

COUNTY AUDIT

CIMARRON COUNTY

For the fiscal year ended June 30, 2013



*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

**CIMARRON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

December 9, 2014

TO THE CITIZENS OF
CIMARRON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cimarron County, Oklahoma for the fiscal year ended June 30, 2013. 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, appearing to read "Gary A. Jones".

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

**CIMARRON COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**CIMARRON COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

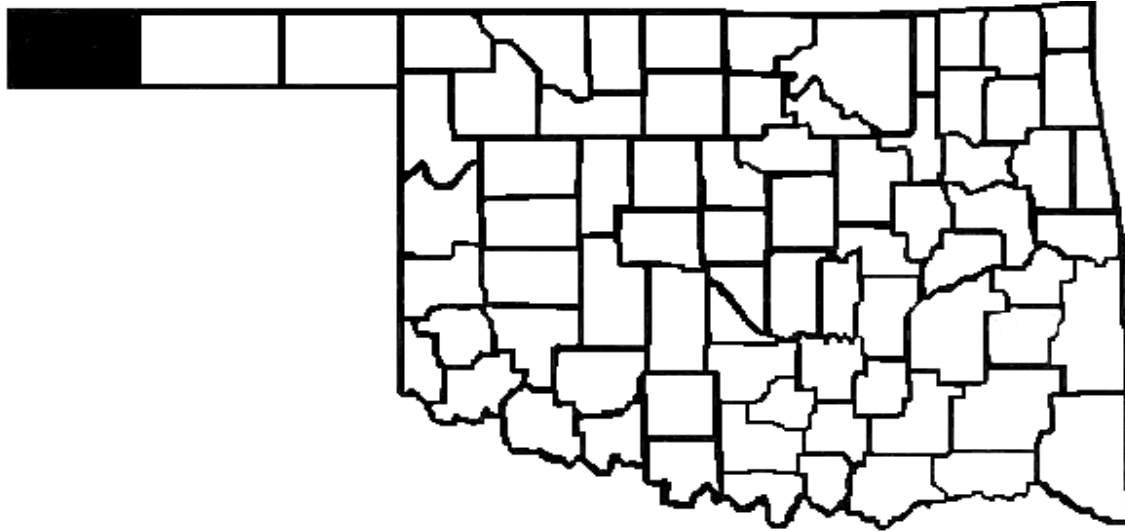
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**CIMARRON COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



Cimarron County was formed at statehood and named for the Cimarron River. The name Cimarron is a Mexican-Apache word meaning “wanderer.”

For many years, present-day Cimarron County was a part of “No Man’s Land,” an area populated with few settlers and regulated by virtually no law. Sheep and cattle ranchers entered this area long before it was opened to homesteaders, and today, farming and ranching constitute the economic base of the county.

In 1943, Boise City, the county seat, was accidentally bombed by United States servicemen from Dalhart Army Base. Cimarron County is also the site of Black Mesa, the highest point in Oklahoma. The county also holds the distinction of being the only one in the U.S. to be bordered by four other states – Colorado, Kansas, New Mexico, and Texas.

The Santa Fe Trail is a tourist attraction and the Santa Fe Trail Daze is a four-day festival held during the first weekend of June. The Cimarron Heritage Center Museum sponsors a tour of the Santa Fe Trail on the first Saturday in October annually. Cimarron County was once home to Hollywood stars Vera Miles and Jack Hoxie (featured in the museum). Several books have been published about Cimarron County. Contact the Cimarron Heritage Center Museum at 580/544-3479.

County Seat – Boise City

Area – 1,841.17 Square Miles

County Population – 2,385
(2012 est.)

Farms – 557

Land in Farms – 1,044,528 Acres

Primary Source: Oklahoma Almanac 2013-2014

**CIMARRON COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Board of County Commissioners

District 1 – Danny Bass
District 2 – John Freeman
District 3 – Tommy Grazier

County Assessor

Patricia Hiner

County Clerk

Coleen Allen

County Sheriff

Bob White

County Treasurer

Jenny Richardson

Court Clerk

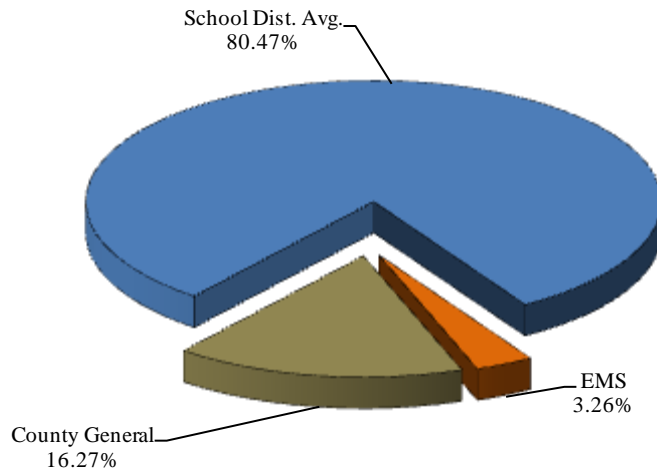
Debbie Kincannon

District Attorney

James Boring

**CIMARRON COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

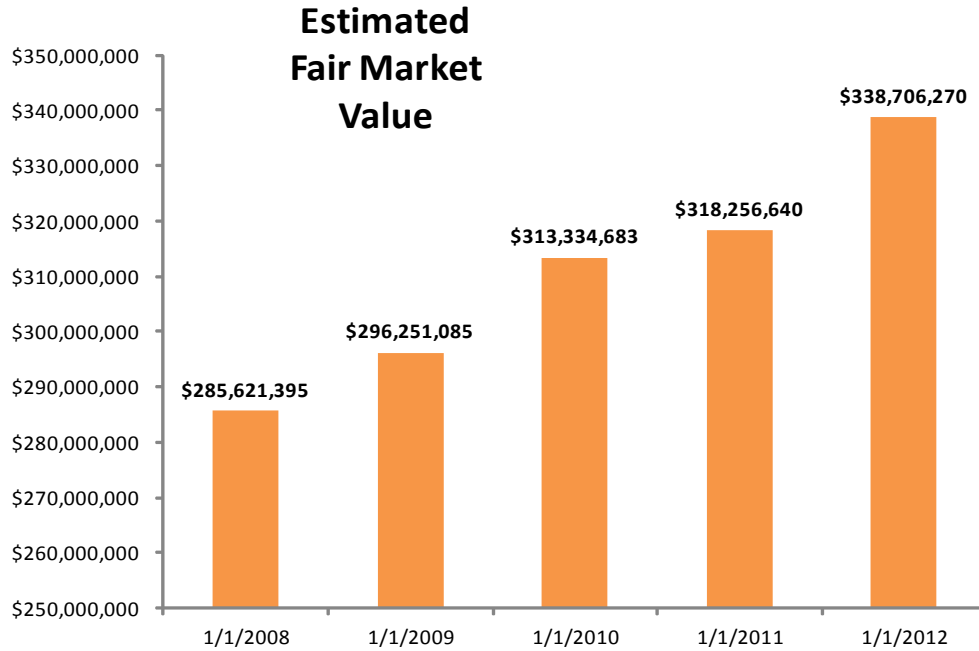
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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.	Common	Total
County General	10.40							
EMS	2.08	Boise City	I-2	37.28	5.33	2.49	4.16	49.26
		Keyes	I-11	35.53	5.08	7.26	4.16	52.03
		Felt	I-10	37.48	5.35	7.82	4.16	54.81
		Yarbrough	Jt-1	35.42	5.06	6.72	4.16	51.36

**CIMARRON COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

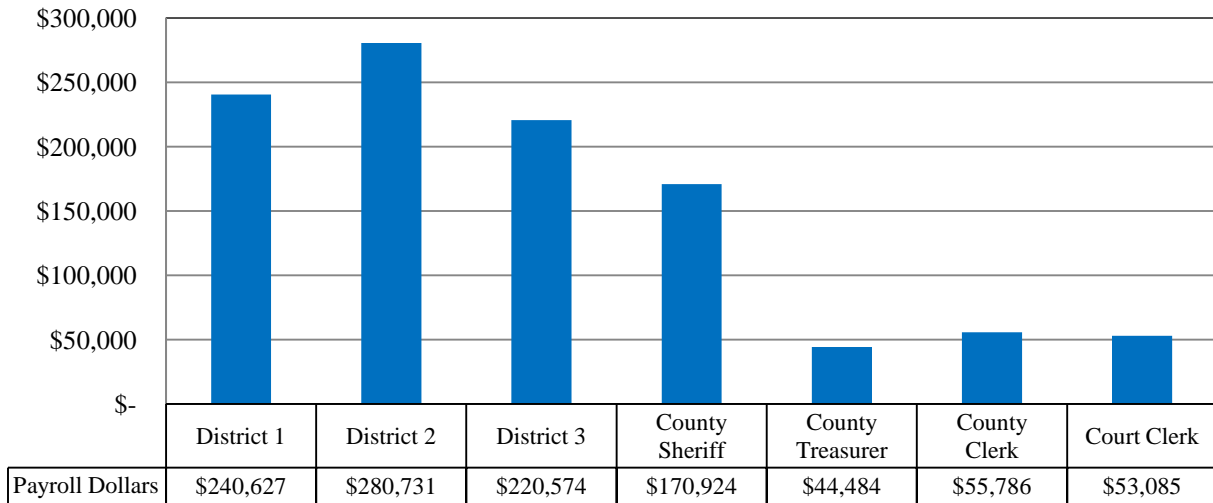
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$17,200,854	\$11,823,731	\$20,104,112	\$697,496	\$48,431,201	\$338,706,270
1/1/2011	\$15,079,345	\$11,410,378	\$19,802,337	\$696,326	\$45,595,734	\$318,256,640
1/1/2010	\$14,922,735	\$11,082,661	\$19,505,540	\$691,370	\$44,819,566	\$313,334,683
1/1/2009	\$14,126,851	\$9,390,610	\$19,043,211	\$679,771	\$41,880,901	\$296,251,085
1/1/2008	\$12,515,946	\$9,589,149	\$19,159,302	\$688,047	\$40,576,350	\$285,621,395



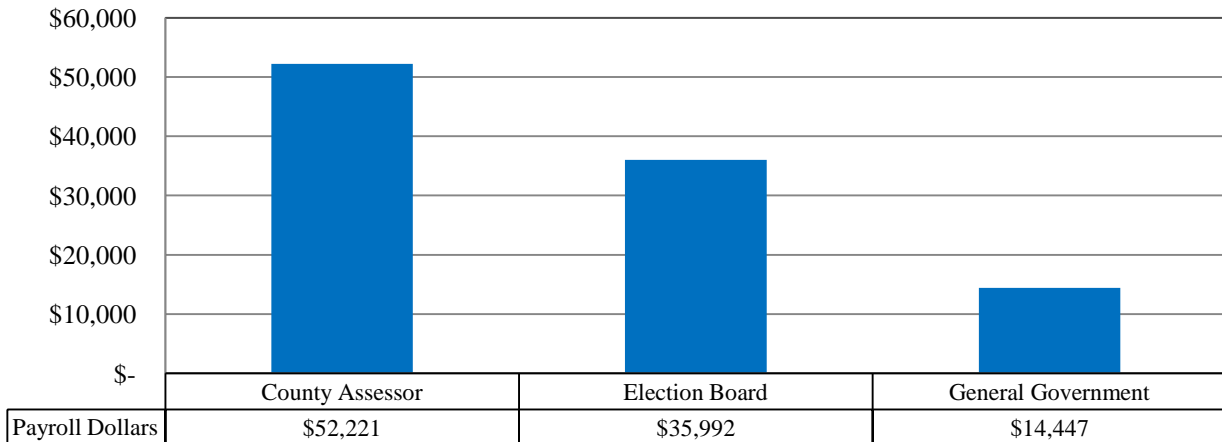
**CIMARRON COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2013.

Payroll Expenditures by Department



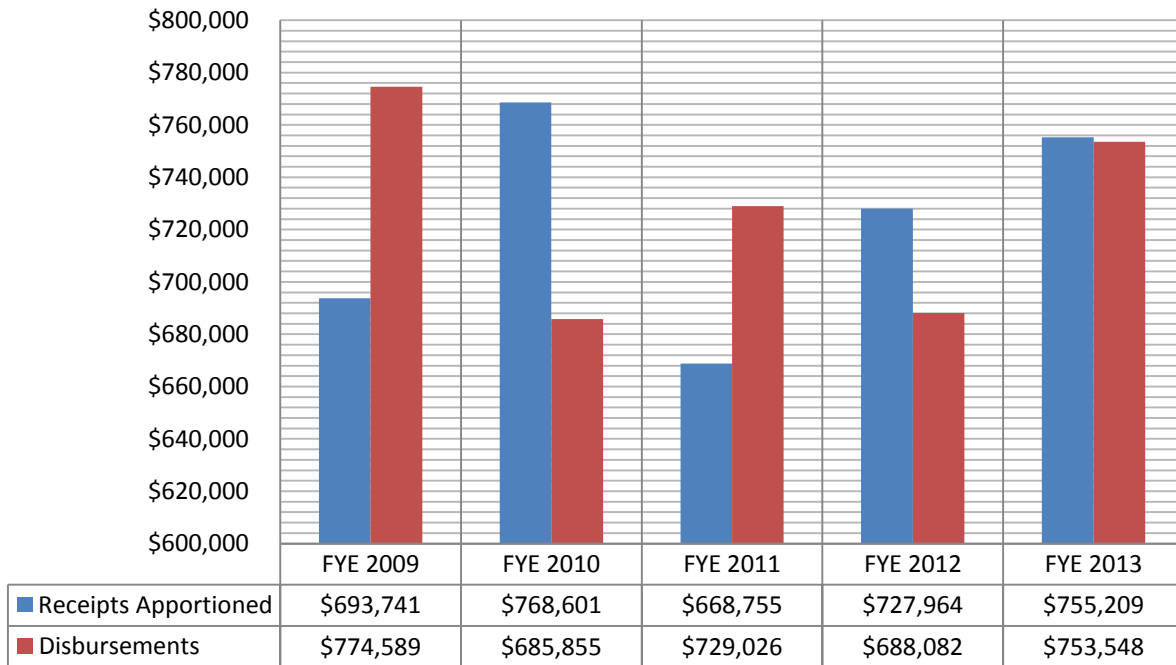
Payroll Expenditures by Department



**CIMARRON COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County General Fund

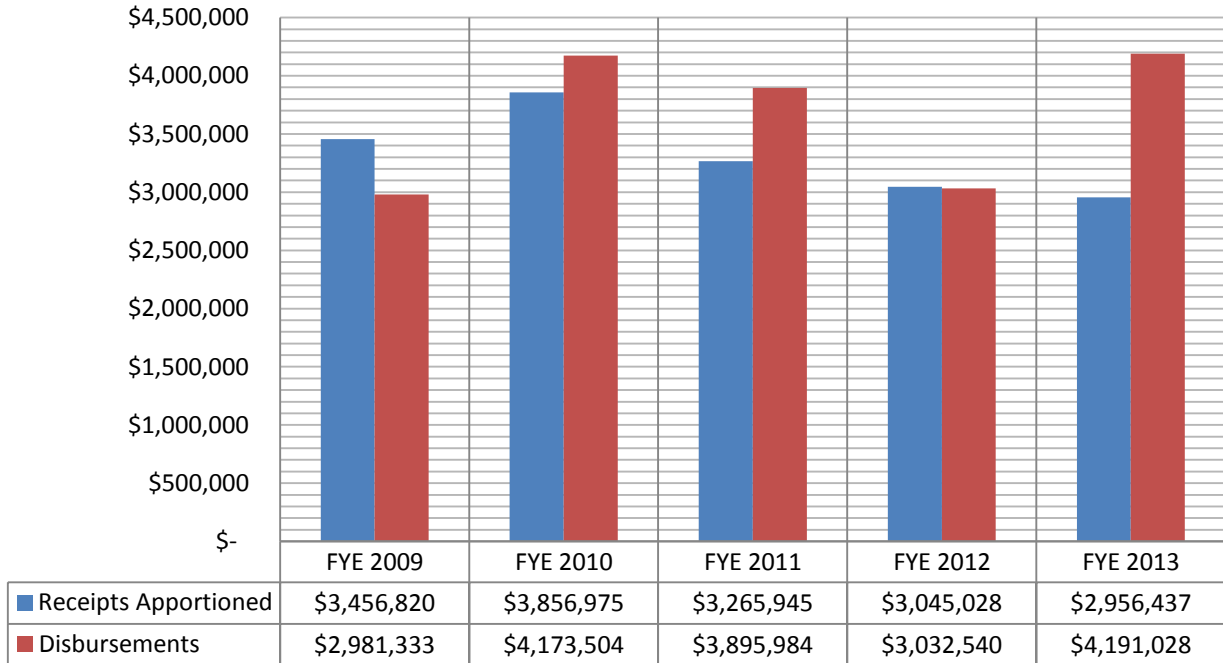
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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.



**CIMARRON COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Independent Auditor's Report

TO THE OFFICERS OF
CIMARRON 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 Cimarron County, Oklahoma, as of and for the year ended June 30, 2013, listed in the table of contents as the financial statement.

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

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

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

As described in Note 1 of the financial statement, the financial statement is prepared by Cimarron 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 Cimarron County as of June 30, 2013, or changes in its financial position for the year then ended.

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 Cimarron County, for the year ended June 30, 2013, on the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and 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 December 8, 2014, on our consideration of Cimarron 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 Cimarron County's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "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

December 8, 2014

REGULATORY BASIS FINANCIAL STATEMENT

CIMARRON 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, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
County General Fund	\$ 399,118	\$ 755,209	\$ -	\$ -	\$ 753,548	\$ 400,779
County Highway Fund	4,104,964	2,956,437	303,540	-	4,191,028	3,173,913
County Sales Tax		315,462	-	-	315,462	-
County Bridge and Road Improvement Fund 105	496,661	237,709	-	303,540	7,663	423,167
Free Fair Sales Tax	1,909	11,282	-	-	9,532	3,659
OSU Extension Sales Tax	5,421	11,282	-	-	6,869	9,834
Courthouse Revolving Sales Tax	37,551	111,536	-	-	78,144	70,943
Soutar Memorial Library Sales Tax	2,225	11,282	-	-	7,187	6,320
Grant	5,000	10,246	-	-	15,246	-
Remaining Aggregate Funds	118,885	138,420	4,429	-	114,003	147,731
Combined Total - All County Funds	\$ 5,171,734	\$ 4,558,865	\$ 307,969	\$ 303,540	\$ 5,498,682	\$ 4,236,346

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

**CIMARRON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Cimarron 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 services, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included as combining information within the financial statement:

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

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

County Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

County Bridge and Road Improvement Fund 105 – accounts for state receipts and disbursements for the purpose of maintaining bridges and roads.

Free Fair Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

OSU Extension Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

**CIMARRON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Courthouse Revolving Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

Soutar Memorial Library Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

Grant – cash fund established for the purpose of maintaining collections and disbursements of grant awards.

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 is the only fund required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

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

**CIMARRON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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. Unpaid real property taxes become a lien upon said property on October 1 of each year.

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.

**CIMARRON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

D. Sales Tax

On April 6, 2010, a special election was held and the voters approved the continuing levy of the 2% sales tax for the period July 1, 2011 through June 30, 2015. Said sales tax is distributed 1.5% for the maintenance, operations, and capital improvements of the Cimarron Memorial Hospital and medical facilities. The remaining .5% is distributed between the Free Fair, OSU Extension, Courthouse Revolving, and Soutar Memorial Library for the purpose of operations. Sales tax is accounted for in the following cash funds: County Sales Tax, Free Fair Sales Tax, OSU Extension Sales Tax, Courthouse Revolving Sales Tax, and Soutar Memorial Library Sales Tax. The sales tax collected for the Cimarron Memorial Hospital is accounted for in the County Sales Tax cash fund.

E. Interfund Transfers

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

- \$303,540 from the County Bridge and Road Improvement Fund 105 to the County Highway Fund for bridge and road projects.
- \$4,429 from Excess Resale to Resale for prior year ad valorem taxes not timely claimed as allowed by state statute.

OTHER SUPPLEMENTARY INFORMATION

CIMARRON 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, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 399,118	\$ 399,118	\$ -
Less: Prior Year Outstanding Warrants	(32,774)	(32,774)	-
Less: Prior Year Reserves	(2,176)	(776)	1,400
Beginning Cash Balances, Budgetary Basis	<u>364,168</u>	<u>365,568</u>	<u>1,400</u>
Receipts:			
Ad Valorem Taxes	457,895	529,626	71,731
Charges for Services	23,787	38,465	14,678
Intergovernmental Revenues	60,123	122,263	62,140
Miscellaneous Revenues	5,176	64,855	59,679
Total Receipts, Budgetary Basis	<u>546,981</u>	<u>755,209</u>	<u>208,228</u>
Expenditures:			
District Attorney	3,300	2,746	554
County Sheriff	190,600	188,521	2,079
County Treasurer	49,284	49,284	-
County Clerk	61,342	60,991	351
Court Clerk	57,021	55,910	1,111
County Assessor	63,638	59,875	3,763
Revaluation of Real Property	32,917	30,731	2,186
Juvenile Shelter Bureau	5,000	3,200	1,800
General Government	103,166	42,711	60,455
County Excise Board	4,800	2,207	2,593
County Election Board	42,982	42,982	-
Insurance	278,001	206,302	71,699
County Supt. Of Health	200	200	-
Charity	1	-	1
Library	1,941	1,941	-
Civil Defense	2	-	2
Audit Budget	4,843	1,037	3,806
Free Fair	3	-	3
County Hospital	12,108	12,108	-
Total Expenditures, Budgetary Basis	<u>911,149</u>	<u>760,746</u>	<u>150,403</u>

Continued on next page

**CIMARRON COUNTY, OKLAHOMA
 COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
 GENERAL FUND - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	360,031	\$ 360,031
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		1,520	
Add: Current Year Reserves		39,228	
Ending Cash Balance		\$ 400,779	

CIMARRON COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning		Transfers	Transfers		Ending
	Cash Balances	Receipts	In	Out	Disbursements	Cash Balances
	July 1, 2012	Apportioned	In	Out	Disbursements	June 30, 2013
Remaining Aggregate Funds:						
Resale Property	\$ 15,885	\$ 9,931	\$ 4,429	\$ -	\$ 15,055	\$ 15,190
Treasurer Mortgage Tax Certification Fee	1,620	605	-	-	384	1,841
County Clerk Lien Fee	7,743	6,715	-	-	6,611	7,847
County Clerk Preservation	3,969	6,390	-	-	7,020	3,339
Assessor Revolving Fee	2,239	4,249	-	-	4,407	2,081
Sheriff Service Fee	82,746	67,992	-	-	80,526	70,212
E-911	3,433	42,538	-	-	-	45,971
Local Emergency Planning Commission	1,250	-	-	-	-	1,250
Combined Total - Remaining Aggregate Funds	\$ 118,885	\$ 138,420	\$ 4,429	\$ -	\$ 114,003	\$ 147,731

**CIMARRON COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General 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 as follows:

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

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

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

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

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

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

E-911 – accounts for the collection of a 5% fee of the tax rate imposed on residence within the boundaries of Cimarron County. Disbursements provided by the fee are used to operate and maintain an emergency telephone system.

Local Emergency Planning Commission – accounts for fees collected and disbursed for local emergency planning.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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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
CIMARRON 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 Cimarron County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Cimarron County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated December 8, 2014.

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, 2013, 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 Cimarron 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 Cimarron County's internal control. Accordingly, we do not express an opinion on the effectiveness of Cimarron 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: 2013-1 and 2013-3.

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: 2013-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cimarron 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-3.

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

Cimarron County's Responses to Findings

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

December 8, 2014

**CIMARRON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 2013-1 – Inadequate County-Wide Controls (Repeat Finding)

Condition: County-wide controls regarding Risk Management and Monitoring have not been designed.

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

Effect of Condition: This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

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

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners will work towards assessing and identifying risks to design written policies 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 made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

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

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.

**CIMARRON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Finding 2013-2 – Internal Control Weakness Over the Collection and Reconciliation Processes
(Repeat Finding)**

Condition: Upon inquiry and observation of the County’s collection and reconciling processes, the County Treasurer has implemented review processes to enhance internal controls; however, there remains a weakness over the collection and reconciliation processes relating to an inadequate segregation of duties.

Duties over the collection process within the County Treasurer’s office are performed by the County Treasurer and the deputy with regard to receipting, depositing, and reconciling bank accounts.

Cause of Condition: Compensating control procedures have not been fully designed and implemented with regard to segregating the duties over all aspects of the collections process.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of 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 overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that one employee is unable to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Management Response:

County Treasurer: The County Treasurer is aware of the condition and will continue the review processes that have been designed and implemented to help ensure accurate reporting of financial records.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated. A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions and the operation of three separate types of accounting records could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**CIMARRON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2013-3 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry and observation of the County’s payroll disbursement process, we noted the duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, prepares OPERS reports and state and federal tax reports, and initiates the direct deposit process with the financial institution.

The audit of fifty-eight purchase orders reflected the following noncompliance:

- Three instances were noted in which goods and/or services were received prior to the encumbrance of funds.
- Two instances were noted in which supporting documentation of the disbursement was not attached to the purchase order (i.e., invoice and receiving report).

Cause of Condition: Policies and procedures have not been designed over the disbursements process to strengthen internal controls and ensure compliance with state statutes.

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

Recommendation: OSAI recommends the following key accounting functions over payroll disbursements be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system.
- Access to personnel files.
- Preparing state reports and state and federal tax reports.

Further, OSAI recommends the following in accordance with 19 O.S. § 1505C and § 1505E.

- County funds should be encumbered prior to the receipt of goods and/or services.
- Disbursements of County funds should be supported with invoices and receiving reports.

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners will emphasize to all departments and offices the importance of encumbering funds prior to the receipt of goods and/or services and ensuring that supporting documentation is attached to all purchase orders.

County Clerk: The County Clerk is aware of the condition and will work toward the segregation of duties over payroll. Also, the County Clerk will ensure that adequate supporting documentation is attached to all purchase orders.

**CIMARRON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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.

An aspect of internal control is the safeguard of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

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 2013-4 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry and observation of the Inmate Trust Fund Checking Account and Sheriff Commissary, the following exceptions were noted:

- One individual is primarily responsible for receipting inmate money, preparing deposit slips, and depositing with the financial institution.
- An Inmate Trust ledger was not maintained until January 2013; however, the Ledger was maintained at June 30, 2013, but was not reconciled to the bank statement at June 30, 2013.
- Checks from the Inmate Trust Fund Checking Account only require one authorized signature. One individual has the capability to both issue and sign checks without independent oversight.
- Six instances were noted in which a receipt was not issued for money received.
- Because receipts were not written, it could not be determined that money is deposited into the Inmate Trust Fund Checking Account on a daily basis.
- Two instances were noted in which expenditures for court appointed attorney fees were disbursed from the Inmate Trust Fund Checking Account in violation of the state statute.
- A Sheriff Commissary Fund has not been established with the County Treasurer.
- The Sheriff's Office did not file an annual report of the Commissary Fund with the Board of County Commissioners.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that internal controls are in place with regards to the Inmate Trust Fund Checking Account and Sheriff Commissary.

Effect of Condition: These conditions resulted in noncompliance with state statutes. A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution

**CIMARRON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Management should provide segregation of duties so that no one employee is able to perform all accounting functions.

OSAI recommends that checks require two authorized signatures and restrict any employee with check printing capabilities from being authorized signers of the account.

Further, OSAI recommends all money collected from inmates be deposited into the Inmate Trust Fund Checking Account and funds be deposited on a daily basis. Expenditures from the Inmate Trust Fund Checking Account are to be made in accordance with state statutes. Additionally, OSAI recommends the Sheriff establish a Sheriff Commissary Fund and file an annual report for the Commissary Fund with the Board of County Commissioners in accordance with state statutes.

Management Response:

County Sheriff: The newly appointed County Sheriff (as of January, 2014) is aware of the conditions and will work toward proper implementation of internal controls and abide by laws in regards to the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Title 19 O.S. § 531 A states in part "...The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge..."

Title 19 O.S. § 682 states in part, "It shall be the duty of each and every county officer..., to deposit daily... every kind received or collected by virtue or under color of office..."

Title 19 O.S. § 180.43 D states in part "Each county sheriff may operate, or contract the operation of, a commissary for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account... The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year..."

**CIMARRON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2013-5 – 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 the following:

District 2:

- An annual physical fixed asset inventory count is not being performed.
- One of ten items tested did not have a County identification number.

County Treasurer:

- One of five items tested did not have a County identification number.

County Sheriff:

- One item tested was not marked with the correct County identification number.

Court Clerk:

- One item tested was not marked with the correct County identification number.
- Three of five items tested did not have County identification numbers.

Upon inquiry and observation of consumable inventory items for District 1, 2, and 3, we noted the following:

District 1:

- A monthly physical count of consumable inventory is not performed.
- Two of five items selected had the incorrect quantity:
 - 5/8 x 6 x 84 Grader Blades - We counted 20; however, there were 18 reported on the inventory card.
 - 5/8 x 8 x 84 Grader Blades - We counted 24; however, there were 69 reported on the inventory card.

District 2:

- A monthly physical count of consumable inventory is not performed.
- A fuel log is not maintained.
- One of the five items selected had the incorrect quantity:
 - 20 inch pipe - We counted 50.2 feet; however, 40.2 feet was reported on the inventory card.

District 3:

- A monthly physical count of consumable inventory is not performed.
- Two of the five items selected had the incorrect quantity:
 - 30 inch pipe - We counted 360 feet; however 236.90 feet was reported on the inventory card.
 - 16 inch pipe - We counted 1,160 feet; however, none was reported on the inventory card.

**CIMARRON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Cause of Condition: Policies and procedures have not been designed to ensure compliance with the state statutes regarding maintaining and properly identifying fixed assets. Additionally, procedures have not been designed and implemented to provide for accurate inventory records and the safeguarding of consumable inventory items.

Effect of Condition: These conditions resulted in noncompliance with state statutes. When fixed assets are not monitored, opportunities for misuse or loss of equipment can occur. Additionally, when consumable inventories are not monitored on a monthly basis, opportunities for misuse or theft of items are more likely to occur.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1, 19 O.S. § 1502(A)(1), 19 O.S. § 1502(B)(1), and 69 O.S. § 645 by maintaining inventory records and marking assets with county identification numbers and “Property of.” OSAI recommends the performing and documenting a periodic inventory of fixed assets. Additionally, the key functions of receiving duties and inventory control duties should be performed by separate employees in order to effectively segregate those duties.

OSAI also recommends the performing and documenting of a monthly consumable inventory count. Counts should be initialed and dated by the employee performing the physical count and retained to show the design and implementation of internal controls by the County Commissioners. Additionally, the key functions of receiving duties and consumable inventory control duties should be performed by separate employees in order to effectively segregate those duties.

Management Response:

District 1: The County Commissioner will perform a monthly consumable inventory count.

District 2: The County Commissioner will perform a count of fixed assets once a year to ensure that all equipment is marked with county identification numbers and perform a monthly consumable inventory count. Also, the County Commissioner will ensure a fuel log is kept and reconciled to the fuel pumps on a monthly basis.

District 3: The County Commissioner will perform a monthly consumable inventory count.

County Treasurer: The County Treasurer will review fixed assets to ensure that equipment is marked with the county identification number.

County Sheriff: The County Sheriff will review fixed assets to ensure that equipment is marked with the proper county identification number.

Court Clerk: The Court Clerk will review fixed assets to ensure that equipment is marked with the county identification number.

**CIMARRON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Criteria: 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.



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