



KINGFISHER COUNTY

Financial Report

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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March 26, 2020

TO THE CITIZENS OF
KINGFISHER COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

Board of County Commissioners

District 1 – Jeff Moss
District 2 – Ray Shimanek
District 3 – Keith Schroder

County Assessor

Carolyn Mulherin

County Clerk

Jeannie Boevers

County Sheriff

Dennis L. Banther

County Treasurer

Karen Mueggenborg

Court Clerk

Lisa Markus

District Attorney

Mike Fields

**KINGFISHER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
KINGFISHER 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 Kingfisher County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

As described in Note 1, the financial statement is prepared by Kingfisher County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Kingfisher County as of June 30, 2017, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

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

Other Matters

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

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2020, on our consideration of Kingfisher County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control over financial reporting or on compliance. That report is an integral part

of an audit performed in accordance with *Government Auditing Standards* in considering Kingfisher County's internal control over financial reporting and compliance.

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 2, 2020

REGULATORY BASIS FINANCIAL STATEMENT

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

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
County General Fund	\$ 4,919,075	\$ 4,682,091	\$ -	\$ -	\$ 2,442,676	\$ 7,158,490
County Highway Fund	5,261,224	8,886,334	-	-	5,968,592	8,178,966
County Road and Bridge Improvement	824,828	236,029	1,000,000	-	1,315,994	744,863
Kingfisher LEPC Grant	4,587	-	-	-	-	4,587
Kingfisher LEPC Filing Fees	2,346	3,200	-	-	1,397	4,149
Resale Property	126,549	61,825	3,175	-	63,825	127,724
Sheriff Service Fee	113,310	218,419	-	-	215,210	116,519
County Clerk Lien Fee	537,281	192,592	-	-	325,380	404,493
County Treasurer Mortgage Tax Certification	5,233	2,615	-	-	3,545	4,303
Sheriff Prisoner Revolving	68,253	65,576	-	-	87,210	46,619
Assessor Visual Inspection Fee	34,790	16,824	-	-	18,866	32,748
County Health Department Fund	432,848	736,427	-	-	766,150	403,125
Animal Welfare Fund	691	-	-	-	88	603
County Clerk Records Preservation Fee	146,464	75,889	-	-	33,826	188,527
Resale Cash in Treasurers Office	825	-	-	-	-	825
County Clerk Cash	100	-	-	-	-	100
911 Emergency	796,543	309,032	-	-	281,290	824,285
Floodplain Cash Fund	6,000	27,600	-	-	591	33,009
1/2 Cent Sales Tax Fund	5,521,215	3,353,918	-	-	1,899,839	6,975,294
Free Fair Sales Tax Fund	153,852	-	-	-	15,648	138,204
Drug Court Program	12,152	33,092	-	-	30,878	14,366
Roads and Bridges 5 Years Sales Tax Fund	3,772,865	3,347,318	-	-	2,196,963	4,923,220
Fire Department Sales Tax Fund	3,044,493	1,673,659	-	-	378,546	4,339,606
Combined Total - All County Funds	\$ 25,785,524	\$ 23,922,440	\$ 1,003,175	\$ -	\$ 16,046,514	\$ 34,664,625

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Fund Accounting

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

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

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

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

County Bridge and Road Improvement – accounts for state receipts and is disbursed for the purpose of maintaining bridges and roads.

Kingfisher LEPC Grant – accounts for grant monies received for grants awarded for emergency services within the County.

Kingfisher LEPC Filing Fees – accounts for a twenty-dollar fee collected from oil companies for a tier report that shows chemicals on site and is disbursed for training, supplies and operations for Emergency Management.

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

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

Sheriff Service Fee – accounts for the collection of fees for the services provided by the Sheriff's office and disbursed for the operations of the Sheriff's office.

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

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

Sheriff Prisoner Revolving – accounts for collections from the Department of Corrections for the housing of inmates and disbursements in accordance with state statutes.

Assessor Visual Inspection Fee – accounts for the collections and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

County Health Department Fund – accounts for monies collected for charges for services and ad valorem taxes expended for operations of the health department.

Animal Welfare Fund – accounts for donations received on behalf of neglected horses in Kingfisher County and the Sheriff's drug dog and disbursed for the feed and care of the horses and drug dog.

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

Resale Cash in Treasurers Office – accounts for money used in the Treasurer's office for the purpose of making change.

County Clerk Cash – accounts for money used in the County Clerk's office for the purpose of making change.

911 Emergency – accounts for fees collected on land lines and cell phone services used in Kingfisher County and disbursed for the operations of the 911 emergency service center.

Floodplain Cash Fund – accounts for monies collected for flood plain permits and disbursed for flood plain training and certifications.

1/2 Cent Sales Tax Fund – accounts for the ½% sales tax collected and disbursed in accordance with the sales tax ballot.

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

Free Fair Sales Tax Fund – accounts for the ¼% sales tax collected and disbursed on behalf of the Kingfisher County Free Fair Board.

Drug Court Program – accounts for revenues generated from fines and costs assessed to individuals participating in the Drug Court program and contractual payments from the Oklahoma Department of Mental Health to be used to offset costs associated with running the program.

Roads and Bridges 5 Years Sales Tax Fund – accounts for the ½% sales tax collected and disbursed solely for the construction, improvement, maintenance and repair of county roads and bridges.

Fire Department Sales Tax Fund – accounts for the ¼% sales tax collected and disbursed for contractual payments to rural and municipal fire departments for fire protection.

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 with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

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.

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

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

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

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. Sales Tax

Sales Tax of November 13, 2007

The voters of Kingfisher County approved a one-quarter of one percent (1/4%) sales tax on November 13, 2007. This sales tax was established for the purpose of contracting with the rural and municipal fire departments in the following communities: Big 4, Cashion, Dover, Hennessey,

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

Kingfisher, Loyal, Okarche, and Omega, for such rural fire protection as may be deemed necessary by the board of County Commissioners to commence January 1, 2008 and continuing thereafter for a period of ten (10) years, terminating on December 31, 2017. These funds are accounted for in the Fire Department Sales Tax Fund.

Sales Tax of February 9, 2016

On February 9, 2016, the voters of Kingfisher County approved to continue a one-half of one percent (1/2%) sales tax of April 5, 2011, pledging the monthly income of the revenue of said tax to the ½ Cent Sales Tax Fund for a period of five (5) years from July 1, 2016 for the following purposes:

COMMUNITY SERVICES	
Resurfacing Roads	29%
Rural Fire Departments	13%
Free Fair	10%
Extension & 4-H	9%
Chisholm Trail Museum	5%
Hennessey & Kingfisher Libraries	3%
GENERAL COUNTY GOVERNMENT	
General Government	16%
County Sheriff	15%

These funds are accounted for in the ½ Cent Sales Tax Fund.

Sales Tax of October 8, 2013

The voters of Kingfisher County approved a one-half of one percent (1/2%) sales tax on October 8, 2013 for a period of five (5) years from January 1, 2014 to be designated solely for the construction, improvement, maintenance and repair of county roads and bridges. These funds are accounted for in the Road and Bridges 5 Years Sales Tax Fund.

E. Tax Abatements

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

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of

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

a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$80,133 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2017.

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

F. Interfund Transfers

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

- \$3,175 was transferred from Excess Resale (a trust and agency fund) to Resale Property in accordance with 68 O.S. § 3131.
- \$1,000,000 was transferred from the Emergency and Transportation Revolving (ETR) fund (a trust and agency fund) to the County Road and Bridge Improvement fund as a loan for road and bridge projects.

SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 4,919,075	\$ 4,919,075	\$ -
Less: Prior Year Outstanding Warrants	(84,128)	(84,128)	-
Less: Prior Year Encumbrances	(80,323)	(37,990)	42,333
Beginning Cash Balances, Budgetary Basis	<u>4,754,624</u>	<u>4,796,957</u>	<u>42,333</u>
 Total Receipts, Budgetary Basis	 <u>2,646,532</u>	 <u>4,682,091</u>	 <u>2,035,559</u>
Total Expenditures, Budgetary Basis	<u>7,401,156</u>	<u>2,484,357</u>	<u>4,916,799</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 6,994,691	 <u>\$ 6,994,691</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		835	
Add: Current Year Outstanding Warrants		81,629	
Add: Current Year Encumbrances		<u>81,335</u>	
Ending Cash Balance		<u>\$ 7,158,490</u>	

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

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 432,848	\$ 432,848	\$ -
Less: Prior Year Outstanding Warrants	(3,131)	(3,131)	-
Less: Prior Year Encumbrances	(85,786)	(83,446)	2,340
Beginning Cash Balances, Budgetary Basis	<u>343,931</u>	<u>346,271</u>	<u>2,340</u>
 Total Receipts, Budgetary Basis	 <u>446,750</u>	 <u>736,427</u>	 <u>289,677</u>
 Total Expenditures, Budgetary Basis	 <u>790,681</u>	 <u>703,152</u>	 <u>87,529</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 379,546	 <u>\$ 379,546</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		20,289	
Add: Current Year Outstanding Warrants		<u>3,290</u>	
Ending Cash Balance		<u>\$ 403,125</u>	

KINGFISHER COUNTY, OKLAHOMA
NOTE TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the 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.

INTERNAL CONTROL AND COMPLIANCE SECTION

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

TO THE OFFICERS OF
KINGFISHER COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Kingfisher County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprises Kingfisher County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 2, 2020.

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Kingfisher 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 Kingfisher County's internal control. Accordingly, we do not express an opinion on the effectiveness of Kingfisher 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: 2017-001 2017-004, and 2017-005.

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: 2017-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kingfisher County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item: 2017-004.

Kingfisher County's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 2, 2020

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

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

Finding 2017-001 – Lack of County-Wide Controls (Repeat Finding 2012-001, 2013-001, 2014-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls regarding Control Environment, Risk Assessment and Monitoring have not been designed.

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

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

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design and implement 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: We will work on developing policies and procedures to document all risks to the counties. We will utilize the spreadsheet provided by OSAI to help with creating and documenting county-wide risk assessments and disaster recovery plans.

County Clerk: We will continue our meetings and create policies and procedures to document the risk assessments and county-wide controls that are created. We will use the checklist provided by OSAI as a tool to complete our objectives.

County Treasurer: We will use the checklist provided by OSAI during our quarterly meetings and consider creating a binder.

Criteria: The United States Government Accountability Office’s (*Standards for Internal Control in the Federal Government*) (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

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The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 states in part:

Definition of Internal Control

Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

Components, Principles, and Attributes

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Finding 2017-003 – Lack of Internal Controls and Noncompliance Over Leave and Compensatory Time

Condition: Upon inquiry and review of the payroll process for the Emergency 911 Department, the following was noted:

- There is no oversight or review by an elected official over-time reporting; including timesheets, leave balances, or compensatory time balances and payouts.
- Timesheets are submitted incomplete with no evidence of review by an elected official.
- Timesheet codes and procedures are not consistent; therefore, time recorded cannot be accurately determined.
- Leave balances are not consistently reported on timesheets.
- Overtime is not being calculated to the procedures set by the handbook.
- Compensatory time has been accrued past the limit set by the handbook.
- Overtime has been paid out in excess of the limits set by the handbook.
- Compensatory time is not monitored to verify it is used within 180 days.
- Vacation leave is not taken in increments of 4 hours as set by the handbook.
- Vacation leave was used prior to compensatory time being exhausted.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure time recorded, leave records, and time reported are reviewed for accuracy and compliance with the County Handbook and state statutes. No elected official is appointed directly over Emergency 911.

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Effect of Condition: These conditions resulted in noncompliance with state statutes and County policies and inaccurate records, undetected errors, inaccurate accruals, and misappropriation of funds.

Recommendation: OSAI recommends management be aware of this condition and design and implement internal controls that would require timesheets be approved by an elected official and be reviewed for accuracy and compliance with state statute and the county handbook. Further, OSAI recommends that policies and procedures are designed and implemented to track and verify leave and compensatory time balances for every county employee.

Management Response:

Chairman of the Board of County Commissioners: We have appointed an elected official over the emergency 911 department. We will also continue to develop policies and procedures to verify and monitor leave benefits for the emergency 911 employees.

County Sheriff: This issue has been addressed and we have taken responsibility of the emergency 911 department. We have implemented policies and procedures to supervise payroll and leave benefits for emergency 911.

Criteria: The GAO Standards – Section 2 – Objectives of an Entity – OV 2.24 states:

Safeguarding of Assets

Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.

Additionally, GAO Standards – Principle 6 – Define Objectives and Risk Tolerances – 6.05 states:

Definition of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity's objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment.

Further, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Objectives of an Entity – Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations

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apply to the entity. Management is expected to set objectives that incorporate these requirements.

Therefore, effective internal controls require management properly implement procedures to ensure that expenditures are made in accordance with county policies and state statutes.

Further, the County handbook states the following:

- Kingfisher County Employees who are not exempt shall be entitled to overtime payment at the rate of 1 ½ times their regular rate of pay for all hours worked in a work week in excess of 40 hours. (Pg. 8)
- All compensatory time off will be scheduled within a reasonable period after requested, if it does not unduly disrupt operations. Except in the case of law enforcement personnel, each employee can accrue up to 240 hours of compensatory time off in lieu of overtime payment. After the accrual of 240 hours of compensatory time, such employee will thereafter be paid cash payment for overtime. (Pg. 8)
- Vacation leave must be taken in increments of four (4) hours. (Pg. 19)

Title 74 O.S. § 840-2.15 (C) states in part, “Any employee receiving compensatory time consistent with the provisions of the federal Fair Labor Standards Act shall exhaust such compensatory time prior to the taking of annual leave...”

Further, Title 74 O.S. § 840-2.15 (D) states, “An employee receiving compensatory time under the provisions of subsection A of this section shall be permitted to use accrued compensatory time within one hundred eighty (180) days following the day on which it was accrued, provided the taking of compensatory time does not unduly impact agency operations or the health, safety or welfare of the public, or endanger public property. Agencies shall not be allowed to extend this one-hundred-eighty-day time period for employees in an institutional setting. The balance of any unused compensatory time received but not taken during this time period shall be paid to the employee at the employee's current regular hourly rate.”

Finding 2017-004 – Lack of Internal Control and Noncompliance Over the Disbursement Process (Repeat Finding - 2006-001, 2007-001, 2008-004, 2008-005, 2009-001, 2012-004, 2013-004, 2014-003)

Condition: Upon inquiry, observation and a test of a sample of forty-two (42) of the seven thousand three hundred and two (7,302) disbursements, the following weaknesses were noted:

- Eight (8) were not properly encumbered.
- Three (3) had unauthorized signatures on receiving reports.
- One (1) added to a purchase order after encumbrance.
- One (1) did not have a receiving report.
- One (1) receiving report had unexplained adjustments.
- Departments can call in and receive a purchase order number.

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- One employee is responsible for inputting payroll records in the system and there is no verification of documents.

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

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

Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk 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 approve accounting functions.

Additionally, OSAI recommends that the County implement internal control procedures to ensure compliance with purchasing guidelines as defined in Title 19 O.S. § 1505. All purchases should be properly requisitioned, encumbered, received, and supported by proper documentation.

Management Response:

County Commissioner District 1: We will make sure each purchase order is encumbered correctly and any adjustments are explained. We will make sure to have correct receiving and requisitioning for each encumbrance and receiving report.

County Commissioner District 2: We will be more attentive when encumbering funds when making purchases. We will also update our requisition and receiving officers for all accounts.

County Commissioner District 3: I was not the Commissioner at the time of the audit, but we will make sure each purchase order is encumbered properly and has a signed receiving report by an authorized receiving officer.

County Clerk: We no longer allow purchase orders to be made without a written requisition. We will also review our policies and procedures and adjust duties to increase segregation in our office.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Design of Appropriate Types of Control Activities

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.”

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The GAO Standards – Principal 10 – Design and Control Activities – 10.03 states part:

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principal 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk.

Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

The GAO Standards – Section 2 – Objective of an Entity – OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Therefore, effective internal controls require management properly implement procedures to ensure that expenditures are made in accordance with 19 O.S. § 1505.

**KINGFISHER COUNTY, OKLAHOMA
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Finding 2017-005 – Lack of Inadequate Internal Controls Over Reconciliation of County Clerk’s Appropriation Ledger to County Treasurer’s General Ledger

Condition: Based on our documentation of controls, reconciliations are not being performed between the County Clerk’s appropriation ledger and the County Treasurer’s general ledger for all funds and on a monthly basis.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the reconciliation of the County Clerk’s appropriation ledger to the County Treasurer’s general ledger for all funds.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends management take steps to ensure reconciliations are performed between all funds presented on the County Clerk’s appropriation ledger and the County Treasurer’s general ledger on a monthly basis. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.

Management Response:

County Clerk: We have been working on reconciling the appropriation ledger to the general ledger. We have been working to reconcile all county funds, and we will continue developing procedures until we are able to consistently reconcile all county funds.

County Treasurer: We have been working to reconcile all funds and will continue developing our procedures.

Criteria: The GAO Standards - Principle 16 – Perform Monitoring Activities: 16.05 states, in part:

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.



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