund. The County apportioned \$315,473 in sales tax collections to the County General Fund during the fiscal year ended June 30, 2016. Since the sales tax collections were commingled with other sources of revenue, we could neither determine how much sales tax was expended or determine if the sales tax was expended in accordance with the sales tax ballot.
- County sales tax collections for ambulance providers are paid to the four (4) emergency medical service districts based on the number of runs made each month. There is no documentation as to how sales tax is expended. Therefore, we were unable to determine if the sales tax was expended in accordance with the sales tax ballot.

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

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

**Recommendation:** OSAI recommends that the County sales tax apportioned to the County General Fund be accounted for in a separate account so as to discretely present the expenditures. In addition, the sales tax should be expended in such a manner to provide assurance that expenditures are made in accordance with the purposes specified by the ballot as outlined by 68 O.S. § 1370E.

**Management Response:**

**Chairman of the Board of County Commissioners, County Clerk, and County Treasurer:** We will have the budget maker establish separate accounts within the County General Fund to account for sales tax expenditures made within the County General Fund. We will also work with the four EMS Districts to ensure that sales tax is expended in accordance with the ballot.

**Criteria:** Title 68 O.S. § 1370E, requires the sales tax collections be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

Further, AG opinion 2005 OK AG 23 dated 07/13/2005 states:

3. Proceeds of a county sales tax voted for a specific purpose but placed in the county's general fund must be accounted for as a discrete fund, and any surplus not needed for the stated purpose during one fiscal year must be transferred to the county budget for the next fiscal year, for the same specified purpose."

Additionally, AG opinion 2014 OK AG 15 dated 10/31/2014 states:

4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; Cavin v. Bd. of County Comm'rs, 1934 OK 245 ¶ 11, 33 P.2d 477, 479.

**Finding 2016-020 – Inadequate Internal Controls Over the Schedule of Expenditures in Federal Awards (SEFA) (Repeat Finding 2013-14, 2014-14, 2015-14)**

**Condition:** During our audit, we identified federal programs that were not listed accurately on the County's Schedule of Expenditures of Federal Awards (SEFA). The following misstatement was noted:

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- The actual expenditures for the Disaster Grants - Public Assistance (Presidentially Declared Disasters) CFDA #97.036 were \$511,923 and the County reported \$294,400, resulting in expenditures being understated by \$217,523.

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

**Effect of Condition:** This condition resulted in the erroneous reporting and a material misstatement of the County's Schedule of Expenditures of Federal Awards, and could increase the potential for material noncompliance.

**Recommendation:** OSAI recommends county officials and department heads gain an understanding of federal programs awarded to Caddo County. Internal control procedures should be designed and implemented to ensure accurate reporting of expenditures on the Schedule of Expenditures of Federal Awards (SEFA).

Further, OSAI recommends county officials and department heads gain an understanding of requirements for federal programs and implement internal control procedures to ensure compliance with federal requirements.

**Management Response:**

**Board of County Commissioners:** We will ensure that proper documentation will be supplied to the County Clerk to accurately complete the County's Schedule of Expenditures of Federal Awards.

**County Clerk:** Each County Official has been made aware of the importance of supplying the Caddo County Clerk's Office with accurate records of federal funds received and expended. Without accurate numbers it is impossible for the County Clerk's office to properly complete the SEFA.

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

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

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

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**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 2016-007 – Inadequate Internal Controls and Noncompliance Over County General Fund Appropriations**

**Condition:** The following deficiency was noted with regards to the appropriations for the County General Fund reported on the Estimate of Needs.

- The Excise Board approved appropriations for the County General Fund in the amount of \$3,004,687 with said appropriations being \$189,323 in excess of the ending cash balance for fiscal year 2015 and estimated revenues for the fiscal year 2016.
  
- Ending Cash Balance Fiscal Year 2015: \$1,141,420  
Estimated Revenues 1,673,944  
Total Available for Appropriation 2,815,364  
  
Approved Appropriations 3,004,687  
Excess Appropriations \$(189,323)

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure appropriations to the County General Fund as reported on the Estimate of Needs do not exceed the available cash amount as estimated.

**Effect of Condition:** This condition resulted in noncompliance with state statute and could result in misstated financial reports, and misappropriation of funds.

**Recommendation:** OSAI recommends the County ensure detailed, accurate information is reported on all exhibits of the County General Fund Estimate of Needs to provide accurate appropriations and accounting of funds and to ensure that budgeted amounts do not exceed anticipated revenues in accordance with 68 O.S. § 3002(A).

**Management Response:**

**Chairman, Board of County Commissioners:** The BOCC will ensure appropriations do not exceed revenue available for the budget process of the County General Fund. We believe it should be noted that actual expenditures did not exceed collections.

**Criteria:** Accountability and stewardship are overall goals in evaluating management’s accounting of funds. Internal controls should be designed to analyze and check accuracy and completeness. To help ensure proper accounting of funds, the duties of allocating and appropriating should be reviewed by county management.

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Title 68 O.S. § 3002(A) states, “Notwithstanding the provisions of the School District Budget Act, each board of county commissioners and the board of education of each school district, shall, prior to October 1 of each year, make, in writing, a financial statement, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statement shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct. The statement of estimated needs shall be itemized so as to show, by classes: first, the several amounts necessary for the current expenses of the political subdivision and each officer and department thereof as submitted in compliance with the provisions of Section 3004 of this title; second, the amount required by law to be provided for sinking fund purposes; third, the probable income that will be received from all sources, including interest income and ad valorem taxes; and shall be detailed in form and amount so as to disclose the several items for which the excise board is authorized and required, by this article, to approve estimates and make appropriations.”

**Finding 2016-010 – Inadequate Segregation of Duties Over the Court Clerk Disbursement Processes**

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

- With regards to the Court Fund and Court Clerk Revolving Fund disbursement processes, the Court Clerk performs the duties of requisitioning, preparing vouchers, calculating amounts to other agencies, receiving goods and services, signing vouchers, and mailing or delivering vouchers to vendors.

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

**Effect of Condition:** These conditions could result in unrecorded transactions, misappropriation of funds, or clerical errors that are not detected in a timely manner.

**Recommendation:** OSAI recommends that the duties of the disbursement process 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,

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

**Finding 2016-011 - Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories (Repeat Finding)**

**Condition:** Upon inquiry and observation of fixed asset inventory items, we noted in the offices of the County Clerk and County Sheriff, one individual is responsible for maintaining inventory records and performing the annual fixed asset count and documentation of the count is not filed with the County Clerk in accordance with state statutes.

Upon inquiry and observation of consumable inventory, the following was noted:

- District 1 did not have documentation of the performance of a monthly physical consumable inventory count.
- District 2 does not reconcile fuel but instead relies solely on the pump which generates fuel logs.

**Cause of Condition:** Policies and procedures have not been adequately designed and implemented by county offices/departments to ensure the accurate reporting of fixed assets and consumable inventory items.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes. Opportunities for loss and misappropriation of county assets may be more likely to occur when the County does not have procedures in place to account for fixed assets. Additionally, when consumable inventory items are not adequately documented, the opportunity for the misappropriation and undetected errors, could result.

**Recommendation:** OSAI recommends the County Officers implement internal controls to ensure compliance with 19 O.S. §§ 178.1, and 178.2 regarding fixed assets and consumable inventory records. These controls would include that all offices:

- Retain documentation to verify the physical inventory counts were performed.
- Inventory counts should be performed by someone other than the receiving officer or inventory officer.
- Annual fixed asset inventory to be filed with the County Clerk.
- Perform a monthly consumable inventory count.
- Reconcile fuel usage on a weekly basis.

**Management Response:**

**County Clerk:** The County Clerk will work to segregate the annual review duty and inventory control duty.



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**County Sheriff:** The County Sheriff will work to segregate the annual review duty and inventory control duty. Further, we will maintain documentation of a physical inventory count and file a copy with the County Clerk.

**District 1 County Commissioner:** We will work to maintain documentation of a monthly physical count of consumable inventory.

**District 2 County Commissioner:** We will work to begin performing fuel reconciliations and we will work to count consumable inventory monthly.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. 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.

Title 19 O.S. § 178.1 which requires the board of county commissioners to take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county which cost more than Five Hundred Dollars (\$500.00).

Title 19 O.S. § 178.2 states in part, "...It shall be the duty and responsibility of each elected county official to create and maintain inventory records of said office. Such inventory shall be filed with the county clerk."

**Finding 2016-013 – Inadequate Internal Controls and Noncompliance Over Bids**

**Condition:** It was noted that bid 2016-5 was awarded in March 2016 and the work on the road project was started in April 2016; however, the purchase order was not encumbered until July 2016. Also, the County Commissioner determined that additional road work needed to be done in the same general area as the bid work was being done; therefore, he paid the vendor an additional \$214,794.94 more than the approved bid for the same vendor to perform the work without bidding this additional work. The vendor stated that "we finished the Gracemont road under the original bid. At that time we were told that BIA had more money that they would like to spend in this area so we overlaid an additional quarter mile of road that was not in the original bid". In addition, this bid was not time date and stamped, and there was no written contract between the vendor and the County. Further, there was no documentation maintained that the Board of County Commissioners gave notice to the Department of Transportation at least 21 days prior to accepting the bids on the road work.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with the Public Competitive Bidding Act of 1974.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes, and could result in inaccurate records, incomplete information, or a misappropriation of assets.

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**Recommendation:** OSAI recommends the County comply with 61 O.S. § 101-138 and 69 O.S. § 601.6 by implementing procedures to ensure that all construction projects are bid, all documentation of the bid is retained, and BOCC notice given in accordance with state statutes.

**Management Response:**

**Chairman of the BOCC:** The Board of County Commissioners were not aware a 21-day notice to the Department of Transportation was required. Also, the Board will work to have contracts in place between the County and vendor on future projects. Further, the additional work the contractor did on this bid was performed due to the additional work being the same price per mile as the original bid specs and the cost of mobilization fees to bid out the additional work. If this situation arises in the future, the Board will go out for bid for any additional work to be performed.

**County Clerk:** We will make sure that the Commissioners follow bidding procedures.

**Criteria:** Effective internal controls require that management properly implement procedures to ensure construction projects comply with 61 O.S. § 103 through § 138 and 69 O.S. § 601.6.

Title 61 O.S. § 103(A) states, “Unless otherwise provided by law, all public construction contracts exceeding Fifty Thousand Dollars (\$50,000.00) shall be let and awarded to the lowest responsible bidder, by open competitive bidding after solicitation for sealed bids, in accordance with the provisions of the Public Competitive Bidding Act of 1974. No work shall be commenced until a written contract is executed and all required bonds and insurance have been provided by the contractor to the awarding public agency.”

Title 61 O.S. § 113(A) states that, “Except as otherwise provided by law, within the period of time, not to exceed sixty (60) days, specified in the bid notice by the awarding public agency, a contract embodying the terms set forth in the bidding documents shall be executed by the awarding public agency and the successful bidder. No bidder shall obtain any property right in a contract awarded under the provisions of the Public Competitive Bidding Act of 1974 until the contract has been fully executed by both the bidder and the awarding public agency.”

Title 69 O.S. § 601.6 states, “The board of county commissioners in every county in this state must notify the Department of Transportation at least twenty-one (21) days prior to accepting bids on any publicly let road or bridge work projects in the county. The Department shall make this information available to the public on their website.”



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