

**KIOWA COUNTY, OKLAHOMA
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2001**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

CLIFTON H. SCOTT
STATE AUDITOR AND INSPECTOR

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OKLAHOMA CITY, OK 73105-4896
405/521-3495

April 24, 2002

TO THE CITIZENS OF
KIOWA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Kiowa County, Oklahoma, for the fiscal year ended June 30, 2001. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and to issue reports that serve as a management tool to the state to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in cursive script, appearing to read "Clifton H. Scott".

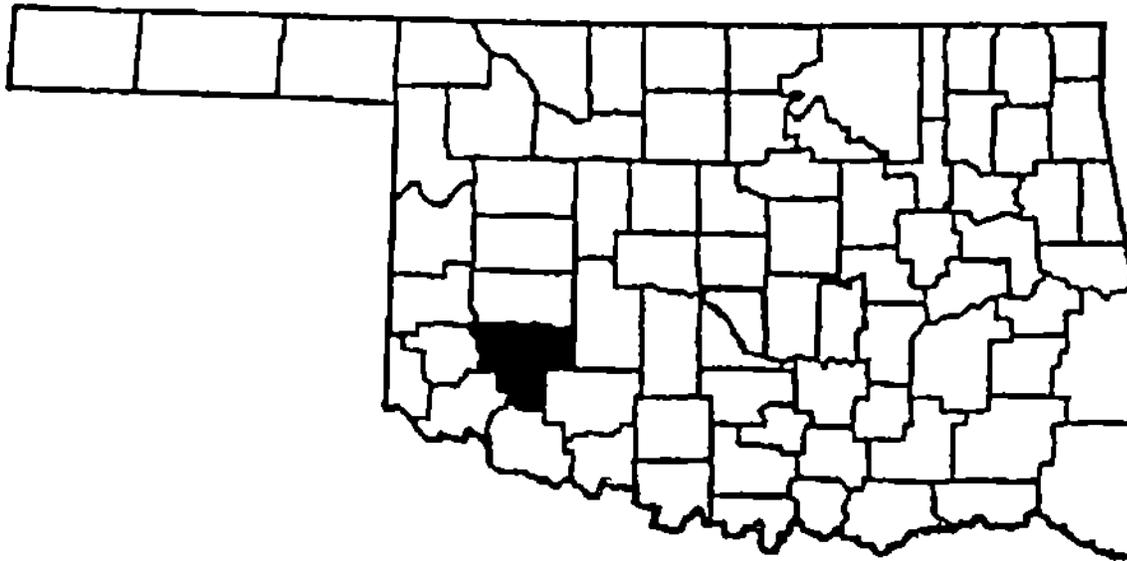
CLIFTON H. SCOTT
State Auditor and Inspector

KIOWA COUNTY, OKLAHOMA
 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2001

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REPORT TO THE CITIZENS OF KIOWA COUNTY



Kiowa County was formed in 1901, from part of the original Kiowa-Comanche-Apache Indian Reservation area, and was named for the Kiowa Indian tribe. Cattle, agriculture and cash crops are the major sources of income for the county.

The county also is home to author, N. Scott Momaday and the Kiowa Tribal Museum and Headquarters. The Kiowa County Historical Society has published six books, which are available at the Kiowa County Museum in Hobart.

County Seat - Hobart

Area - 1,019 Square Miles

County Population - 10,859
(1995 est.)

Farms - 692

Land in Farms - 558,444 Acres

COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES

COUNTY ASSESSOR Truman Jones Jr. (D) Mountain Park
--

The County Assessor has the responsibility to appraise and assess the real and personal property within the County for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year, and assesses it at no more than 35 percent of its fair cash value.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the County. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

COUNTY CLERK Geanea Watson (D) Hobart

The County Clerk serves as the register of deeds and custodian of records for the County. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the County, and prepares the proper warrants for payment of those goods and services and the County payroll. The County Clerk, or one's designated deputy, serves as the purchasing agent for the County. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different County offices are classified as "open records." As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

BOARD OF COUNTY COMMISSIONERS

DISTRICT #1
Arlen Vickery
(D) Gotebo

DISTRICT #2
Robert Boelte
(D) Lone Wolf

DISTRICT #3
Wayne Barker
(D) Snyder

The Board of County Commissioners is the chief administrative body for the County. County Commissioners are also responsible for maintaining and constructing the County roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the County's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the County's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other County officers who handle County funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

COUNTY SHERIFF
Tommy Denton
(D) Hobart

The County Sheriff is responsible for preserving the peace and protecting life and property within the County's jurisdiction. As the County's chief law enforcement officer, the Sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the County jail.

The County Sheriff has the responsibility of serving warrants and processing papers ordered by the District Court.

See independent auditor's report.

COUNTY TREASURER
Deanna Beamon-Miller
(D) Hobart

All revenues received by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the County and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for County revenues and expenditures, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. The State Auditor and Inspector's Office prescribes all the forms used by the County Treasurer, and at least twice a year inspects the County Treasurer's accounts.

COURT CLERK
Karen Denton
(D) Hobart

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government. Court Clerks use forms and follow procedures prescribed by the Court Administrator's Office, the Oklahoma Supreme Court, and the State Auditor and Inspector.

DISTRICT ATTORNEY
John Wampler
(D) Duke

As the chief attorney for county government, the District Attorney acts as the legal advisor to the County officers on matters related to their duties. When any County in the District is involved in civil litigation, the District Attorney serves as its defender or prosecutor. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

ELECTION BOARD SECRETARY

Dorothy Rule

(D) Hobart

The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the County. The Board also conducts all elections held within the County.

To finance the operating expenses of the County Election Board, the County Excise Board must appropriate sufficient funds annually. State and County split the election costs, but Counties must pay for any County elections not held concurrently with State elections.

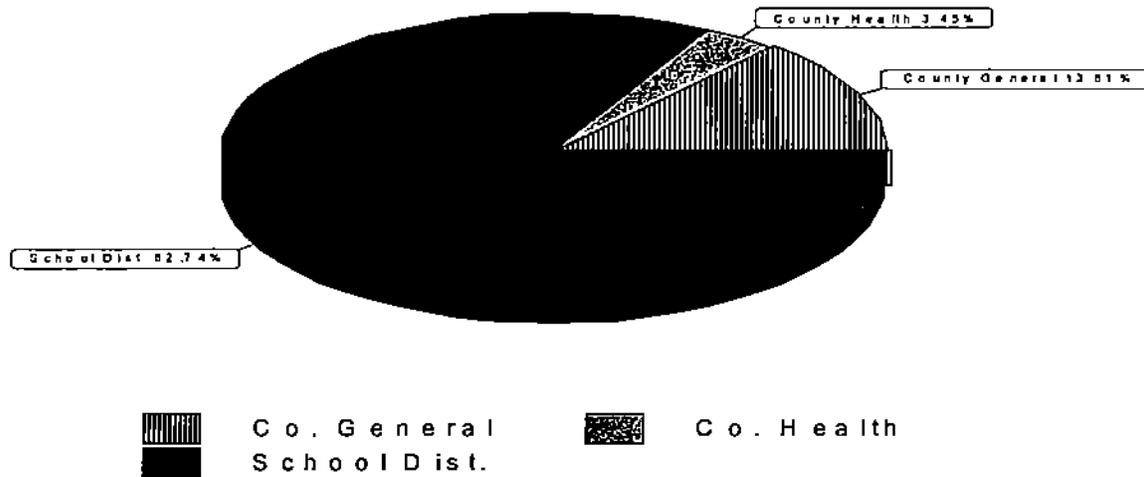
See independent auditor's report.

AD VALOREM TAX DISTRIBUTION

KIOWA COUNTY, OKLAHOMA

SHARE OF THE AVERAGE MILLAGE

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

Co. General	10.0
Co. Health	2.5

School District Millages

		<u>Gen.</u>	<u>Bldg.</u>	<u>Skg.</u>	<u>Vo - Tech</u>			<u>Common</u>	<u>Total</u>
					<u>General</u>	<u>Building</u>	<u>EMS</u>		
SD - 1	Hobart	35.00	5.00	10.59	10.00		4.00	64.59	
SD - 2	Lone Wolf	35.00	5.00	5.97	10.00		4.00	59.97	
SD - 3	Gotebo-Mt. View	35.00	5.00		10.00	1.00	3.00	58.00	
SD - 4	Mt. Park, Roosevelt, & Snyder	35.00	5.00		10.00	1.00	4.00	55.00	
<u>Vo - Tech</u>									
		<u>Gen.</u>	<u>Bldg.</u>	<u>Skg.</u>	<u>General</u>	<u>Building</u>	<u>EMS</u>	<u>Common</u>	<u>Total</u>
JT - 1	Washita	35.00	5.00	8.61	10.00			4.00	62.61
JT - 2	Comanche	35.00	5.00	15.10	10.00	1.00		4.00	70.10
JT - 33	Caddo	35.00	5.00		10.00	1.00		4.00	55.00
JT - 54	Jackson	35.00	5.00		10.00			4.00	54.00

See independent auditor's report.



STATE OF OKLAHOMA
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OKLAHOMA CITY, OK 73105-4896
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INDEPENDENT AUDITOR'S REPORT

TO THE OFFICERS OF
KIOWA COUNTY

We have audited the accompanying general-purpose financial statements of Kiowa County, Oklahoma, as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of Kiowa County's management. Our responsibility is to express an opinion on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

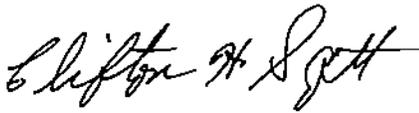
As explained in Note (1H), the general-purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effect on the general-purpose financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Kiowa County, Oklahoma, as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2002, on our consideration of Kiowa County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Kiowa County, Oklahoma, taken as a whole. The other information listed in the table of contents under *Introductory Section* has not been audited by us and accordingly, we express no opinion on such data.

Sincerely,

A handwritten signature in cursive script that reads "Clifton H. Scott".

CLIFTON H. SCOTT
State Auditor and Inspector

January 24, 2002

GENERAL-PURPOSE FINANCIAL STATEMENTS

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 2001

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUP	TOTAL
	GENERAL	SPECIAL REVENUE	AGENCY	GENERAL LONG - TERM DEBT	(MEMORANDUM ONLY)
ASSETS					
Cash and investments	\$ 414,881	\$ 5,199,006	\$ 156,952	\$	\$ 5,770,839
Ad valorem taxes receivable	5,759	1,440	34,473		41,672
Sales tax receivable	513	10,986	8,632		20,131
Due from other governments	7,886	235,428	19,532		262,846
Accrued interest receivable	12,045	784			12,829
Miscellaneous revenue receivable		7,587			7,587
Inventories		305,928			305,928
Amount to be provided for compensated absences				48,000	48,000
Amount to be provided for capitalized lease purchase agreements				943,093	943,093
Total assets	\$ 441,084	\$ 5,761,159	\$ 219,589	\$ 991,093	\$ 7,412,925
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	\$ 41,552	\$ 525,379	\$	\$	\$ 566,931
Accounts payable	4,315	34,076			38,391
Due to other taxing units			107,013		107,013
Due to others			112,576		112,576
Compensated absences payable				48,000	48,000
Capitalized lease obligations payable				943,093	943,093
Total liabilities	45,867	559,455	219,589	991,093	1,816,004
Fund balances:					
Reserved for encumbrances	405	90,009			90,414
Reserved for inventories		305,928			305,928
Unreserved:					
Undesignated	394,812	4,805,767			5,200,579
Total fund balances	395,217	5,201,704	-	-	5,596,921
Total liabilities and fund balances	\$ 441,084	\$ 5,761,159	\$ 219,589	\$ 991,093	\$ 7,412,925

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

KIOWA COUNTY, OKLAHOMA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL	SPECIAL REVENUE	(MEMORANDUM ONLY)
Revenues:			
Ad valorem taxes	\$ 439,574	\$ 143,312	\$ 582,886
Sales tax		192,161	192,161
Charges for services		221,936	221,936
Intergovernmental revenues	188,604	4,682,841	4,871,445
Miscellaneous revenues	178,707	308,593	487,300
Total revenues	<u>806,885</u>	<u>5,548,843</u>	<u>6,355,728</u>
Expenditures:			
General government	596,958	85,366	682,324
Public safety	179,621	349,566	529,187
Health and welfare		148,242	148,242
Education		11,488	11,488
Roads and highways	15,540	3,507,478	3,523,018
Total expenditures	<u>792,119</u>	<u>4,102,140</u>	<u>4,894,259</u>
Excess revenue over expenditures	<u>14,766</u>	<u>1,446,703</u>	<u>1,461,469</u>
Other financing sources:			
Capitalized lease agreements		199,999	199,999
Total other financing sources	<u>-</u>	<u>199,999</u>	<u>199,999</u>
Excess revenue and other sources over expenditures	14,766	1,646,702	1,661,468
Beginning fund balances	380,451	3,490,796	3,871,247
Inc/(Dec) in reserve for inventory		64,206	64,206
Ending fund balances	<u>\$ 395,217</u>	<u>\$ 5,201,704</u>	<u>\$ 5,596,921</u>

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

KIOWA COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
-BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE
(COUNTY HEALTH DEPARTMENT ONLY) FUNDS
FOR THE YEAR ENDED JUNE 30, 2001

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 330,643	\$ 330,643	\$ -	\$ 98,765	\$ 98,757	\$ (8)
Revenues:						
Ad valorem taxes	399,725	438,552	38,827	99,931	109,637	9,706
Charges for services				20,991	18,796	(2,195)
Intergovernmental revenues	31,000	186,079	155,079		147	147
Miscellaneous revenues	117,603	202,285	84,682		2,140	2,140
Total revenue, budgetary basis	<u>548,328</u>	<u>826,916</u>	<u>278,588</u>	<u>120,922</u>	<u>130,720</u>	<u>9,798</u>
Expenditures:						
General government	618,961	600,295	18,666			
Public safety	179,646	179,621	25			
Health and welfare	5		5	219,687	148,283	71,404
Roads and highway	80,359	12,478	67,881			
Total expenditures, budgetary basis	<u>878,971</u>	<u>792,394</u>	<u>86,577</u>	<u>219,687</u>	<u>148,283</u>	<u>71,404</u>
Excess of revenues and beginning fund balances over expenditures, budgetary basis	\$ -	365,165	\$ 365,165	\$ -	81,194	\$ 81,194
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem receivable		5,759			1,440	
Sales tax receivable		513				
Accrued interest		12,045			614	
Due from other governments		7,886			440	
Reserved for encumbrances		405			41	
Adjustment to prior year reserved for encumbrances		3,444			41	
Ending fund balances		<u>\$ 395,217</u>			<u>\$ 83,770</u>	

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

NOTES TO THE FINANCIAL STATEMENTS

KIOWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

1. Summary of Significant Accounting Policies

The financial statements of the County are required to be presented in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies and practices are described below.

A. Reporting Entity

Kiowa County was created by the Constitution of Oklahoma. One County officer is appointed; however, most County Officers are locally elected by their constituents. All County powers are delegated by the state.

In accordance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," the County is required to present the entities, which comprise the primary government and its legally separate component units in the fiscal year 2001 general-purpose financial statements. The County had no component units for fiscal year 2001.

Related Organizations Excluded from the Reporting Entity

The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. These organizations are not included in the financial statements.

Kiowa County Hospital Authority: Board members are all authoritative. The County is not responsible for approving budgets, contracts, key personnel, fiscal matters or day-to-day operations of the Authority. Separate financial statements are available from the Authority.

Kiowa County Industrial Authority: Board members are all authoritative. The County is not responsible for approving budgets, contracts, key personnel, fiscal matters or day-to-day operations of the Authority. Separate financial statements are available from the Authority.

B. Fund Accounting

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into the categories: governmental and fiduciary. Each category in turn is divided into separate "fund types."

KIOWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

Governmental Funds

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Fiduciary Funds

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. Agency funds are generally used to account for assets that the government holds on behalf of others as their agent.

Account Groups

General Fixed Assets Account Group (GFAAG) - Generally accepted accounting principles (GAAP) require that those fixed assets of a government not reported in a proprietary fund or a trust fund be reported in a general fixed assets account group (GFAAG). This account group is not a fund. It does not have a balance sheet as such, nor does it report operations. Instead, the GFAAG serves as a list of the government's fixed assets and is designed to ensure accountability.

General Long-Term Debt Account Group (GLTDAG) - The general long-term debt account group (GLTDAG) is used to account for a government's unmatured long-term indebtedness that has not been identified as a specific fund liability of a proprietary or trust fund. In addition to general obligation debt instruments (e.g., bonds, notes, warrants), the GLTDAG is also used to report certain liabilities that are normally not expected to be liquidated with expendable available financial resources (e.g., capitalized lease-purchase obligations).

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these fund types present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds, and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be quantified, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if collected within 60 days after year-end. Expenditures are recorded when incurred and the related fund liability is expected to be paid from available spendable resources. Principal and interest on general long-term debt are recorded as fund expenditures when paid or when amounts for principal and interest have been accumulated in the debt service fund for payments to be made early in the following year.

KIOWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

Those revenues susceptible to accrual are property taxes, sales tax, interest revenue, and other taxes collected and held by the Oklahoma Tax Commission at year-end on behalf of the government. Charges for services are not susceptible to accrual because generally they are not measurable until received in cash.

D. Budgetary Policies and Procedures

Under current Oklahoma Statutes, the general fund and the County Health Department fund are the only funds required to adopt a formal budget. The budget presented for the general and special revenue (County Health Department only) funds includes the originally approved budgeted appropriations for expenditures as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other cash funds are made on a monthly basis, according to the funds then available.

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 the general fund and special revenue funds.

Any encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. At the end of the year, unencumbered appropriations are lapsed.

The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General and Special Revenue (County Health Department only) Funds presents 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 Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

E. Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2001.

F. Receivables

All receivables are reported at their gross value.

G. Interest Receivable

Interest on deposits and investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

KIOWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

H. Fixed Assets

The County presently maintains some individual records of personal property; however, the County does not keep similar records for land, buildings, and improvements. Because the County does not maintain detailed records of its land, buildings, and improvements, a statement of general fixed assets, required by accounting principles generally accepted in the United States of America, is not presented on the Combined Balance Sheet - All Fund Types and Account Group.

I. Risk Management

The County is exposed to various risks of loss as follows:

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - Torts - Errors and Omissions - Law Enforcement Officers Liability - Vehicle	The County participates in a public entity risk pool - Association of County Commissioners of Oklahoma - Self-Insured Group. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool. (See ACCO Self-Insured Fund ACCO-SIF.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of risk.	None

ACCO-SIG The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating County will pay a deductible amount (\$1,000 to \$10,000; the County has a \$50,000 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

KIOWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

ACCO-SIF The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. ACCO-SIF was set up in 1984 and will pay legitimate worker's compensation claims up to \$500,000 per incident. A reinsurance policy, with no limit, pays claims that exceed \$500,000 for a particular incident. The pool has not assessed additional premiums to be paid by its members in the past three years.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2001 fiscal year.

J. Compensated Absences

Vacation benefits are earned by the employee during the year and employees may accumulate no more than ten working days. The amount of accumulated unpaid vacation benefits included in the financial statements for the fiscal year ending June 30, 2001 and the total amount for compensated absences is \$48,000.

K. Long-Term Obligations

The County reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

L. Memorandum Only - Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Interfund transactions have not been eliminated from the total column of each financial statement.

M. Grant Revenue

Revenues from federal and state grants are recognized when expenditures are incurred.

N. Inventories

Inventory in governmental funds consists of expendable supplies held for consumption stated on a first-in first-out basis. They are recorded at cost as an expenditure at the time individual items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that it does not constitute "available spendable resources" even though it is a component of total assets.

KIOWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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 by fund, 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.

3. Detailed Notes on Account Balances

A. Deposits

Deposits. At year-end, the carrying amount of the County's cash was \$5,770,839, and the bank balance was \$5,781,134. Of the bank balance, all funds were covered by federal depository insurance or by collateral held by the County's agent in the County's name.

Title 62 O.S. 1996 Supp., § 348.3 authorizes the County Treasurer to invest in:

- U.S. Government Obligations
- Certificates of Deposit
- Savings Accounts
- G.O. Bonds issued by Counties, Municipalities, or School Districts
- Money judgments against Counties, Municipalities, or School Districts
- Bonds and Revenue Notes issued by a Public Trust when the beneficiary of the Trust is a County, Municipality, or School District

B. Receivables

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. A continuous and systematic program of visual inspection of all taxable real property within the County is required at least once every four (4) years.

The net assessed property value as of January 1, 2000, was \$ 43,969,722.

The County levied 10 mills for general fund operations, and 2.5 mills for the County Health Department. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and apportions the ad valorem taxes collected to the appropriate taxing units.

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

KIOWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Detailed Notes on Account Balances (continued)

Current year tax collections for the year ended June 30, 2001, were approximately 97.64 percent of the tax levy.

C. 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. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5% and 10% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10% of earned compensation for elected officials. The County's contributions to the plan for the years ending June 30, 2001, 2000, and 1999, were \$148,040, \$140,072, and \$173,831, respectively, equal to the required contributions for each year.

D. Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. 1991, § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all subsequent pieces of machinery acquired. The one-time fee will be reported as interest. Oklahoma Statutes prohibit the County from entering into contracts of this nature longer than one year. For this reason, these lease-purchase agreements do not qualify for capitalization until the year the lease-purchase agreements are completed and title to the equipment is transferred to the County. However, it is the County's intent to exercise its right to purchase this property; accordingly, the lease-purchase agreements have been capitalized to conform with generally accepted accounting principles. The unpaid portions of these agreements have been reflected as capitalized lease obligations within the general long-term debt account group.

Providing all capital leases are renewed each year by resolution of the Board of Commissioners, minimum lease commitments under capitalized lease-purchase agreements as of June 30, 2001, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 219,761	\$ 5,593	\$ 225,354
2003	191,985	5,593	197,578
2004	175,666	5,450	181,116
2005	157,857	4,694	162,551
2006	107,822	1,843	109,665
2007 - 2008	<u>90,002</u>	<u>2,700</u>	<u>92,702</u>
Totals	\$ <u>943,093</u>	\$ <u>25,873</u>	\$ <u>968,966</u>

KIOWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Detailed Notes on Account Balances (continued)

During the year, the County capitalized leases totaling \$199,999, and paid \$ 197,320 on the outstanding balances of lease-purchase agreements.

Changes in Long-Term Liabilities

During the year ended June 30, 2001, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2001</u>
Capital leases	\$940,414	\$199,999	\$197,320	\$943,093
Compensated absences	-	48,000	-	48,000
Total	<u>\$940,414</u>	<u>\$247,999</u>	<u>\$197,320</u>	<u>\$991,093</u>

E. Fund Balance

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance accounts are summarized below.

Reserved for Encumbrances - The reserve for encumbrances represents encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the County but not completed as of the close of the fiscal year.

Reserved for Inventories - Inventory in governmental funds consists of expendable supplies held for consumption stated on a first-in-first-out basis. They are recorded at cost as expenditures at the time individual items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that it does not constitute "available spendable resources" even though it is a component of total assets.

F. Sales Tax

On April 6, 1993, Kiowa County voters approved a sales tax of .5%. The money derived from the sales tax is distributed as follows. The duration of the sales tax is unlimited.

- \$10,000 for Kiowa County Free Fair
- \$25,000 for OSU Extension
- \$25,000 for Senior Citizen Centers
- \$2,500 for Kiowa County Historical Society

In fiscal year 2001, the total sales tax distributed was \$224,826 of which \$32,665 was remitted to the Agency Fund. The amount reported in the financial statements, \$192,161 represents revenue reported on the modified accrual basis.

KIOWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Detailed Notes on Account Balances (continued)

G. Fuel Taxes

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 County highway fund is reported herein as "special revenue," and the fuel tax revenue is presented as "intergovernmental."

4. 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 government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

CLIFTON H. SCOTT
STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BLVD.
100 STATE CAPITOL
OKLAHOMA CITY, OK 73105-4896
405/521-3495

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO THE OFFICERS OF
KIOWA COUNTY

We have audited the financial statements of Kiowa County as of and for the year ended June 30, 2001, and have issued our report thereon dated January 24, 2002. We qualified our opinion because the general fixed assets account group was not included in the general-purpose financial statements. 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.

Compliance

As part of obtaining reasonable assurance about whether Kiowa County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that is required to be reported under *Government Auditing Standards* and which is described below.

Finding 99-1 Employee Dependent Insurance Compensation

Criteria: The Constitution of the United States of America, Amendment 14, "No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws".

Additionally, SA&I Bulletin 95-16 provides the following guidance, "A county may be providing dependent health insurance coverage to some but not all officers and employees. A grand jury decision may very well affect the legality of the County policy with regard to employee dependent insurance. This could have a very detrimental effect on your county if you are also in violation of employees rights."

Condition: Highway and sheriff employees' dependant insurance coverage is paid by the County. Other County employees do not receive this fringe benefit.

Recommendation: We recommend the County adhere to the Constitution of the United States, Amendment 14, which provides for equal treatment of all citizens. Further, we recommend advice be obtained for the County's legal representative regarding unequal treatment of County employees as established by a District Court case in Latimer County, No. C-93-62, Brinkly vs Board of County Commissioners. In this case, County Commissioners were paying dependent health insurance for their employees. The Court ruled that unequal treatment was given to these employees, because the benefit was not offered to all the County employees.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kiowa County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described below.

Finding 97-1 - General Fixed Assets (Repeat finding)

Criteria: Accounting principles generally accepted in the United States of America for a governmental entity using governmental fund types require the presentation of the general fixed assets account group (GFAAG) in the financial statements.

Title 19 O.S. 1991, §178.1 requires the County to maintain necessary information regarding land, buildings, and improvements.

Condition: The County's list of land, buildings, improvements, and equipment does not include all of the necessary information to comply with Title 19 O.S. 1991, §178.1 and NCGA.

Effect: Information is not available for reporting general fixed assets in accordance with accounting principles generally accepted in the United States of America for a government entity. The County does not maintain a summary listing with the required information for land, buildings, and improvements. The general fixed assets control account is not accurate; therefore, this component of internal control is not effective. Accordingly, there is a greater risk that a fixed asset may not be properly accounted for and safeguarded against loss.

Recommendation: We recommend records include acquisition cost, a complete description, purchase date, location of such asset, and that a control total of the cost of these assets be maintained and reconciled annually in accordance with Title 19 O.S. 1991, §178.1 and NCGA Statement No. 1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 97-1 to be a material weakness.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report:

This report is intended solely for the information and use of the County officials and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,



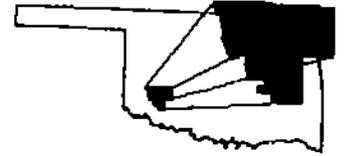
CLIFTON H. SCOTT
State Auditor and Inspector

January 24, 2002

MANAGEMENT RESPONSE

Board of County Commissioners

Kiowa County Courthouse
316 South Main - P. O. Box 658
Hobart, OK 73651
(580) 726-9377



Allen Vickery
District #1

Robert Boelte
District #2

Wayne "Tooter" Barber
District #3

April 16, 2001

State Auditor and Inspector
1401 Lera, Suite G
Rt. 2
Weatherford, OK 73098

Subject: Response to Auditors comments on accounting and administrative controls, State Compliance and Federal Compliance as part of the examination of Kiowa County financial statements for the year ending June 30, 2001.

We understand the Auditors comments and are working toward a possible resolution of the following issues:

2000-1 - Employee Dependent Insurance Compensation:

This practice was established approximately 25 years ago when the benefit was given to highway employees in lieu of a raise and was not intended to be discriminatory.

Courthouse employees paid from the General Fund are paid a slightly higher gross wage to help offset the benefit received by Highway employees paid from Cash funds. Most Sheriff's employees, paid from Cash and General funds, are considered a separate pay scale.

The Commissioners are considering information provided by the Clerk of the \$58,000 in general funds needed to fund dependent health benefit for the Courthouse employees for FY 01-02.

97-1 - General Fixed Assets:

As of the end of FY 00-01, Kiowa County has placed a dollar amount to all fixed assets, and is continuing to compile computerized data on County properties for auditing purposes in order to bring all fixed asset records to the required standard.

A handwritten signature in black ink, appearing to read "Robert Boelte".

Robert Boelte, Chairman, Board of Commissioners