



KIOWA COUNTY

Financial Report

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

**KIOWA 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

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

October 30, 2019

TO THE CITIZENS OF
KIOWA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Kiowa 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



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

Board of County Commissioners

District 1 – Tim Bingham
District 2 – Stanley Funkhouser
District 3 – Tom Anderson

County Assessor

Buddy Jones Jr.

County Clerk

Nikki Dodd

County Sheriff

Jeff Smith

County Treasurer

Deanna Miller

Court Clerk

Kay Richards

District Attorney

Ken Darby

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

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
KIOWA 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 Kiowa 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.



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

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

As described in Note 1, the financial statement is prepared by Kiowa 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 Kiowa 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 Kiowa County, for the year ended June 30, 2017, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the financial statement.

The other supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information 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 October 28, 2019, 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 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 Kiowa County's internal control over financial reporting and compliance.

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 28, 2019

REGULATORY BASIS FINANCIAL STATEMENT

KIOWA 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	\$ 356,747	\$ 1,214,545	\$ 200,000	\$ 200,000	\$ 1,214,967	\$ 356,325
County Highway Fund	3,636,380	2,976,225	511,663	200,000	3,634,029	3,290,239
County Highway Bridge and Road Improvement Fund	1,341,913	209,798	-	311,663	-	1,240,048
County Health Department	436,072	205,590	-	-	272,497	369,165
Governmental Obligation Bond - Sinking Fund	24,079	59,195	-	-	64,620	18,654
Sales Tax Free Fair	5,364	10,000	-	-	8,605	6,759
Sales Tax Museum	9	2,500	-	-	2,233	276
Sales Tax OSU Extension	94,889	25,000	-	-	19,804	100,085
Sales Tax Sheriff	70,383	245,249	-	-	253,654	61,978
Sales Tax Senior Citizens Gotebo	-	803	-	-	803	-
Sales Tax Senior Citizens Hobart	-	12,895	-	-	12,895	-
Sales Tax Senior Citizens Lone Wolf	-	1,504	-	-	1,504	-
Sales Tax Senior Citizens Mountain Park	-	1,404	-	-	1,404	-
Sales Tax Senior Citizens Mountain View	-	2,729	-	-	2,729	-
Sales Tax Senior Citizens Roosevelt	-	879	-	-	879	-
Sales Tax Senior Citizens Snyder	-	4,786	-	-	4,786	-
Resale Property	141,530	47,579	1,679	-	74,628	116,160
Treasurer Mortgage Tax Certification Fee	1,547	1,970	-	-	2,000	1,517
County Clerk Lien Fee	3,471	5,801	-	-	5,198	4,074
County Clerk Records Preservation Fee	5,855	11,128	-	-	7,084	9,899
Assessor Revolving	5,984	2,808	-	-	2,801	5,991
Assessor Visual Inspection	142	-	-	-	-	142
Assessor Hardware Upgrade	297	-	-	-	-	297
Sheriff Service Fee	78,081	58,740	-	-	114,410	22,411
Sheriff Board of Prisoners	40,728	78,585	-	-	102,670	16,643
Emergency Management/EOC	34,338	25,760	-	-	33,503	26,595
Sheriff Courthouse Security	2,228	10,331	-	-	7,611	4,948
Sheriff Commissary Revolving Fund	9,215	6,839	-	-	6,520	9,534
Law Enforcement Fund	35	-	-	-	-	35
Emergency Management EOC/FDS	2,047	9,035	-	-	5,267	5,815
Juvenile Supervision	343	-	-	-	-	343
Sheriff Training	80	-	-	-	-	80
County Reward Fund	1,198	-	-	-	-	1,198
Kiowa County Industrial Development Authority Building	715	1,000	-	-	-	1,715
Sheriff Courthouse Security - Civil	1,146	2,517	-	-	434	3,229
Combined Total - All County Funds	\$ 6,294,816	\$ 5,235,195	\$ 713,342	\$ 711,663	\$ 5,857,535	\$ 5,674,155

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Governmental Obligation Bond - Sinking Fund – accounts for the collection of an ad valorem tax levy to be disbursed for the payment of bond indebtedness.

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

Sales Tax Free Fair – accounts for sales tax collections to be disbursed for the operations of the Kiowa County Free Fair.

Sales Tax Museum – accounts for sales tax collections to be disbursed for the operations of the Kiowa County Historical Society.

Sales Tax OSU Extension – accounts for sales tax collections to be disbursed for the operations of the Kiowa County OSU Extension.

Sales Tax Sheriff – accounts for sales tax collections to be disbursed for the operations of the Kiowa County Sheriff's Office.

Sales Tax Senior Citizens – accounts for seven separate cash funds established to account for sales tax collections to be disbursed for the operations of senior citizens centers within Kiowa County and named as follows; Sales Tax Senior Citizens Gotebo, Sales Tax Senior Citizens Hobart, Sales Tax Senior Citizens Lone Wolf, Sales Tax Senior Citizens Mountain Park, Sales Tax Senior Citizens Mountain View, Sales Tax Senior Citizens Roosevelt, and Sales Tax Senior Citizens Snyder.

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

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

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

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

Assessor Revolving – accounts for the collections of fees for copies and disbursements as restricted by state statute.

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

Assessor Hardware Upgrade – accounts for the collection and disbursement of funds received from the State of Oklahoma for the upgrade of Assessor computer equipment.

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

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

Sheriff Board of Prisoners – accounts for state receipts and disbursed for the purpose of housing Department of Corrections inmates in the county jail.

Emergency Management/EOC – accounts for the collection of state grant money to maintain the Civil Defense Coordinator within the Sheriff's Department.

Sheriff Courthouse Security – accounts for the collection of fees through the court system and disbursed for courthouse security.

Sheriff Commissary Revolving Fund – accounts for the funds from the sale of commissary items to inmates and disbursed to purchase commissary items from the vendor. The funds can be used for the maintenance and operations of the county jail.

Law Enforcement Fund – accounts for the collection of contracts for law enforcement of surrounding cities and towns and disbursed for personal services within the Sheriff's office.

Emergency Management EOC/FDS – accounts for the collections of grant money and disbursed for equipment for Emergency Management within the Sheriff's office.

Juvenile Supervision – accounts for the collection of state funds and disbursed to provide housing for juveniles.

Sheriff Training – accounts for the collection of miscellaneous receipts and disbursed for the training of Sheriff's deputies.

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

Kiowa County Industrial Development Authority Building – accounts for the collections from tiles sold and disbursed for maintenance of tiles and to provide assistance to the 4-H program.

Sheriff Courthouse Security - Civil – accounts for the collections of fees through the court system and disbursed for additional courthouse security.

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.

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

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.

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.

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

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.

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

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

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. Long Term Obligations

1. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Debt service on the bonds will be paid from ad valorem taxes levied and assessed on behalf of the issuer and deposited to the Sinking Fund.

Kiowa County General Obligation Bond of 2008 – These bonds were issued June 1, 2008, in the amount of \$550,000 to a financial institution in Kansas City, Missouri. The General Obligation Bond of 2008 was to provide funds for the purpose of repairing and replacing the roof of the courthouse and jail, remodeling the courthouse to make it handicap accessible under the provisions of the Americans with Disabilities Act including the repair and replacement of an elevator in the courthouse, exterior masonry to the courthouse, repair and/or replacement of window in the courthouse.

For the ad valorem tax year of 2016, fiscal year ending June 30, 2017, a .74 mill levy was collected by the Kiowa County Treasurer.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 10 years from the date of issue. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Amount</u>
Kiowa County General Obligation Bond	2.75% to 3.60%	\$550,000

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

Beginning Balance	Additions	Reductions	Ending Balance	Amount due within one year
\$130,000	\$ - 0-	\$60,000	\$70,000	\$70,000

During fiscal year 2017, payments included \$60,000 for principal and \$4,620 in interest.

Annual debt service requirements to maturity for general obligation bonds, including interest of \$2,520, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 70,000	\$ 2,520	\$ 72,520
Total	\$ 70,000	\$ 2,520	\$ 72,520

E. Sales Tax

The voters of Kiowa County approved a permanent one-half percent (1/2%) sales tax on April 6, 1993. This sales tax is to be distributed as follows: \$10,000 for Kiowa County Free Fair; \$25,000 for the OSU Extension Center in Kiowa County; \$25,000 to be apportioned among the authorized Senior Citizen Centers of Gotebo, Hobart, Lone Wolf, Mountain Park, Mountain View, Roosevelt and Snyder based on each towns percentage of total County population using the most recent decennial census; \$2,500 for the Kiowa County Historical Society; and the balance of the remaining funds to the Kiowa County Sheriff's Office to improve rural law enforcement.

These funds are accounted for in the following funds: Sales Tax Free Fair, Sales Tax Museum, Sales Tax OSU Extension, Sales Tax Sheriff, Sales Tax Senior Citizens Gotebo, Sales Tax Senior Citizens Hobart, Sales Tax Senior Citizens Lone Wolf, Sales Tax Senior Citizens Mountain Park, Sales Tax Senior Citizens Mountain View, Sales Tax Senior Citizens Roosevelt, and Sales Tax Senior Citizens Snyder.

F. Tax Abatements

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

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

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

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 \$152,730 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.

G. Interfund Transfers

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

- \$200,000 was transferred from the County Highway Fund to the County General Fund for the purpose of funding operating expenses as allowed by 68 O.S. § 3021.
- \$200,000 was transferred from the County General Fund to the County Highway Fund to repay the operating transfer as required by 68 O.S. § 3021.
- \$1,679 was transferred from the Excess Resale Fund (a trust and agency fund) to Resale Property fund in accordance with 68 O.S. § 3131c.
- \$311,663 was transferred from the County Highway Bridge and Road Improvement Fund to the County Highway Fund for bridge projects.

OTHER SUPPLEMENTARY INFORMATION

KIOWA 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	\$ 357,105	\$ 356,747	\$ (358)
Less: Prior Year Outstanding Warrants	(45,074)	(45,074)	-
Less: Prior Year Encumbrances	(1,941)	(1,765)	176
Beginning Cash Balances, Budgetary Basis	310,090	309,908	(182)
 Total Receipts, Budgetary Basis	 928,816	 1,214,545	 285,729
Total Expenditures, Budgetary Basis	1,238,906	1,212,104	26,802
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 312,349	 \$ 312,349
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		41,397	
Add: Current Year Encumbrances		2,579	
Ending Cash Balance		\$ 356,325	

KIOWA 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	\$ 436,072	\$ 436,072	\$ -
Less: Prior Year Outstanding Warrants	(11,510)	(11,510)	-
Less: Prior Year Encumbrances	(9,570)	(9,432)	138
Beginning Cash Balances, Budgetary Basis	<u>414,992</u>	<u>415,130</u>	<u>138</u>
 Total Receipts, Budgetary Basis	 <u>187,306</u>	 <u>205,590</u>	 <u>18,284</u>
 Total Expenditures, Budgetary Basis	 <u>602,298</u>	 <u>276,876</u>	 <u>325,422</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 343,844	 <u>\$ 343,844</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		87	
Add: Current Year Outstanding Warrants		<u>25,234</u>	
Ending Cash Balance		<u>\$ 369,165</u>	

KIOWA 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
KIOWA 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 Kiowa County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprises Kiowa County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 28, 2019.

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 Kiowa 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 Kiowa County's internal control. Accordingly, we do not express an opinion on the effectiveness of Kiowa 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 questioned costs, 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 deficiency described in the accompanying schedule of findings and responses to be a material weakness: 2017-001.

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 Kiowa 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Kiowa County's Response to Findings

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

October 28, 2019

**KIOWA 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 – Inadequate County-Wide Controls (Repeat Finding 2010-001, 2011-001, 2012-001, 2013-001, 2014-001, 2015-001, 2016-001)

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

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

Cause of Condition: Policies and procedures have not been designed and implemented to address Risk Assessment and Monitoring in the County.

Effect of Condition: This condition does not allow the County to function in the most effective manner possible. Additionally, without written documentation of the county-wide controls, it is more difficult to retain organizational knowledge, communicate that knowledge to personnel, indicate what internal controls are present and monitor those controls.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design and implement policies and procedures to document their internal control framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps taken to properly communicate pertinent information in a timely manner and the methodology to monitor the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

Chairman, Board of County Commissioners: The Board of County Commissioners will work towards assessing and identifying risks to design written county-wide controls.

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.

OV1.01 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.

Risk Assessment Overview: Having established an effective control environment, management assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for

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

developing appropriate risk responses. Management assesses the risks the entity faces from both external and internal sources.

Monitoring Overview: Since internal control is a dynamic process that has to be adapted continually to the risks and changes an entity faces, monitoring of the internal control system is essential in helping internal control remain aligned with changing objectives, environment, laws, resources, and risks. Internal control monitoring assesses the quality of performance over time and promptly resolves the findings of audits and other reviews. Corrective actions are a necessary complement to control activities in order to achieve objectives.

Finding 2017-003 – Inadequate Internal Controls and Noncompliance Over Disbursement of Sales Tax (Repeat Finding 2010-003, 2013-003, 2014-003, 2015-003, 2016-003)

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

- Sales tax collections are being distributed directly to the Senior Citizen Centers of Gotebo, Hobart, Lone Wolf, Mountain Park, Mountain View, Roosevelt and Snyder, which results in these sales tax expenditures not being monitored to determine they are expended in accordance with the sales tax ballot.

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

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

Recommendation: OSAI recommends the County incorporate the Senior Citizens sales tax funds in the purchasing process in order to properly monitor the expenditures of the sales tax and to ensure that the sales tax is expended in accordance with purposes as specified by the sales tax ballot as outlined by Title 68 O.S. § 1370E and AG Opinions.

Management Response:

Chairman, Board of County Commissioners: This issue has been corrected during fiscal year 2018. Senior Citizens Centers are reimbursed sales tax fund based upon verification that disbursements are made in accordance with the approved ballot passed by the voters of Kiowa County.

Criteria: GAO Standards states in part,

10.03 Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may

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

appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

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

Further, AG opinion 2005 OK AG 23 dated 7/13/2005 states:

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

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

4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X § 19; 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; Cavin v. Bd of County Comm'rs, 1943 OK 245 ¶ 11, 33 P.2d 477, 479.



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov