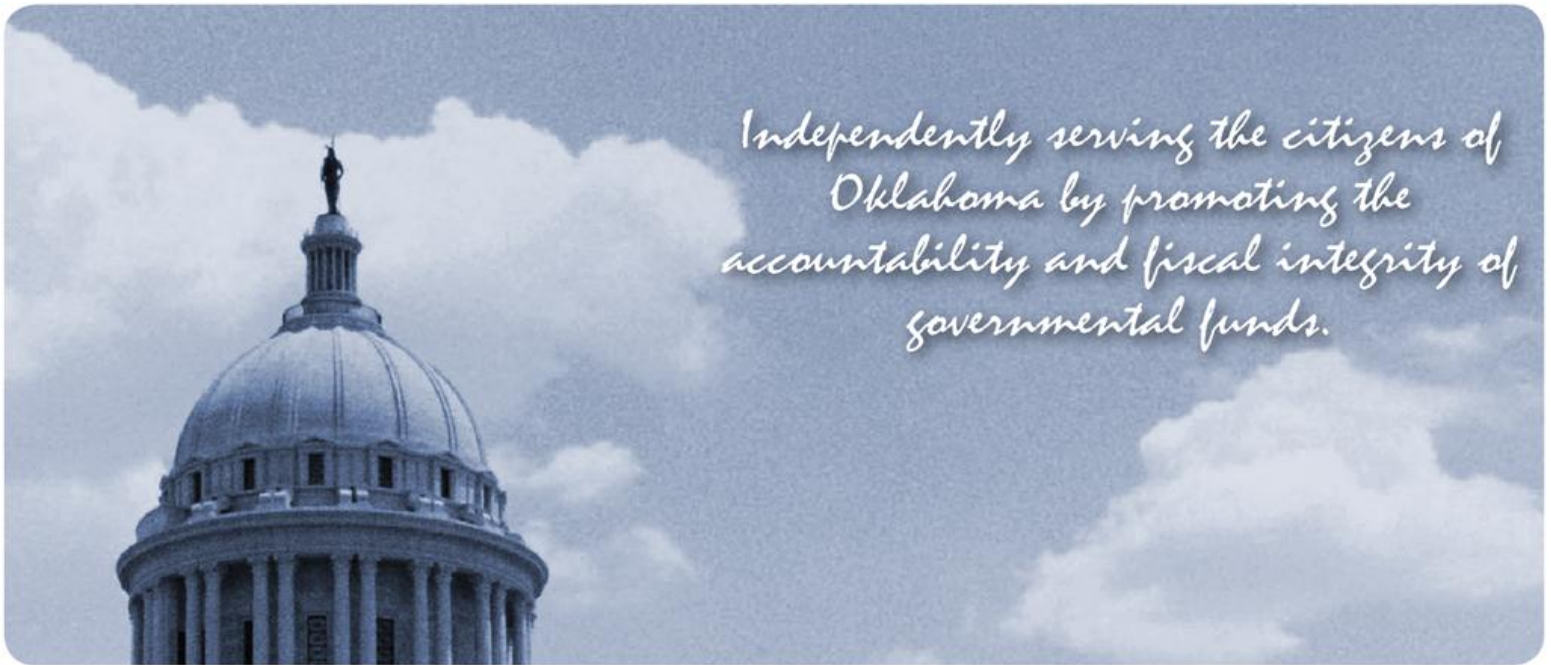


COUNTY AUDIT

COTTON COUNTY

For the fiscal year ended June 30, 2015



*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

**COTTON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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

March 23, 2016

TO THE CITIZENS OF
COTTON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cotton County, Oklahoma for the fiscal year ended June 30, 2015. 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

**COTTON COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**COTTON COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

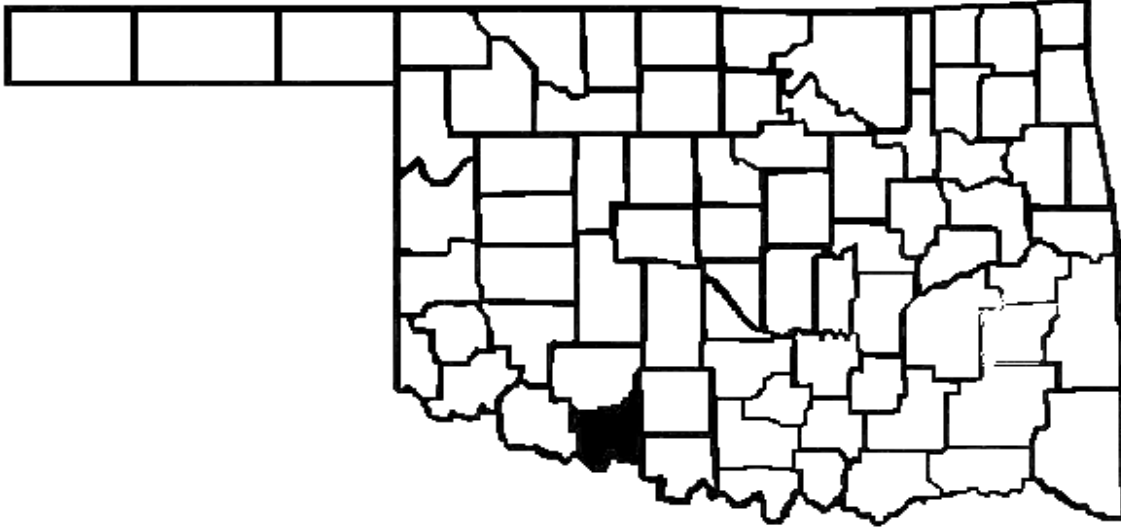
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**COTTON COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



Cotton County is composed of land belonging at one time to Quapaws, Choctaws, and Chickasaws, the Comanche Reservation, and the Big Pasture. Part of it was created from the southern portion of Comanche County, and was formed as a result of a vote of its residents on August 22, 1912, after statehood.

Agriculture has long been important to the economic base of the county. Principal crops include wheat and cotton. Livestock is also considered significant. Oil and gas production, begun in 1917, rose to nearly 800 producing wells by 1952, when it ranked ninth in the state in oil production. Walters, the county seat, is the home of the Cotton County Electric Cooperative, one of the largest rural electric cooperatives in Oklahoma.

Annual events held in Walters include the Walters Car Cruz, Walters Round-Up Club Rodeo in July, the Cotton County Free Fair in September, and the Gallery on the Green Art Show in May. Sultan Park, north of Walters, is a recreational area and is the site of Comanche Indian powwows that are also held in July.

For more information, call the County Clerk's office at 580/875-3026.

County Seat – Walters

Area – 641.94 Square Miles

County Population – 6,150
(2014 est.)

Farms – 500

Land in Farms – 399,818 Acres

Primary Source: Oklahoma Almanac 2015-2016

**COTTON COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Board of County Commissioners

District 1 – Edward Eschiti
District 2 – Chris Lipscomb
District 3 – Greg Powell

County Assessor

Debbie Sturdivant

County Clerk

Nikki Vardell

County Sheriff

Kent Simpson

County Treasurer

Tammy Morris

Court Clerk

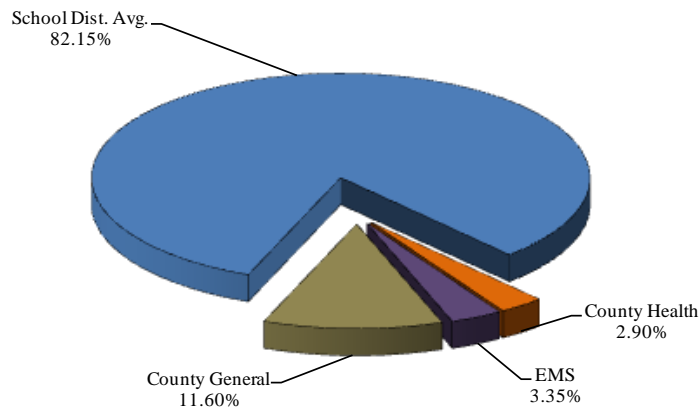
Janet Shively

District Attorney

Fred C. Smith

**COTTON COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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	10.40								
County Health	2.60	Walters	I-1	36.42	5.20	9.55	12.49	4.16	67.82
EMS	3.00	Temple	I-101	36.62	5.23	-	12.49	4.16	58.50
		Big Pasture	I-333	36.43	5.20	13.09	14.44	4.16	73.32
		Comanche/Geronimo	JtI-4	35.75	5.11	27.34	14.44	4.16	86.80
		Stephens/Empire	JtI-21	36.54	5.22	20.27	12.49	4.16	78.68
		Jefferson/Waurika	JtI-23	35.00	5.00	10.81	12.49	4.16	67.46
		Comanche/Chattanooga	JtI-132	35.42	5.06	20.61	14.44	4.16	79.69
		Tillman/Grandfield	JtI-249	36.38	5.20	16.57	14.44	4.16	76.75

**COTTON COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Sales Tax

Sales Tax of March 1, 1984

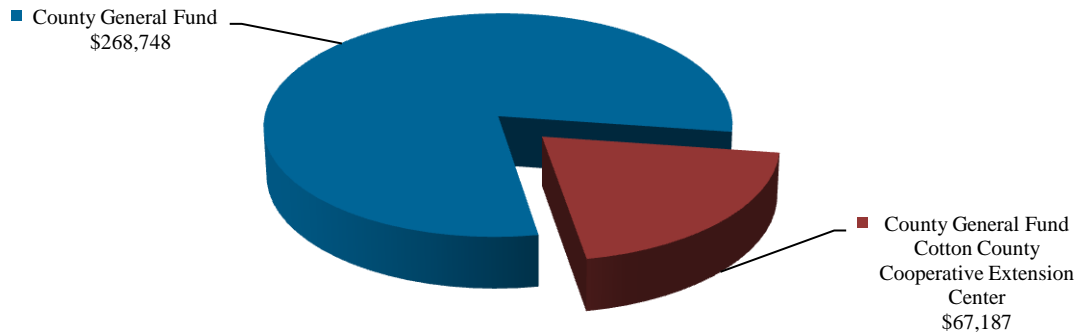
The voters of Cotton County approved a one percent sales tax for general operations and county roads on February 7, 1984. The sales tax is for an unlimited duration and became effective March 1, 1984. These funds are accounted for within the County General Fund.

Sales Tax of July 1, 2013

The voters of Cotton County approved a one-quarter of one cent sales tax through a special election on April 2, 2013, with proceeds designated to conduct Cotton County's portion of the cost for maintaining the Cotton County Cooperative Extension Center and became effective July 1, 2013 for the duration of five years. These funds are accounted for within the County General Fund.

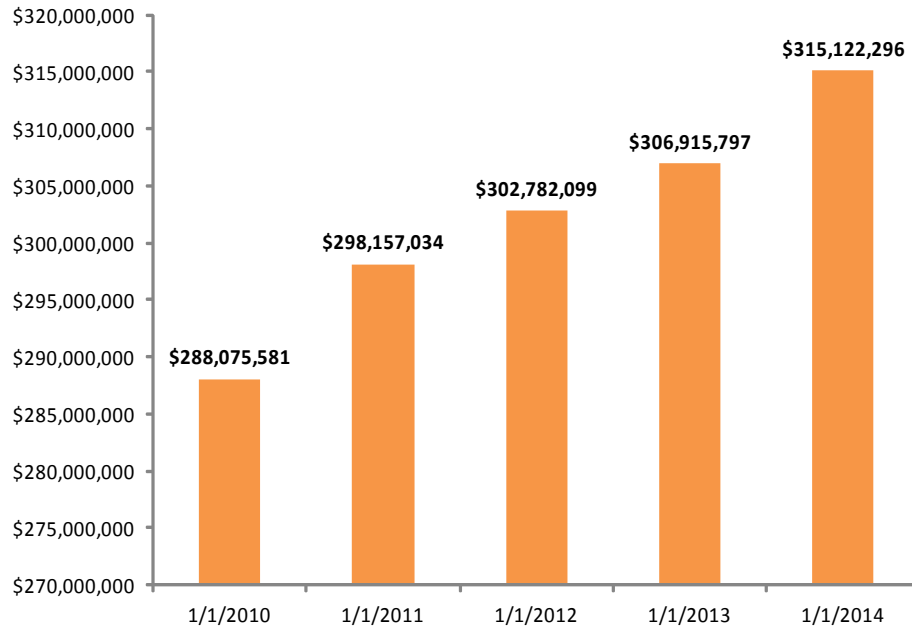
Sales Tax of July 1, 2015

The voters of Cotton County approved a permanent county sales tax of three-fourths of one cent through a special election on March 3, 2015, in addition to any and all existing sales tax, provided that the revenues from such tax be allocated and used for the purpose of support in maintaining, continuing, equipping and purchasing of Cotton County, Oklahoma, operations. These operations include, but are not limited to, maintenance and/or construction of buildings or facilities, equipment purchases, personnel salaries, property maintenance and upkeep, road and bridge maintenance, and daily operations of Cotton County, Oklahoma. These funds are accounted for within the County General Fund.



**COTTON COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

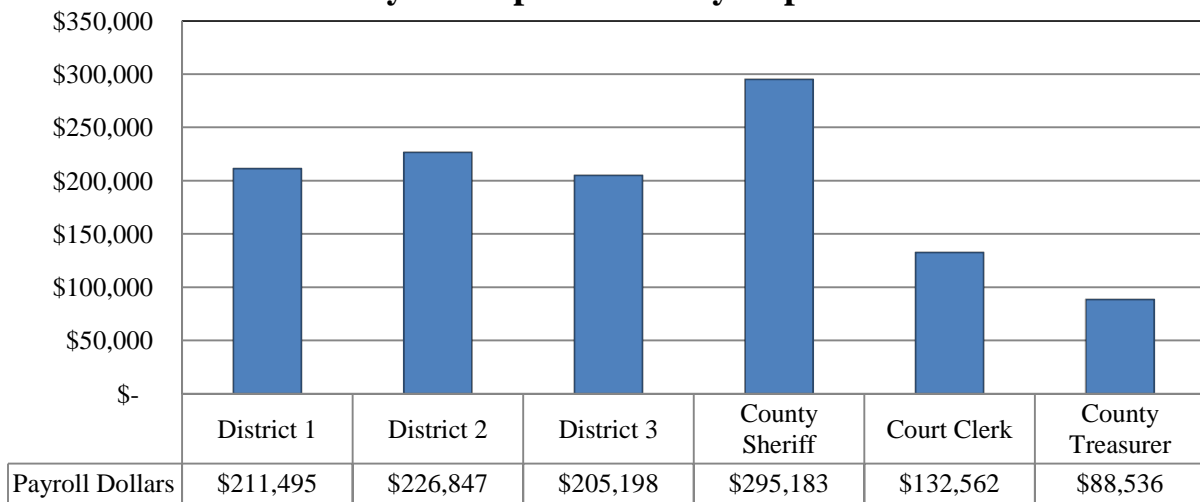
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$3,909,214	\$5,705,502	\$29,458,372	\$1,910,862	\$37,162,226	\$315,122,296
1/1/2013	\$3,523,039	\$5,753,067	\$28,876,861	\$1,779,766	\$36,373,201	\$306,915,797
1/1/2012	\$3,336,488	\$6,243,954	\$28,340,982	\$1,774,549	\$36,146,875	\$302,782,099
1/1/2011	\$3,305,354	\$6,037,868	\$27,943,953	\$1,637,240	\$35,649,935	\$298,157,034
1/1/2010	\$3,074,420	\$5,683,043	\$27,194,097	\$1,628,713	\$34,322,847	\$288,075,581



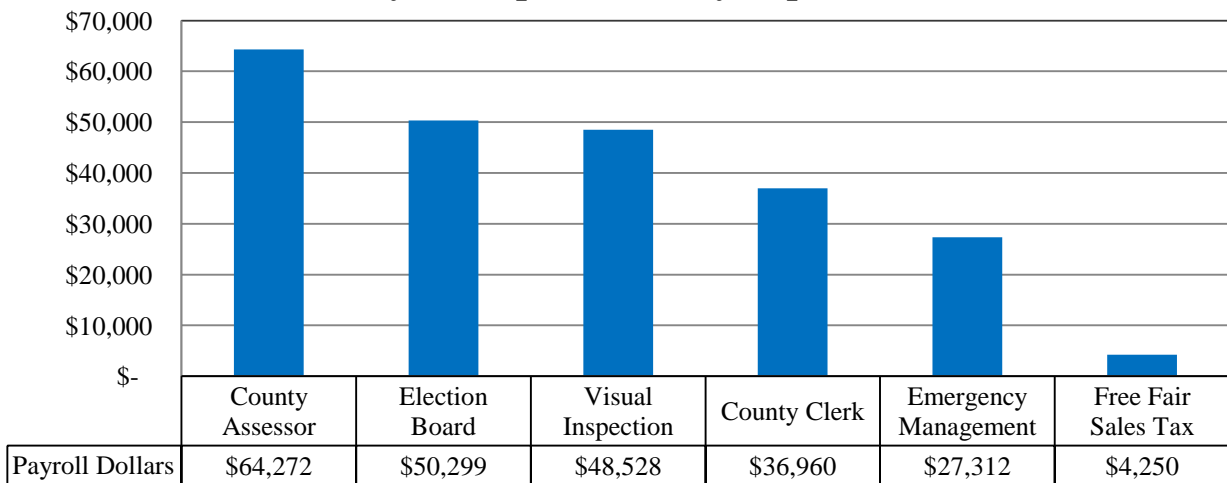
**COTTON COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015.

Payroll Expenditures by Department



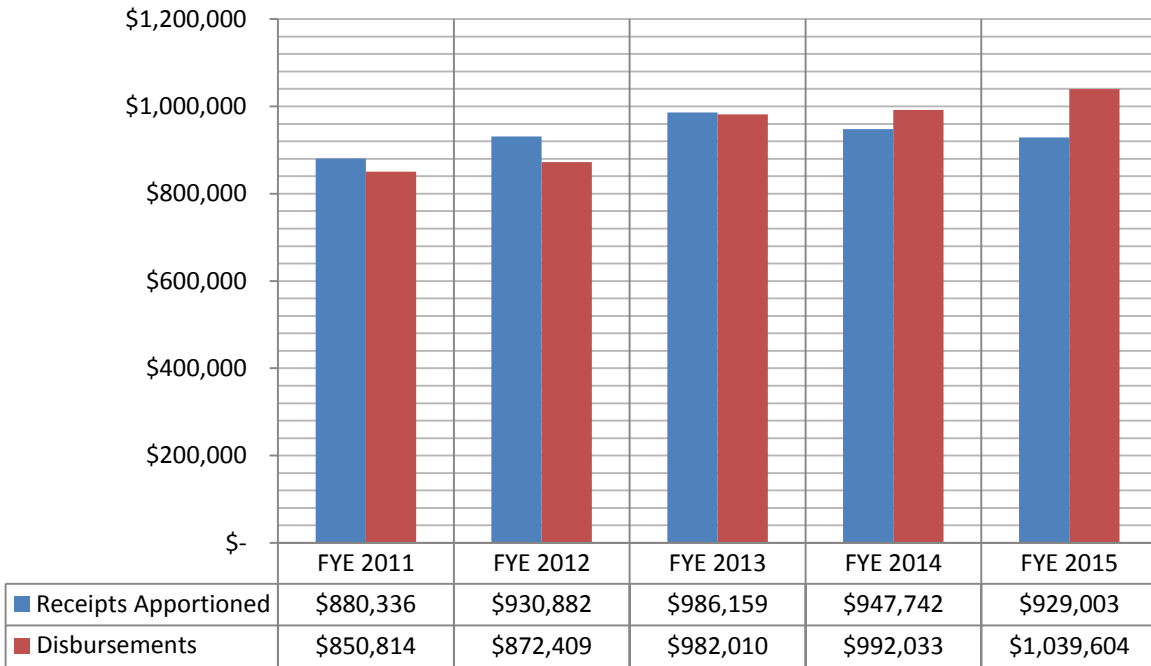
Payroll Expenditures by Department



**COTTON COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County General Fund

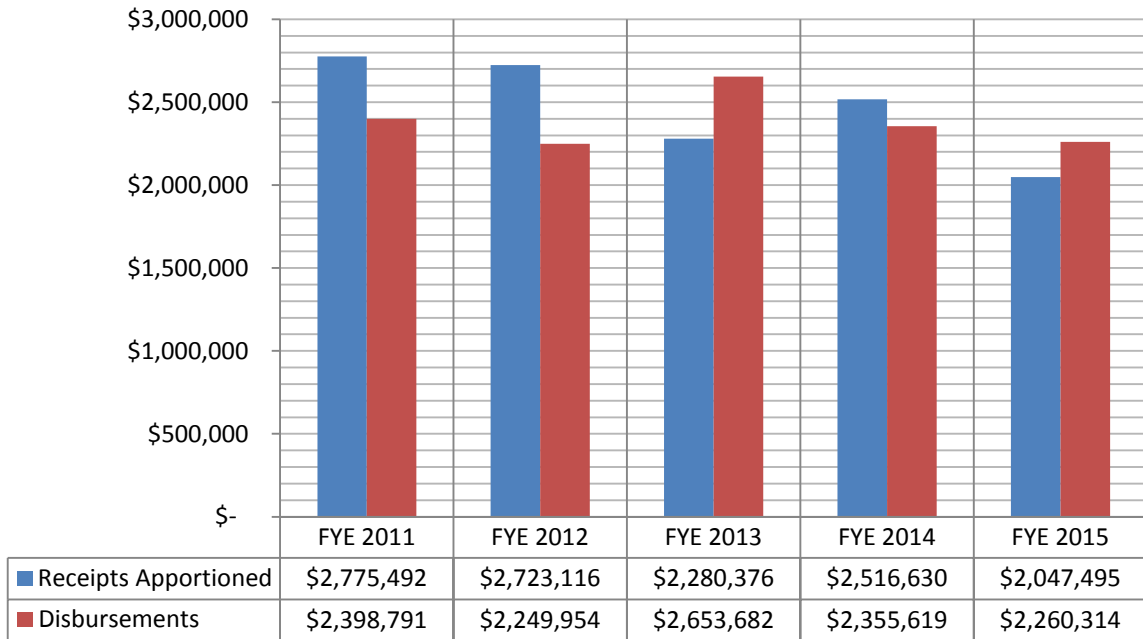
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county’s primary source of operating revenue. The County General Fund is typically used for county employees’ salaries plus many expenses for county maintenance and operation. It also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



**COTTON COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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
COTTON 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 Cotton County, Oklahoma, as of and for the year ended June 30, 2015, 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 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 Cotton 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 Cotton County as of June 30, 2015, 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 Cotton County, for the year ended June 30, 2015, in accordance with 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 March 21, 2016, on our consideration of Cotton 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 Cotton 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

March 21, 2016

REGULATORY BASIS FINANCIAL STATEMENT

COTTON 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, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:						
Major Funds:						
County General Fund	\$ 257,971	\$ 929,003	\$ 78,545	\$ -	\$ 1,039,604	\$ 225,915
County Highway Fund	2,141,343	2,047,495	-	75,580	2,260,314	1,852,944
County Health Department	181,284	96,932	-	-	129,153	149,063
Board of Prisoners	48,475	253,652	-	-	243,531	58,596
Emergency Management Grant	2,500	12,500	-	2,000	2,370	10,630
Remaining Aggregate Funds	339,735	345,130	-	-	271,025	413,840
Combined Total - All County Funds	<u>\$ 2,971,308</u>	<u>\$ 3,684,712</u>	<u>\$ 78,545</u>	<u>\$ 77,580</u>	<u>\$ 3,945,997</u>	<u>\$ 2,710,988</u>

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

**COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Cotton 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 for the purpose of constructing and maintaining county roads and bridges.

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

Board of Prisoners – accounts for the collection of state miscellaneous receipts and disbursements for the purpose of maintaining the jail.

Emergency Management Grant – accounts for funds received from the State of Oklahoma and disbursed for the operations of the Emergency Management office.

**COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

C. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department 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.

**COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

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

**COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

D. Sales Tax

The voters of Cotton County approved a one percent sales tax for general operations and county roads on February 7, 1984. The sales tax is for an unlimited duration and became effective March 1, 1984. These funds are accounted for within the County General Fund.

The voters of Cotton County approved a one-quarter of one cent sales tax through a special election on April 2, 2013, with proceeds designated to conduct Cotton County's portion of the cost for maintaining the Cotton County Cooperative Extension Center and became effective July 1, 2013 for the duration of five years. These funds are accounted for within the County General Fund.

The voters of Cotton County approved a permanent county sales tax of three-fourths of one cent through a special election on March 3, 2015, in addition to any and all existing sales tax, provided that the revenues from such tax be allocated and used for the purpose of support in maintaining, continuing, equipping and purchasing of Cotton County, Oklahoma, operations. These operations include, but are not limited to, maintenance and/or construction of buildings or facilities, equipment purchases, personnel salaries, property maintenance and upkeep, road and bridge maintenance, and daily operations of Cotton County, Oklahoma, and provided further that said tax shall become effective on July 1, 2015 and continuing and be approved, and lawful within Cotton County. These funds are accounted for within the County General Fund.

E. Interfund Transfers

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

- \$965 was transferred to the County General Fund from Estray Cattle Fund (a trust and agency fund) that was held for one year in accordance with state statute 4 O.S. § 85.6(D).
- \$2,000 was transferred from Emergency Management Grant fund to the County General Fund for the purpose of covering payroll expenses.

**COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- \$75,580 was transferred from the County Highway Fund to the County General Fund for funds needed to help balance 2014-2015 County General Budget and Unemployment Tax.

OTHER SUPPLEMENTARY INFORMATION

COTTON 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, 2015

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 257,971	\$ 257,971	\$ -
Less: Prior Year Outstanding Warrants	(61,946)	(61,946)	-
Less: Prior Year Encumbrances	(11,178)	(8,334)	2,844
Beginning Cash Balances, Budgetary Basis	<u>184,847</u>	<u>187,691</u>	<u>2,844</u>
Receipts:			
Ad Valorem Taxes	351,352	383,530	32,178
Charges for Services	24,382	23,262	(1,120)
Intergovernmental Revenues	169,469	159,927	(9,542)
Sales Tax	318,641	335,935	17,294
Miscellaneous Revenues	12,446	26,349	13,903
Total Receipts, Budgetary Basis	<u>876,290</u>	<u>929,003</u>	<u>52,713</u>
Expenditures:			
County Sheriff	230,052	226,688	3,364
County Treasurer	79,075	79,056	19
County Commissioners OSU Extension	69,217	69,217	-
County Clerk	45,794	44,841	953
Court Clerk	69,319	69,317	2
County Assessor	72,038	70,667	1,371
Revaluation of Real Property	86,509	84,766	1,743
General Government	61,935	54,298	7,637
Excise-Equalization Board	3,350	2,765	585
County Election Board	51,593	51,228	365
Insurance Benefits	245,173	238,111	7,062
Civil Defense	30,724	29,747	977
County Audit Budget Account	7,722	6,784	938
Free Fair Budget Account	650	650	-
Free Fair Improvement Account	7,614	7,614	-
Emergency Management Grant	372	372	-
Total Expenditures, Budgetary Basis	<u>1,061,137</u>	<u>1,036,121</u>	<u>25,016</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	80,573	<u>\$ 80,573</u>
Operating Transfers In		78,545	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		50	
Add: Current Year Outstanding Warrants		4,442	
Add: Current Year Encumbrances		62,305	
Ending Cash Balance		<u>\$ 225,915</u>	

**COTTON 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, 2015**

County Health Department Fund			
	Budget	Actual	Variance
Beginning Cash Balances	\$ 181,283	\$ 181,284	\$ 1
Less: Prior Year Outstanding Warrants	(1,546)	(1,546)	-
Less: Prior Year Encumbrances	(872)	(616)	256
Beginning Cash Balances, Budgetary Basis	178,865	179,122	257
Receipts:			
Ad Valorem Taxes	87,838	95,840	8,002
Charges for Services	-	946	946
Intergovernmental Revenues	946	140	(806)
Miscellaneous Revenues	-	6	6
Total Receipts, Budgetary Basis	88,784	96,932	8,148
Expenditures:			
County Health Budget Account	267,649	137,882	129,767
Total Expenditures, Budgetary Basis	267,649	137,882	129,767
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	138,172	\$ 138,172
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		10,749	
Add: Current Year Outstanding Warrants		142	
Ending Cash Balance		\$ 149,063	

COTTON COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2015
Remaining Aggregate Funds:				
Free Fair Building	\$ 204	\$ -	\$ -	\$ 204
Sheriff Forfeiture	41	-	-	41
Sheriff D.A.R.E.	419	-	-	419
Assessor Visual Inspection	2,216	-	-	2,216
Assessor Revolving Fee	12,185	1,556	7,000	6,741
Sheriff Reserves	334	-	-	334
Treasurer Mortgage Tax Certification Fee	4,737	1,185	3,285	2,637
County Clerk Lien Fee	14,769	3,175	2,350	15,594
Glessner Fund	52,570	8,550	15,307	45,813
Sheriff Equipment and Training	42	-	-	42
Sheriff Donations	835	-	-	835
Free Fair Donations	961	11,939	7,983	4,917
Sheriff Drug Fund	24	-	-	24
County Clerk Record Preservation	12,657	6,964	5,430	14,191
Sheriff Service Fees	21,906	71,722	70,763	22,865
Resale Property	82,427	52,270	40,095	94,602
Free Fair Premiums	3,617	2,245	2,072	3,790
Sheriff Commissary	6,621	21,576	25,659	2,538
Emergency 911	122,021	163,735	91,081	194,675
Littering Reward Fund	1,149	213	-	1,362
Combined Total - Remaining Aggregate Funds	\$ 339,735	\$ 345,130	\$ 271,025	\$ 413,840

**COTTON COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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:

Free Fair Building – accounts for insurance reimbursements and other miscellaneous revenue and disbursements are to repair the Free Fair Building.

Sheriff Forfeiture – accounts for funds collected from forfeitures to be used for the intervention and prevention of narcotic use.

Sheriff D.A.R.E. – accounts for grant monies and donations received by the Sheriff's office for the D.A.R.E. program and disbursements are used for drug prevention, education, and awareness.

Assessor Visual Inspection – accounts for the collection and disbursements of monies by the Assessor as restricted by state statute for the visual inspection program.

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

Sheriff Reserves – accounts for the collection and disbursement of donations to the Sheriff's reserve deputies.

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 state statute.

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

**COTTON COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Glessner Fund – accounts for the collection of rental revenue of farms donated to the County and disbursements for the needy of the County as determined by the Board of County Commissioners.

Sheriff Equipment and Training – accounts for the proceeds from sales of unclaimed proerpty and disbursements are expended for training, uniforms, and equipment use in crime prevention and detection.

Sheriff Donations – accounts for monies received from donations and fundraisers and disbursements are expended for the operation of the Sheriff's office.

Free Fair Donations – accounts for the collection of donations and rentals of the Expo building and the disbursements associated with maintaining the Expo building.

Sheriff Drug Fund – accounts for the collection of monies of the Sheriff's percentage of drug forfeitures, and disbursements are used for drug prevention, education, and awareness.

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

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

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

Free Fair Premiums – accounts for monies collected from donations for the payment of premiums to livestock and 4H project participants.

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

Emergency 911 – accounts for receipt of fees for the purpose of maintaining a 911 service.

Littering Reward Fund – accounts for monies received from donations and expended for information that leads to the capture of those illegally dumping trash.

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
COTTON 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 Cotton County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statement, which collectively comprises Cotton County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 21, 2016.

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, 2015, 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 Cotton 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 Cotton County's internal control. Accordingly, we do not express an opinion on the effectiveness of Cotton 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.

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: 2015-1, 2015-4, and 2015-5.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cotton 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 2015-5.

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

Cotton County's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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

March 21, 2016

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 2015-1 – Inadequate County-Wide Controls (Repeat Finding)

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

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

Effect of Condition: This condition 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 procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s Policies and Procedures Handbook.

Management Response:

Chairman, Board of County Commissioners: We are aware of the condition and will work toward assessing and identifying risks to design written county-wide controls.

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

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

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.

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Finding 2015-4 – 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 duties are not adequately segregated. The County Clerk’s deputy prints, stamps, and mails warrants for disbursements.

Furthermore, it was noted the County Clerk pays two deputies from the County Highway Fund.

Within the office of the County Clerk, deputies are allowed to utilize the signature stamps of the Chairman of the Board and the County Clerk.

The audit of sixty-six (66) disbursements reflected the following:

- Four (4) instances were noted in which funds were not encumbered or available prior to receiving goods or services.

Purchase Order		
<u>Number</u>	<u>Amount</u>	<u>Purpose</u>
PO# 148	\$3,856	Contract Services
PO# 1020	\$12,000	Services
PO# 1819	\$10,500	Services
PO# 2440	\$675	Rock

The audit of thirty-seven cash vouchers revealed the following:

- Thirty-two (32) cash vouchers did not have proper supporting documentation attached.

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

Effect of Condition: These conditions resulted in noncompliance with state statutes. Further, these conditions 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 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.

OSAI further recommends signature stamps be used only by the person to whom it belongs and to be placed in a secure location.

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Additionally, OSAI recommends the following in accordance with 19 O.S. § 1505C, 19 O.S. § 1505E, and 69 O.S. § 1503:

- 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.
- County Highway funds should only be expended on county highways as defined by statute.

Management Response:

County Clerk: We are in the process of implementing review processes for payroll. We will also work toward having the owner of the stamps using their own stamps.

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. We will work toward having the owner of the signature stamp using the stamp and ensure that highway funds are expended in accordance with statute.

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.

Title 19 O.S. § 1505(C), which requires the county clerk to encumber the amount stated on the purchase order and assign a sequential number to the purchase order.

Title 19 O.S. § 1505 (E), which requires a receiving officer for the requesting department to complete a receiving report which shall state the quantity and quality of goods delivered.

Title 69 O.S. § 1503, which requires county highway funds to be expended on county highways as defined by statute.

Finding 2015 - 5- Inadequate Internal Controls and Noncompliance Over Sales Tax

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

- The 1/4 of 1% sales tax was not entirely appropriated to Cotton County Cooperative Extension Center as approved by the voters of Cotton County. One-eighth of the one-fourth of 1% was appropriated to Free Fair which totaled \$10,659.80 for the fiscal year 2015.
- A county sales tax was deposited into the County General Fund as specified by Title 68 O.S. § 1370(E) and identified as such as a revenue source. However, the funds were not discretely

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

presented in a separate account within the County General Fund and therefore, specific expenditures made with sales tax funds could not be identified.

- There is no independent oversight of the calculation of sales tax collections that is presented for appropriation by the County Treasurer to the County Clerk.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with 68 O.S. § 1370(E) and Attorney General Opinions. Additionally, procedures have not been designed to have someone review the calculation of sales tax apportionments for accuracy and compliance with the sales tax ballot.

Effect of Condition: This condition resulted in the sales tax not being appropriated in accordance with the sales tax ballot, and noncompliance with state statute and Attorney General Opinions and could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the County appropriate sales tax funds in accordance with the sales tax ballot approved by the majority of voters of Cotton County. OSAI also recommends that an employee recalculate the apportionment of sales tax collections that is presented for appropriation to the County Clerk. The employee should initial and date the recalculation as evidence of verification.

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

Management Response:

Chairman, Board of County Commissioners: We are aware of these conditions and are working to resolve the issue of distributing sales tax in accordance of its approval by the voters and re-pay the amount erroneously appropriated to Free Fair. Also, we will work towards discretely presenting the sales tax appropriations within the County General Fund and incorporating internal controls over the calculation of sales tax.

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 sales tax calculations prior to being appropriated.

Title 68 O.S. § 1370(E) states in part, “Any sales tax which may be levied by a county shall be designated for a particular purpose...The county shall identify the purpose of the sales tax when it is presented to the voters pursuant to the provisions of subsection A of this section...the proceeds of any sales tax levied by a county shall be deposited in the general revenue or sales tax revolving fund of the county and shall be used only for the purpose for which such sales tax was designated....”

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

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 2015-11 – Inadequate Internal Controls Over the Court Clerk Collection and Disbursement Processes (Repeat Finding)

Condition: Upon inquiry of county personnel 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:

- All employees work from the same cash drawer. Although Court Clerk employees rotate the duties of balancing the cash drawer, preparing the deposit, and making the deposit, there is no review of the deposit.
- With regards to the Court Fund disbursement process, the Court Clerk deputy performs the duties of requisitioning, issuing vouchers, signing vouchers, and mailing or delivering vouchers to vendors.
- In the audit of ten (10) Court Fund claims, the following was reflected:
 - One (1) claim did not have a receiving report attached to the documentation.
 - Three (3) claims did not have adequate supporting documentation.

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregating the duties over all aspects of the collection and disbursement processes of Court Fund and Court Clerk Revolving Fund and to ensure all disbursements are supported by adequate documentation.

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. Additionally, disbursements were not adequately supported by invoices and receiving reports.

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. Regarding the receipting process, OSAI recommends management establish separate cash drawers for each employee that receipts monies. The cash drawer should be closed out, reconciled to the employee's daily receipts, and be approved by someone independent of the cash drawer.

Further, 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. Additionally, Court Fund expenditures should have adequate supporting documentation attached to the claim.

Management Response:

Court Clerk: We will work toward correcting these conditions.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of property, and record transactions.

Effective internal controls are necessary to ensure stewardship and accountability of public funds. Aspects of effective accounting procedures include marking original receipts as voided as well as voiding the receipt in the computer. Effective accounting procedures also include maintaining invoices and/or supporting documentation for all expenditures of the Court Clerk Revolving Fund. Invoices, receiving reports, and supporting documentation are important to verify the mathematical accuracy and validity of the expenditure.

Finding 2015-12 – 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 Fund, the following exceptions were noted:

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- One individual is primarily responsible for inputting inmate deposits into the commissary system, preparing deposit slips, depositing with the financial institution, preparing checks, posting transactions to inmate records, and reconciling the Inmate Trust Fund Checking Account ledger to the bank statement at the end of each month.

- The Sheriff's office does not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th, of each year.

Further, we reviewed 100% of disbursements, and it was noted that three (3) checks were not issued in compliance with state statute.

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

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

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.

Further, OSAI recommends that the Inmate Trust Fund Checking Account disbursements be made in accordance with 19 O.S. § 531(A) and that the Sheriff's office file an annual report for the Commissary Fund with the Board of County Commissioners in accordance with 19 O.S. § 180.43(D).

Management Response:

County Sheriff: We will work towards implementing review processes as well as begin making a yearly report and having it approved by the Board of County Commissioners. As to the disbursements in question, the checks were written during prior administration and the condition has now been corrected.

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

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..." The county sheriff...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."

**COTTON COUNTY, OKLAHOMA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Title 19 O.S. § 180.43(D) states in part, "...The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15th of each year."

Finding 2015-13 - Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories (Repeat Finding)

Condition: Upon inquiry and observation of fixed assets inventory items, we noted the following:

County Sheriff:

- An annual fixed asset count is not being performed by the County Sheriff.

Court Clerk:

- Although an annual fixed asset count is being performed by the Court Clerk, documentation of the review was not signed and dated and was not filed with the County Clerk.

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

District 1:

- The following variance in diesel fuel was noted:

Stock Record Balance	7,459 gallons
Actual Measurement	5,114.50 gallons
Variance	2,334.50 gallons short to Stock Record

District 2:

- The following variance in diesel fuel was noted due to fuel logs not being maintained and fuel only being monitored on a monthly basis.

Stock Record Balance	7,377 gallons
Actual Measurement	1,467 gallons
Variance	5,910 gallons short to Stock Record

District 3:

- The following variance in diesel fuel was noted due to fuel logs not being maintained and fuel only being monitored on a monthly basis.

Stock Record Balance	6,934.17 gallons
Actual Measurement	6,412.85 gallons
Variance	521.32 gallons short to Stock Record

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

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procedures in place to account for fixed assets and consumables. Additionally, when consumable inventories are not adequately documented the opportunity for the misappropriation and undetected errors could result.

Recommendation: OSAI recommends the County perform and document a periodic inventory of fixed assets in accordance with 19 O.S. § 178.1.

Further, OSAI recommends the County adopt policies and procedures to implement a system of internal controls over consumable inventories. These controls would include:

- Fuel logs being maintained in each District.
- Monitoring frequency.
- Investigating any discrepancies and taking appropriate action.

Management Response:

County Sheriff: The County Sheriff will perform an annual count of fixed assets to ensure items are properly identified and file the documentation with the County Clerk.

County Court Clerk: The Court Clerk will perform an annual count of fixed assets to ensure items are properly identified and file the documentation with the County Clerk.

County Commissioner Districts 1: We will work to implement a system of internal controls to ensure consumable inventory counts on fuel are performed weekly.

County Commissioner District 2: We are in the process of implementing a system of internal controls to ensure consumable inventory counts on fuel are performed weekly and fuel logs are maintained by all personnel.

County Commissioner District 3: We will work to implement a system of internal controls to ensure consumable inventory counts on fuel are performed weekly and fuel logs are maintained by all personnel.

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).

Finding 2015-14 – Transfer of Funds

Condition: The County transferred \$75,580 from the County Highway Fund to the County General Fund

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for funds needed to help balance 2014-2015 County General Budget and Unemployment Tax and the money was not repaid within the fiscal year. Further, \$2,000 was transferred from Emergency Management Grant fund to the County General Fund for the purpose of covering payroll expenses and the money was not repaid within the fiscal year.

Cause of Condition: Policies and procedures have not been designed to ensure the repayment of transfers.

Effect of Condition: This condition resulted in noncompliance with state statute.

Recommendation: OSAI recommends the County implement policies and procedures to ensure that operational transfers are paid back by the end of the fiscal year in which the funds were transferred.

Management Response:

BOCC Chairman: The County will work towards repaying both the County Highway Fund and the Emergency Management Grant fund.

Criteria: Title 68 O.S. § 3021 states in part, “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 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 funds were transferred.”



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