

**KIOWA COUNTY, OKLAHOMA
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2002**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

May 20, 2003

TO THE CITIZENS OF
KIOWA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Kiowa County, Oklahoma, for the fiscal year ended June 30, 2002. 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 that reads "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

**KIOWA COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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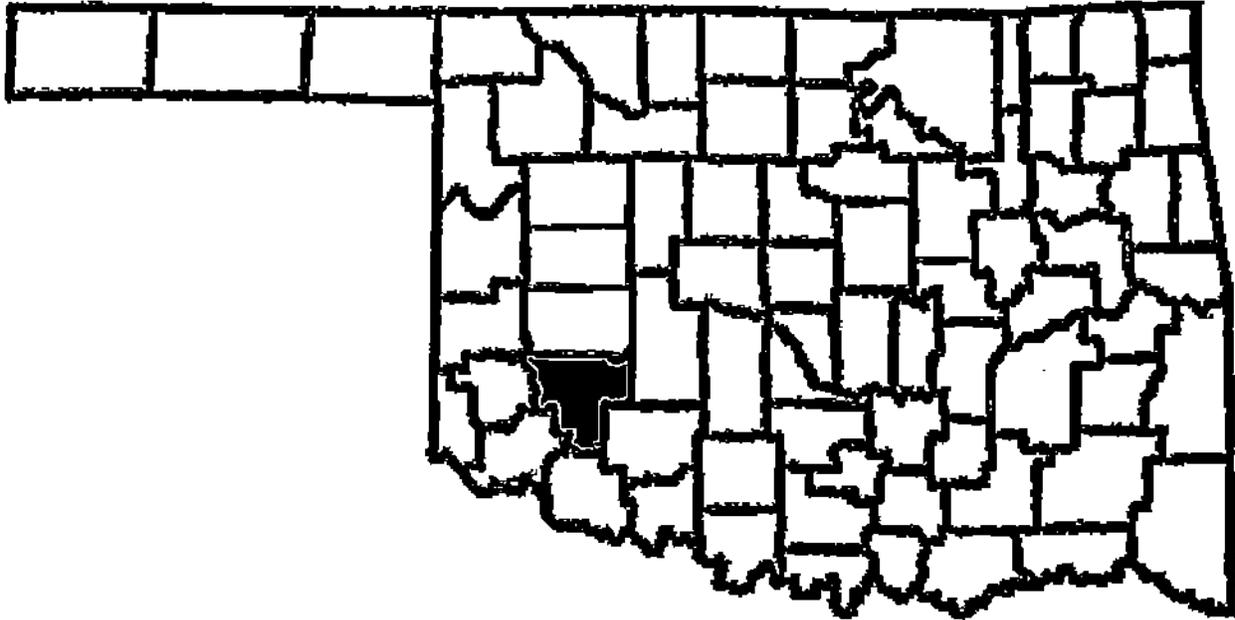
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REPORT TO THE CITIZENS
OF
KIOWA COUNTY, OKLAHOMA



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 - 1014.7 Square Miles

County Population - 10,498
(1999 est.)

Farms - 702

Land in Farms - 595,283 Acres

Source: Oklahoma Almanac 2001 - 2002

See independent auditor's report

**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 at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

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

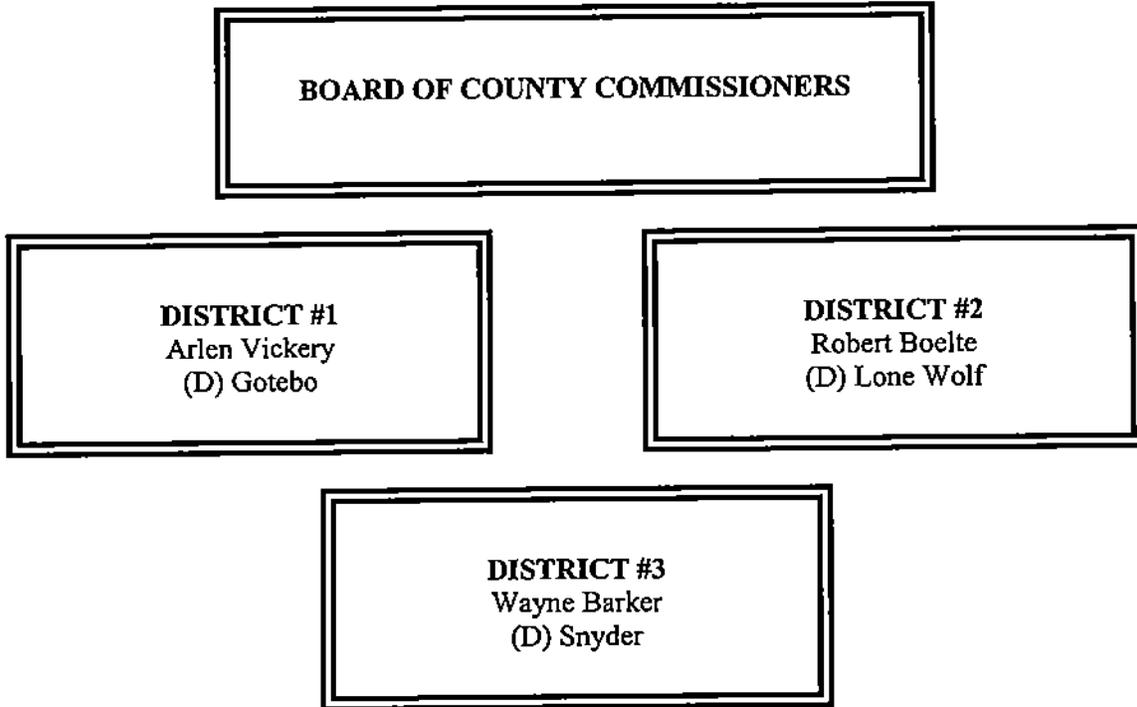
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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 his or her 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

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**



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 ELECTED OFFICIALS
AND RESPONSIBILITIES**

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.

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.

See independent auditor's report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

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. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

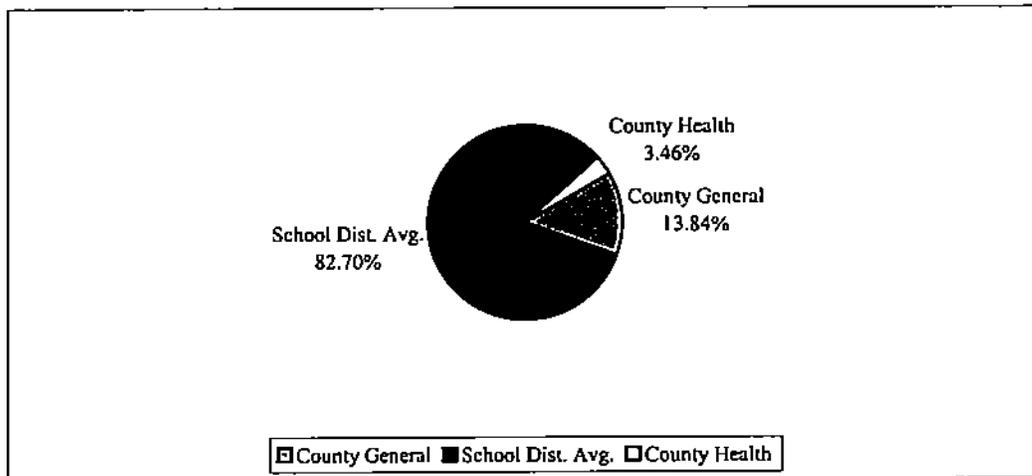
Lynne Morris
(D) Hobart

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. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

**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		School District Millages								
Co. General	10.44			Gen.	Bldg.	Skg.	Vo-Tech	Vo-Tech Bldg	Common	Total
County Health	2.61									
		Hobart	SD-1	36.29	5.18	10.55	10.39	2.00	4.18	68.59
		Lone Wolf	SD-2	36.60	5.23	5.95	10.39	2.00	4.18	64.35
		Gotebo-Mt. View	SD-3	36.58	5.23		10.47	1.05	4.18	57.51
		Mt. Park, Roosevelt & Snyder	SD-4	36.68	5.24		10.48	1.05	4.18	57.63
		Washita	JT-1	36.54	5.22	8.19	10.39	2.00	4.18	66.52
		Comanche	JT-2	35.16	5.02	14.19	10.48	1.05	4.18	70.08
		Caddo	JT-33	37.53	5.37		10.47	1.05	4.18	58.60
		Jackson	JT-54	36.21	5.17		10.35		4.18	55.91

See independent auditor's report



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
KIOWA COUNTY, OKLAHOMA

We have audited the accompanying general-purpose financial statements of Kiowa County, Oklahoma, as of and for the year ended June 30, 2002, 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.

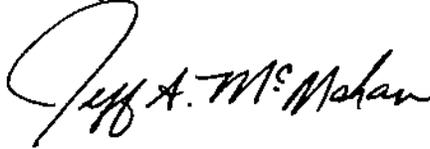
As explained in Note (1H), the general-purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in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

In our opinion, based on our audit, 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, 2002, 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 April 28, 2003, 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.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements 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 black ink, appearing to read "Jeff A. McMahhan". The signature is written in a cursive style with a large initial "J" and "M".

JEFF A. McMAHAN
State Auditor and Inspector

April 28, 2003

General-Purpose Financial Statements

**KIOWA COUNTY, OKLAHOMA
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 2002**

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUP	TOTAL
	GENERAL	SPECIAL REVENUE	AGENCY	GENERAL LONG - TERM (MEMORANDUM DEBT	ONLY)
ASSETS					
Cash and investments	\$ 449,812	\$ 3,022,974	\$ 175,438	\$	\$ 3,648,224
Ad valorem taxes receivable	4,941	1,236	28,918		35,095
Sales tax receivable		15,231	11,966		27,197
Due from other governments	1,399	202,722	8,459		212,580
Accrued interest receivable	14,155	294			14,449
Consumable inventories		270,480			270,480
Amount to be provided for compensated absences				57,948	57,948
Amount to be provided for capitalized lease purchase agreements				725,713	725,713
Total assets	<u>\$ 470,307</u>	<u>\$ 3,512,937</u>	<u>\$ 224,781</u>	<u>\$ 783,661</u>	<u>\$ 4,991,686</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	\$ 52,181	\$ 294,194	\$ 8,983	\$	\$ 355,358
Accounts payable	250	87,939			88,189
Due to other taxing units			86,686		86,686
Due to others			129,112		129,112
Compensated absences payable				57,948	57,948
Capitalized lease obligations payable				725,713	725,713
Total liabilities	<u>52,431</u>	<u>382,133</u>	<u>224,781</u>	<u>783,661</u>	<u>1,443,006</u>
Fund balances:					
Reserved for encumbrances	15,600	107,911			123,511
Reserved for inventories		270,480			270,480
Unreserved:					
Undesignated	402,276	2,752,413			3,154,689
Total fund balances	<u>417,876</u>	<u>3,130,804</u>	<u>-</u>	<u>-</u>	<u>3,548,680</u>
Total liabilities and fund balances	<u>\$ 470,307</u>	<u>\$ 3,512,937</u>	<u>\$ 224,781</u>	<u>\$ 783,661</u>	<u>\$ 4,991,686</u>

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, 2002

	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL	SPECIAL REVENUE	(MEMORANDUM ONLY)
Revenues:			
Ad valorem taxes	\$ 447,981	\$ 135,538	\$ 583,519
Sales tax		209,400	209,400
Charges for services		81,869	81,869
Intergovernmental revenues	197,572	3,039,131	3,236,703
Miscellaneous revenues	203,185	43,429	246,614
Total revenues	<u>848,738</u>	<u>3,509,367</u>	<u>4,358,105</u>
Expenditures:			
Current operating:			
General government	626,979	88,335	715,314
Public safety	182,409	301,664	484,073
Health and welfare		209,661	209,661
Culture and recreation		5,848	5,848
Education		23,272	23,272
Roads and highways	16,691	5,073,610	5,090,301
Total expenditures	<u>826,079</u>	<u>5,702,390</u>	<u>6,528,469</u>
Excess revenues over (under) expenditures	<u>22,659</u>	<u>(2,193,023)</u>	<u>(2,170,364)</u>
Other financing sources:			
Sale of equipment		157,571	157,571
Total other financing sources		<u>157,571</u>	<u>157,571</u>
Excess revenues and other sources (over) expenditures	22,659	(2,035,452)	(2,012,793)
Beginning fund balances	395,217	5,201,704	5,596,921
Increase (decrease) in consumable inventory		(35,448)	(35,448)
Ending fund balances	<u>\$ 417,876</u>	<u>\$ 3,130,804</u>	<u>\$ 3,548,680</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, 2002

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 368,609	\$ 368,609	\$ -	\$ 81,235	\$ 81,234	\$ (1)
Revenues:						
Ad valorem taxes	407,663	448,799	41,136	101,916	112,199	10,283
Charges for services				14,855	12,573	(2,282)
Intergovernmental revenues	121,080	204,572	83,492		1,690	1,690
Miscellaneous revenues	12,819	201,075	188,256		592	592
Total revenues, budgetary basis	<u>541,562</u>	<u>854,446</u>	<u>312,884</u>	<u>116,771</u>	<u>127,054</u>	<u>10,283</u>
Expenditures:						
General government	726,025	659,401	66,624			
Public safety	184,146	182,409	1,737			
Health and welfare				198,006	134,891	63,115
Total expenditures, budgetary basis	<u>910,171</u>	<u>841,810</u>	<u>68,361</u>	<u>198,006</u>	<u>134,891</u>	<u>63,115</u>
Excess of revenues and beginning fund balances over expenditures, budgetary basis	<u>\$ -</u>	381,245	<u>\$ 381,245</u>	<u>\$ -</u>	73,397	<u>\$ 73,397</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem receivable		4,941			1,236	
Accrued interest		14,155			294	
Due from other governments		1,399				
Reserved for encumbrances		15,600			2,755	
Adjustment to prior year reserved for encumbrances		536			41	
Ending fund balances		<u>\$ 417,876</u>			<u>\$ 77,723</u>	

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of the County are required to be presented in conformity with generally accepted accounting principles (GAAP) 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

Counties were 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 2002 general-purpose financial statements. The County had no component units in the fiscal year 2002.

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 Development 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

A 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.

Summary of Significant Accounting Policies (continued)

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

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.

Summary of Significant Accounting Policies (continued)

The modified accrual basis of accounting is used by all governmental fund types 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.

Those revenues susceptible to accrual are property taxes, interest revenue, sales tax, 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 are the only funds required to adopt a formal budget. The budget presented for the general fund and County Health Department 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 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 Balances - Budget and Actual - General Fund 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.

Summary of Significant Accounting Policies (continued)

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, 2002.

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.

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	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.
- Torts		
- Errors and Omissions		
- Law Enforcement Officers Liability		
- Vehicle		
Physical Plant	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.
- Theft		
- Damage to Assets		
- Natural Disasters		

**KIOWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insured Fund. (See 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 \$100,000; 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.

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.

The County continues to carry commercial insurance for employees' health and life insurance. 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 2002 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 after one year of employment. The amount of accumulated unpaid vacation benefits included in the financial statements for the fiscal year ending June 30, 2002, and the total amount for compensated absences is \$57,948.

Summary of Significant Accounting Policies (continued)

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 generally accepted accounting principles. 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.

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

At year-end, the reported amount of the County's deposits was \$3,648,224 and the bank balance was \$3,698,876. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

Detailed Notes on Account Balances (continued)

Title 62 O.S. § 348.1 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. 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."

The assessed property value as of January 1, 2001, was approximately \$42,952,985.

The County levied 10.44 mills (the legal maximum) for general fund operations and 2.61 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.

Current year tax collections for the year ended June 30, 2002, were approximately 97.95 percent of the tax levy.

Detailed Notes on Account Balances (continued)

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 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, 2002, 2001, and 2000, were \$145,723, \$148,040, and \$140,072, 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. § 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.

KIOWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Detailed Notes on Account Balances (continued)

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, 2002, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	61,430	1,843	63,273
2007-2008	<u>30,953</u>	<u>928</u>	<u>31,881</u>
Total	<u>\$725,713</u>	<u>\$20,351</u>	<u>\$746,064</u>

During the year, the County paid \$217,380 on the outstanding balances of lease-purchase agreements.

Changes in Long-Term Liabilities

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2002</u>
Compensated absences	\$ 48,000	\$ 9,948	\$ -	\$ 57,948
Capital leases	<u>943,093</u>	<u>-</u>	<u>217,380</u>	<u>725,713</u>
Total	<u>\$ 991,093</u>	<u>\$ 9,948</u>	<u>\$ 217,380</u>	<u>\$ 783,661</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.

Detailed Notes on Account Balances (continued)

Reserved for Inventories – 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 2002, the total sales tax distributed was \$236,900 of which \$27,500 was remitted to the Agency Fund. The amount reported in the financial statements, \$209,400 represents revenue reported on the modified accrual basis.

G. Fuel Tax

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 management’s opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Schedule of Expenditures of Federal Awards

**KIOWA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2002**

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity ID Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Passed Through Bureau of Justice			
Local Law Enforcement			
Block Grant	16.592	2001-LB-VX-0680	\$ 2,395
Office of Community Oriented			
Policing Service			
COPS Universal Hiring Grant	16.710	95CFWX1251	<u>32,862</u>
Total U.S. Department of Justice			<u>35,257</u>
<u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed through the Oklahoma Department of Civil Emergency Management			
Public Assistance FEMA	83.544	1384-DR	23,064
Public Assistance FEMA	83.544	1384-DR	838,979
Public Assistance FEMA	83.544	1384-DR	228,361
Public Assistance FEMA	83.544	1384-DR	<u>49,293</u>
Total U.S. Department of Federal Emergency Management Agency			<u>1,139,697</u>
Total Federal Financial Expenditures			<u>\$ 1,174,954</u>

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Kiowa County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

**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

JEFF A. McMAHAN
State Auditor and Inspector

**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, OKLAHOMA

We have audited the financial statements of Kiowa County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated April 28, 2003. 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. We qualified our opinion because the general fixed assets account group was not included in the general-purpose financial statements.

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 disclose instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 1999-1 and 2002-2.

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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 1997-1 and 2002-1.

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 items 1997-1 and 2002-1 to be material weaknesses.

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 management of the County 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 the 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,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

April 28, 2003

**Report on Compliance With Requirements Applicable to Each Major Program
and Internal Control Over Compliance in Accordance With
OMB Circular A-133**



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**Report on Compliance With Requirements Applicable to Each Major Program
and Internal Control Over Compliance in Accordance With
OMB Circular A-133**

TO THE OFFICERS OF
KIOWA COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Kiowa County, Oklahoma with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

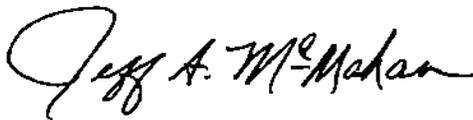
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 compliance 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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 management of the County, federal awarding agencies, and pass-through entities 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,

A handwritten signature in cursive script that reads "Jeff A. McMahán". The signature is written in black ink and is positioned above the typed name and title.

JEFF A. McMAHAN
State Auditor and Inspector

April 28, 2003

Schedule of Findings and Questioned Costs

KIOWA COUNTY, OKLAHOMA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2002

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
83.544	Federal Emergency Management Agency (FEMA) Public Assistance Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	No

KIOWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2002

SECTION 2 - Financial Statement Findings

Finding 1997-1 – General Fixed Assets

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.

Condition: Information is not available for reporting general fixed assets in accordance with accounting principles generally accepted in the United States of America for a governmental entity. The general fixed assets control account is not accurate.

Effect: 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 assets, and that a control total of cost of these assets be maintained and reconciled annually.

Finding 1999-1 – 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 dependant 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.

**KIOWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2002**

Finding 2002-1 – Official Depository - Segregation of Duties (County Clerk, Co. Sheriff, Co. Assessor)

Criteria: Good internal controls dictate that the most effective controls lie in management's knowledge of County operations and a periodic review of operations.

Condition: There is one employee within several County offices that opens mail and totals remittances, writes receipts, balances money to receipts, prepares the official depository slips, takes the deposit to the Treasurer, posts the receipts to the ledger, and reconciles to the Treasurer. The same employee calculates amounts vouchered, prepares the vouchers, and signs the vouchers.

Recommendation: We recommend that management be aware of this control weakness. We further recommend that policies and procedures be implemented to ensure segregation of duties concerning money transactions.

Finding 2002-2 – Solicitation of Bids (District 1 Co. Commissioner and Purchasing Agent)

Criteria: Title 19 O.S. 2001, §1505.B.6.a.b.c. states, "When bids have been solicited...and no bids have been received, the procedure is as follows: the purchasing agent shall determine if potential vendors are willing to commit to a firm price...or the purchasing agent shall solicit and record at least three quotes...available to the county and authorize the purchase of goods based on the lowest and best quote...or if three quotes are not available a memorandum to the county clerk...shall describe the basis upon which a purchase is authorized.

Condition: Kiowa County solicited bids on a 1981 or newer Crawler Tractor (bid#2002-5) for the District 1 County Commissioner. Three of the four vendors sent back a "no bid" and one vendor did not return the bid to the Board of County Commissioners for consideration. The District 1 County Commissioner purchased the Crawler Tractor for the amount of \$89,500 from the vendor that did not return the bid to the Board of County Commissioners.

Recommendation: We recommend when bids are not received, the purchasing agent solicit phone quotes for the equipment or the County solicit and bidding procedures in accordance with 19 O.S 2001, §1505.B.6.a.b.c.

SECTION 3 – Federal Award Findings and Questioned Costs

No matters were reported.

Management Response

Board of County Commissioners
Kiowa County Courthouse
316 South Main, P.O. Box 653
Hobart, OK 73651
(580) 726-3377

Commissioner Dist 1 – Arlen Vickery

Commissioner Dist 2 – Robert Boelte

Commissioner Dist 3 – Joyce (J.L.) Holder

May 15, 2003

State Auditor and Inspector
1401 Lera, Suite G
Rt. 2
Weatherford, OK 73096

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, 2002.

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

1997-1 – General Fixed Assets:

As of the end of FY 02-03, 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.

1999-1 – Employee Dependent Insurance Compensation

This practice was established prior to this Board's tenure in office and was understood to be an allowable benefit for our employees. The benefit was given in lieu of a raise for some county employees while the raise in pay was taken by others. The benefit was never offered to or taken by County Officers and was never 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 Board is striving to arrive at an agreeable and financially feasible solution to the current situation that will be fair and equitable to all county employees.

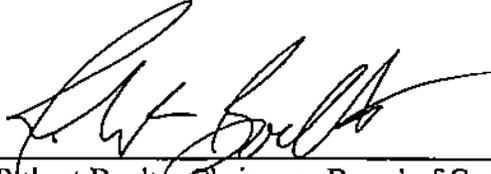
2002-1 – Official Depository – Segregation of Duties (County Clerk, Co. Sheriff, Co. Assessor)

- County Clerk has changed office procedure to have officer open all mail; all employees write receipts; one employee balances money to receipts, prepares official depository slips and takes the deposit to the Treasurer; another employee posts receipts to the ledger and reconciles to the Treasurer and prepares vouchers. In an office of four, we try to apply as many cross-training and rotation of responsibilities as possible in an effort to safeguard against errors and potential corruption.
- Assessor has changed office procedure to have officer open all mail; all employees write receipts; and one employee balances money to receipts, prepares depository slips and deposits with Treasurer.
- Sheriff has two employees writing receipts and one employee prepares official depository slips, posts and reconciles with the Treasurer and generates warrants.

2002- 2 Solicitation of Bids

Kiowa County solicited bids for new Crawler Tractor for District # 1. We received no bids. We remember contacting all vendors and being informed that no equipment meeting the specifications was available except from successful vendor who hadn't submitted his bid in a timely manner. However, no documentation was found with other bid and purchasing documents. Our offices will practice more precaution in the future.

If you have additional questions, please contact our office at 580-726-3377 or the County Clerk's office at 580-726-5286.

A handwritten signature in black ink, appearing to read "Robert Boelte", written over a horizontal line.

Robert Boelte, Chairman, Board of Commissioners