



TILLMAN COUNTY

Financial Report

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**TILLMAN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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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

May 26, 2020

TO THE CITIZENS OF
TILLMAN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Tillman County, Oklahoma for the fiscal year ended June 30, 2019. 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,

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**TILLMAN COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Board of County Commissioners

District 1 – Greg Petty
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

David Thomas

**TILLMAN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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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, 2019, 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, 2019, 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, 2019, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2020, 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

May 18, 2020

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, 2019

	Beginning Cash Balances July 1, 2018	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2019
Combining Information:						
County General Fund	\$ 274,193	\$ 732,921	\$ 203,406	\$ 284,819	\$ 793,861	\$ 131,840
County Highway	2,105,300	3,198,062	325,000	475,000	3,367,917	1,785,445
County Health Department	92,287	75,396	-	-	88,160	79,523
Free Fair Sales Tax	23,471	15,841	-	-	18,983	20,329
Extension Office Sales Tax	101,947	38,277	-	-	19,611	120,613
Law Enforcement Center Sales Tax	1	316,813	-	-	316,813	1
Sheriff Department of Corrections	4,404	-	-	4,404	-	-
County Bridge Road Improvement Fund 105	727,683	301,867	-	-	289,939	739,611
Jail Fund	43,847	444,029	129,404	125,000	435,627	56,653
Resale Property	158,353	79,619	-	-	80,172	157,800
Treasurer Mortgage Tax Certification Fee	40,203	1,430	-	-	-	41,633
County Clerk Lien Fee	21,258	1,629	-	-	1,298	21,589
County Clerk Records Management & Preservation	63,805	8,925	-	-	3,803	68,927
County Assessor Revolving Fee	14,460	2,696	-	-	1,099	16,057
Sheriff Service Fee	70,767	59,911	-	-	55,615	75,063
Donations	650	-	-	-	-	650
Sheriff Commissary	103	-	-	-	-	103
Sheriff Drug Cash Fund	2,181	-	-	-	-	2,181
Emergency 911	258,753	123,713	-	-	127,997	254,469
Emergency Management SLA Program #4	1,397	-	-	-	70	1,327
Community Service Sentencing Program	263	-	-	-	-	263
Trash Cop Program	43	-	-	-	-	43
County Reward Fund	108	-	-	-	-	108
Court Fund Payroll	6,575	47,966	-	-	50,292	4,249
Local Emergency Planning Commission	1,000	1,000	-	-	-	2,000
Use Tax Revolving Fund	-	46,698	-	-	46,697	1
Sales Tax Revolving Fund	-	355,280	84,819	3,406	210,597	226,096
Combined Total - All County Funds	\$ 4,013,052	\$ 5,852,073	\$ 742,629	\$ 892,629	\$ 5,908,551	\$ 3,806,574

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, 2019**

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 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 Fund – 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, 2019**

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 & 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, 2019**

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 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.

Use Tax Revolving Fund – accounts for use tax collections to be disbursed in accordance with Board of County Commissioner’s resolution.

Sales Tax Revolving Fund – accounts for sales tax collections to be dispersed in accordance with sales tax ballot.

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.

**TILLMAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

For the purposes of financial reporting, "Ending Cash Balances, June 30, 2019 includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

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

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

2. Ad Valorem Tax

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

**TILLMAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group 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.

**TILLMAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

D. Sales Tax

Sales Tax of August 27, 2002

The voters of Tillman County approved a one percent (1%) sales tax effective April 1, 2003 and shall be assessed and collected until repeal by election or other action of law to repeal. This sales tax replaced the April 1, 1997 sales tax that expired in March 31, 2003. 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:

- \$4,404, a residual balance, was transferred from the Sheriff Department of Corrections fund to the Jail Fund by Board of County Commissioner Resolution to close the fund.
- \$200,000 was transferred from the County Highway fund to the County General Fund for the purpose of funding operating expenses as allowed by 68 O.S. § 3021.
- \$200,000 was transferred from the County General Fund to the County Highway fund to repay the operating transfer as required by 68 O.S § 3021.
- \$125,000 was transferred from the County Highway fund to the Jail Fund for the purpose of funding operating expenses as allowed by 68 O.S § 3021.

**TILLMAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

- \$125,000 was transferred from the Jail Fund to the County Highway fund to repay the operating transfer as required by 68 O.S § 3021.
- \$150,000 was transferred from the County Highway fund to the ETR Road & Bridge fund (a trust and agency fund) for loan repayment for repairs to roads and bridges in the County.
- \$84,819 was transferred from the County General Fund to the Sales Tax Revolving Fund by Board of County Commissioner's Resolution to set up the new sales tax fund.
- \$3,406 was transferred from the Sales Tax Revolving Fund to the County General Fund to correct a residual equity transfer amount that was transferred in error.

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, 2019

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 274,193	\$ 274,193	\$ -
Less: Prior Year Outstanding Warrants	(78,673)	(78,673)	-
Less: Prior Year Encumbrances	(1,080)	(1,080)	-
Beginning Cash Balances, Budgetary Basis	<u>194,440</u>	<u>194,440</u>	<u>-</u>
 Total Receipts, Budgetary Basis	 <u>673,586</u>	 <u>732,921</u>	 <u>59,335</u>
Total Expenditures, Budgetary Basis	<u>868,026</u>	<u>767,180</u>	<u>100,846</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 160,181	 <u>\$ 160,181</u>
 Net Operating Transfers		(81,413)	
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		68	
Add: Current Year Outstanding Warrants		<u>53,004</u>	
Ending Cash Balance		<u>\$ 131,840</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, 2019

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 92,287	\$ 92,287	\$ -
Less: Prior Year Outstanding Warrants	(6,834)	(6,834)	-
Less: Prior Year Encumbrances	(1,460)	(1,460)	-
Beginning Cash Balances, Budgetary Basis	<u>83,993</u>	<u>83,993</u>	<u>-</u>
 Total Receipts, Budgetary Basis	 <u>69,372</u>	 <u>75,396</u>	 <u>6,024</u>
 Total Expenditures, Budgetary Basis	 <u>153,365</u>	 <u>87,887</u>	 <u>65,478</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 71,502	 <u>\$ 71,502</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		1,370	
Add: Current Year Outstanding Warrants		<u>6,651</u>	
Ending Cash Balance		<u>\$ 79,523</u>	

**TILLMAN COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019, 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 May 18, 2020.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2019, 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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness: 2019-001.

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

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

May 18, 2020

**TILLMAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 2019-001 – Lack of County-Wide Controls and Disaster Recovery Plan (Repeat Finding 2003-002, 2011-001, 2012-001, 2013-001, 2013-003, 2014-001, 2014-003, 2017-001, 2018-001)

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: As of July 2019, the Board of County Commissioners has implemented procedures towards the design of county-wide internal controls.

County Sheriff: The County Sheriff's office will work towards the design of a Disaster Recovery Plan.

County Assessor: The County Assessor's office will work towards the design of a Disaster Recovery Plan.

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

**TILLMAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
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best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

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

Definition of Internal Control

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

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

Components, Principles, and Attributes

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

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

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

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

Further, 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;

**TILLMAN COUNTY, OKLAHOMA
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- 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.

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 matters were noted.



Cindy Byrd, CPA | State Auditor & Inspector

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