



TILLMAN COUNTY

Financial Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**TILLMAN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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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

November 26, 2019

TO THE CITIZENS OF
TILLMAN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Tillman County, Oklahoma for the fiscal year ended June 30, 2018. 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



**TILLMAN COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Board of County Commissioners

District 1 – Jimmie C. Smith
District 2 – Joe Don Dickey
District 3 – Kent Smith

County Assessor

Matthew Smith

County Clerk

Cacy Caldwell

County Sheriff

Bobby Whittington

County Treasurer

Julie Garza

Court Clerk

Kevin Stevens

District Attorney

Ken Darby

**TILLMAN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
TILLMAN 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 Tillman County, Oklahoma, as of and for the year ended June 30, 2018, 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 Tillman 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 Tillman County as of June 30, 2018, 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 Tillman County, for the year ended June 30, 2018, 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 November 25, 2019, on our consideration of Tillman 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 Tillman County's internal control over financial reporting and compliance.

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

November 25, 2019

REGULATORY BASIS FINANCIAL STATEMENT

TILLMAN COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:						
County General	\$ 271,521	\$ 999,842	\$ 150,000	\$ 150,000	\$ 997,170	\$ 274,193
County Highway	2,105,856	3,223,107	150,000	150,000	3,223,663	2,105,300
County Health Department	80,525	72,836	-	-	61,074	92,287
Free Fair Sales Tax	24,586	16,352	-	-	17,467	23,471
Extension Office Sales Tax	79,982	39,246	-	-	17,281	101,947
Law Enforcement Center Sales Tax	1	290,848	-	-	290,848	1
Sheriff Department of Corrections	91,767	13,938	-	-	101,301	4,404
County Bridge Road Improvement Fund 105	877,284	190,100	-	-	339,701	727,683
Jail Fund	64,756	172,800	-	-	193,709	43,847
Resale Property	151,603	73,879	-	-	67,129	158,353
Treasurer Mortgage Tax Certification Fee	38,733	1,470	-	-	-	40,203
County Clerk Lien Fee	21,594	2,178	-	-	2,514	21,258
County Clerk Records Management and Preservation	57,546	8,690	-	-	2,431	63,805
County Assessor Revolving Fee	13,264	2,823	-	-	1,627	14,460
Sheriff Service Fee	51,958	64,356	-	-	45,547	70,767
Donations	650	-	-	-	-	650
Sheriff Commissary	7,350	5,274	-	-	12,521	103
Sheriff Drug Cash Fund	2,181	-	-	-	-	2,181
Emergency 911	255,231	128,581	-	-	125,059	258,753
Emergency Management SLA Program #4	4,535	-	-	-	3,138	1,397
Community Service Sentencing Program	263	-	-	-	-	263
Trash Cop Program	43	-	-	-	-	43
County Reward Fund	108	-	-	-	-	108
Court Fund Payroll	3,282	68,754	-	-	65,461	6,575
Local Emergency Planning Commission	-	1,000	-	-	-	1,000
Combined Total - All County Funds	\$ 4,204,619	\$ 5,376,074	\$ 300,000	\$ 300,000	\$ 5,567,641	\$ 4,013,052

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

**TILLMAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Fund Accounting

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

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

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

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

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

Free Fair Sales Tax – accounts for the collection of sales tax monies and disbursements for the maintenance and operation of the Free Fair.

Extension Office Sales Tax – accounts for the collection of sales tax monies and disbursements for the maintenance and operation of the OSU Extension.

**TILLMAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Law Enforcement Center Sales Tax – accounts for the collection of sales tax monies and disbursements for the indebtedness of the Law Enforcement Center.

Sheriff Department of Corrections – accounts for state receipts and disbursements for the purpose of maintaining the Department of Corrections inmates.

County Bridge/Road Improvement Fund 105 – accounts for state receipts and disbursements for the purpose of maintaining bridges and roads.

Jail Fund – accounts for the collection of money from emergency 911 dispatching contracts and disbursed for salaries and maintenance and operations of emergency 911 dispatchers.

Resale Property – accounts for the collection of interest and penalties on delinquent taxes and disposition of sale 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 state statute.

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

County Assessor Revolving Fee – accounts for the collection of fees for copies restricted by state statute.

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

Donations – accounts for donations and disbursements for equipment for the reserve deputies.

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

Sheriff Drug Cash Fund – accounts for forfeitures and disbursements are for drug enforcement.

Emergency 911 – accounts for the collection of fees imposed on the residents within the boundaries of Tillman County from the phone company and disbursements are made to maintain an emergency telephone system.

**TILLMAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Emergency Management SLA Program #4 – accounts for federal funds for the purpose of the County’s emergency management program.

Community Service Sentencing Program – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

Trash Cop Program – accounts for the trash cop grant and disbursed for the purpose of trash patrol.

County Reward Fund – accounts for collections of a fee from district court for the dumping of trash. Disbursements account for awards paid to citizens reporting to the local policing departments.

Court Fund Payroll – accounts for monies received from the Court Clerk’s Court Fund for the disbursement of payroll to Court Fund employees.

Local Emergency Planning Commission – accounts for grant collections to be disbursed in accordance with grant awards.

C. Basis of Accounting

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

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

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is

**TILLMAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 not 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.

At June 30, 2018, the County's investments were under-collateralized in the amount of \$1,220,990.

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

**TILLMAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 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.

**TILLMAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

D. Sales Tax

Sales Tax of August 27, 2002

The voters of Tillman County approved a one percent (1%) sales tax effective August 2002 and shall be assessed and collected until repeal by election of other action of law to repeal. The sales tax was established to provide revenue for the support of various entities in the following proportion: OSU Cooperative Extension 12%, Free Fair 5%, County General 63%, and Capital Improvement 20%. These funds are accounted for in Extension Office Sales Tax fund, Free Fair Sales Tax fund, and the County General fund which includes Capital Improvement.

Sales Tax of July 27, 2010

The voters of Tillman County approved a one half of one percent (1/2 of 1%) sales tax effective January 1, 2011 to support the lease payment of the Tillman County Law Enforcement Center. The sales tax shall be assessed and collected for the duration of the bonds and said tax shall cease upon retirement of the bonds issued by the Tillman County Industrial Authority. These funds are accounted for in the Law Enforcement Center Sales Tax fund.

Sales Tax of June 13, 2017

The voters of Tillman County approved a one half of one percent (1/2 of 1%) sales tax effective October 1, 2017 to increase the support of the lease payment of the Tillman County Law Enforcement Center. The sales tax shall be assessed and collected for the duration of the bonds and said tax shall cease upon retirement of the bonds issued by the Tillman County Industrial Authority. These funds are accounted for in the Law Enforcement Center Sales Tax fund.

E. Interfund Transfers

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

- \$150,000 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.
- \$150,000 was transferred from the County General fund to the County Highway fund to repay the operating transfer as required by 68 O.S. § 3021.

OTHER SUPPLEMENTARY INFORMATION

TILLMAN 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, 2018

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 271,521	\$ 271,521	\$ -
Less: Prior Year Outstanding Warrants	(62,893)	(62,893)	-
Beginning Cash Balances, Budgetary Basis	<u>208,628</u>	<u>208,628</u>	<u>-</u>
 Total Receipts, Budgetary Basis	 <u>930,912</u>	 <u>999,842</u>	 <u>68,930</u>
Total Expenditures, Budgetary Basis	<u>1,139,540</u>	<u>1,014,030</u>	<u>125,510</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 194,440	 <u>\$ 194,440</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		78,673	
Add: Current Year Encumbrances		<u>1,080</u>	
Ending Cash Balance		<u>\$ 274,193</u>	

TILLMAN 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, 2018

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 80,525	\$ 80,525	\$ -
Less: Prior Year Outstanding Warrants	(1,358)	(1,358)	-
Less: Prior Year Encumbrances	(350)	(350)	-
Beginning Cash Balances, Budgetary Basis	<u>78,817</u>	<u>78,817</u>	<u>-</u>
 Total Receipts, Budgetary Basis	 <u>66,893</u>	 <u>72,836</u>	 <u>5,943</u>
 Total Expenditures, Budgetary Basis	 <u>145,710</u>	 <u>67,822</u>	 <u>77,888</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 83,831	 <u>\$ 83,831</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		162	
Add: Current Year Encumbrances		1,460	
Add: Current Year Outstanding Warrants		<u>6,834</u>	
Ending Cash Balance		<u>\$ 92,287</u>	

TILLMAN COUNTY, OKLAHOMA
NOTE TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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
TILLMAN 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 Tillman County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprises Tillman County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 25, 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, 2018, 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 Tillman 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 Tillman County's internal control. Accordingly, we do not express an opinion on the effectiveness of Tillman County's internal control.

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. 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.



Our consideration of internal control was for the limited purpose described in the first 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2018-001, 2018-010, 2018-014, and 2018-015.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tillman County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-010, 2018-014 and 2018-015.

Tillman County's Response to Findings

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

November 25, 2019

**TILLMAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 2018-001 – Inadequate County-Wide Internal Controls and Disaster Recovery (Repeat Finding 2003-002, 2011-011, 2012-001, 2013-001, 2013-003, 2014-001, 2017-001)

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

- County-wide internal controls regarding Risk Assessment and Monitoring have not been designed.
- The County Sheriff and County Assessor have not designed a Disaster Recovery Plan over information systems operating within each office.

Cause of Condition: Policies and procedures have not been designed and implemented to address county-wide internal controls and to ensure all county offices have a disaster recovery plan.

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 internal controls it is more difficult to retain organizational knowledge, communicate that knowledge to personnel, indicate what internal controls are present and monitor those controls. Additionally, these conditions could also result in the loss of data, the unreliability of data, and increase the risk that the County may not recover from an emergency situation and/or disaster.

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. OSAI also recommends that each office prepare a Disaster Recovery Plan in order to maintain operations in the event of a disaster.

Management Response:

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

County Sheriff: Since the Board of County Commissioners formed the Jail Trust, the responsibility for the facility has been removed from me. In addition, there has never been any delineation of responsibility by the County over who is responsible for what at this facility. The County Sheriff's office will work towards the design of a Disaster Recovery Plan.

County Assessor: We will work towards the design of a Disaster Recovery Plan.

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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 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.

An important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a County being unable to function in the event of a disaster.

According to the standards of the Information Systems Audit and Control Association (CobiT Delivery and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains the following:

Guidelines on how to use the recovery plan;

- Guidelines on how to use the recovery plan;
- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step by step execution;
- Training and/or awareness of individual and group roles in continuing plan;
- Listing of contracted service providers;
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals, and program/system/user documentation;

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- Current names, addresses, telephone numbers of key personnel;
- Business resumption alternatives for all users for establishing alternative work locations once IT services are available.

Finding 2018-010 – Inadequate Internal Controls and Over the Disbursements and Appropriation of County Sales Tax (Repeat Finding 2013-013, 2014-013, 2017-010)

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

- The ballot approved by the voters of Tillman County on August 27, 2002, requires 20% of the 1% sales tax to be distributed to the Capital Improvement Fund. However, 83% was distributed to the County General Fund, of which 63% was approved to be distributed to the County General fund and 20% distributed to the Capital Improvement fund. For the fiscal year 2017, \$78,225 was not specifically distributed to the Capital Improvement fund.
- Additionally, the sales tax disbursements were not discretely presented within the County General fund. The County apportioned \$271,451 in sales tax collections to the County General fund during the fiscal year ended June 30, 2018. Since the sales tax collections were commingled with other sources of revenue, we could neither determine how much sales tax was expended nor perform a test of sales tax disbursements for the County General fund.

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 appropriates sales tax funds in accordance with the ballot approved by the majority of voters of Tillman County. OSAI also recommends that the County sales tax apportioned to the County General Fund be accounted for in separate accounts so as to discretely present the expenditures. In addition, the sales tax should be expended in such a manner to provide assurance that expenditures are made in accordance to the purposes specified by the ballot as outlined by AG Opinions and 68 O.S. § 1370E.

Management Response:

Chairman, Board of County Commissioners: As of July 2018, we have established the Sales Tax Revolving fund for County General and Capital Improvement.

Criteria: GAO Standards states in part,

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OV2.23 Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

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

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 July 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 October 31, 2014 states:

“4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; [68 O.S. 2011, § 1370](#); [19 O.S. Supp. 2013, § 339](#); [19 O.S. 2011, § 345](#); [Cavin v. Bd. of County Comm'rs, 1934 OK 245](#) ¶ 11, [33 P.2d 477](#), 479.”

Finding 2018-014 – Inadequate Internal Controls and Noncompliance Over the Investment of County Funds (Repeat Finding 2017-014)

Condition: It was noted that the County did not have a written investment policy and resolution signed by the Board of County Commissioners in accordance with 62 O.S. § 348.1 and § 348.3.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County is in compliance with state statute regarding a written investment policy. Additionally, policies and procedures have not been designed and implemented to ensure investments are allowed per the County's written investment policy.

Effect of Condition: This condition resulted in inadequate internal controls over the County's investment policy and noncompliance with state statute.

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Recommendation: OSAI recommends the County Treasurer implement a system of internal controls to provide reasonable assurance that the County complies with state statutes regarding the investment of County funds and to adopt a formal investment policy.

Management Response:

Chairman of the BOCC: The governing board will, through Resolution, authorize the County Treasurer to invest county funds.

County Treasurer: As of June 2019, the BOCC, through Resolution, has authorized the investment of funds in accordance with state law.

Criteria: GAO Standards states in part,

OV2.23 Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Further, Title 62 O.S. § 348.1 states, “A. Except as otherwise provided for by law, a county treasurer, when authorized by the board of county commissioners by a written investment policy, ordinance or resolution or the treasurer of any city or town, when authorized by the appropriate governing body by a written investment policy, ordinance or resolution, shall invest monies in the custody of the treasurer in:

1. Direct obligations of the United States Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;
2. Collateralized or insured certificates of deposits of savings and loan associations, banks, savings banks and credit unions located in this state, when the certificates of deposit are secured by acceptable collateral as provided by law, or fully insured certificates of deposit at banks, savings banks, savings and loan associations and credit unions located out of state;
3. Savings accounts or savings certificates of savings and loan associations, banks, and credit unions, to the extent that the accounts or certificates are fully insured by the Federal Deposit Insurance Corporation;
4. Investments as authorized by Section 348.3 of this title which are fully collateralized in investments specified in paragraphs 1 through 3 of this section, and where the collateral has been deposited with a trustee or custodian bank in an irrevocable trust or escrow account established for such purposes; or

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5. County, municipal or school district direct debt obligation for which an ad valorem tax may be levied or bond and revenue anticipation notes, money judgments against such county, municipality or school district ordered by a court of record or bonds or bond and revenue anticipation notes issued by a public trust for which such county, municipality or school district is a beneficiary thereof. All collateral pledged to secure public funds shall be valued at no more than market value. The income received from that investment may be placed in the general fund of the governmental subdivision to be used for general governmental operations, the sinking fund, the building fund, or the fund from which the investment was made....”

Title 62 O.S. § 348.3(A) states, “In addition to the investments authorized by Section 348.1 of this title, the governing body of a city or of a county may adopt a written investment policy directing the investment of the funds of the city or county and any of its public trusts or authorities. If such a policy is adopted by the governing body, such funds shall be invested pursuant to the provisions of the policy. The written policy shall address liquidity, diversification, safety of principal, yield, maturity and quality and capability of investment management, with primary emphasis on safety and liquidity. To the extent practicable, taking into account the need to use sound investment judgment, the written investment policies shall include provision for utilization of a system of competitive bidding in the investment of municipal funds. The system shall be designed to maximize yield within each class of investment instrument, consistent with the safety of the funds invested.”

Finding 2018-015 – Inadequate Internal Controls Over Pledged Collateral and Noncompliance with State Statute

Condition: Upon inquiry of the County Treasurer, observation, and review of documents regarding the pledged collateral process, the following was noted:

- At June 30, 2018, the county’s deposits were not secured by pledged collateral at a local bank in the amount of \$1,220,990.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that bank deposits are adequately secured.

Effect of Condition: This condition resulted in noncompliance with state statute and unsecured county funds. Further, this condition could result in possible loss of county funds.

Recommendation: OSAI recommends that the County Treasurer design procedures to compare bank balances to the fair market value of pledged collateral on a daily basis to ensure that county funds are adequately secured and that the county is in compliance with 62 O.S. § 517.4. Documentation for this daily procedure should be maintained.

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Management Response:

County Treasurer: In 2016 when the Tillman County Treasurer's office moved investment funds, the County was granted a \$1.8 million letter of credit to serve as pledged collateral. The County was told at that time that the letter of credit, in spite of its listed expiration date, would automatically renew. It did just that and the County enjoyed the peace of mind that the auto renewal feature provided. Unfortunately, on February 17, 2018, the auto renewal function did not occur resulting in a lapse of pledged collateral from that date until August 9, 2018. While the County recognizes that it is the ultimate responsibility of the County Treasurer to ensure collateralization, the bank has issued a formal letter of apology accepting blame for the interruption in collateral coverage. Said letter has been submitted to the office of the State Auditor and Inspector for review and documentation.

To ensure this break in coverage does not occur in the future, the County Treasurer has taken steps to have a more open communication with the bank and has implemented internal controls to trigger any upcoming renewal dates.

Criteria: GAO Standards states in part,

OV2.23 Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Title 62 O.S. § 517.4.A. states, "A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured."

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.

No Findings were noted.



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