



WASHITA COUNTY

County Audit

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

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

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Cindy Byrd, CPA | State Auditor & Inspector

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

September 4, 2019

TO THE CITIZENS OF
WASHITA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Washita 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".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

Board of County Commissioners

District 1 – Bart Gossen
District 2 – Leo Goeringer
District 3 – Raydell Schneberger

County Assessor

Krystle Uecke

County Clerk

Kristen Dowell

County Sheriff

Roger Reeve

County Treasurer

Sherry Nightengale

Court Clerk

Lynda Vermillion

District Attorney

Angela Marsee

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

TABLE OF CONTENTS

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information).....	4
Notes to the Financial Statement.....	5

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	13
Note to Other Supplementary Information.....	14

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	15
Schedule of Findings and Responses	17

FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
WASHITA 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 Washita 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 Washita 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 Washita 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 Washita 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 August 26, 2019, on our consideration of Washita 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 Washita 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

August 26, 2019

REGULATORY BASIS FINANCIAL STATEMENT

WASHITA 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 Fund	\$ 590,157	\$ 2,233,964	\$ 12,227	\$ -	\$ 1,867,378	\$ 968,970
County Highway Fund	6,054,333	5,435,225	-	-	5,863,893	5,625,665
County Sales Tax	1,262,386	1,614,422	-	-	1,276,735	1,600,073
Jail Sales Tax	-	1,039,899	-	-	1,039,899	-
County Bridge and Road Improvement 105	1,160,015	280,320	-	-	107,164	1,333,171
Washita Sinking	1,200	-	-	-	-	1,200
County Building Insurance Fund	451	-	-	-	-	451
Washita Industrial Sinking	5,826	-	-	-	-	5,826
Sheriff Service Fee	230,240	109,398	-	-	96,866	242,772
Sheriff Board of Prisoners	129,438	263,918	-	-	29,553	363,803
Treasurer Mortgage Tax Certification Fee	10,962	2,315	-	-	1,875	11,402
Assessor Visual Inspection Reimbursement	244	-	-	244	-	-
County Clerk Lien Fee	91,811	17,881	-	-	26,652	83,040
County Clerk Preservation Fee	8,545	21,615	-	-	4,323	25,837
Assessor Fee Revolving	20,922	3,067	-	-	5,370	18,619
Health Department (MD)	11,239	-	-	11,239	-	-
Resale Property	219,239	54,257	-	-	70,741	202,755
County Bridge and Road Improvement 103	13,785	7	-	-	-	13,792
Assessor Hardware Upgrade	46	-	-	46	-	-
Courthouse Security	129,852	10,946	-	-	-	140,798
CENA Grant Fund	-	2,429	-	-	2,429	-
E911	32,778	69,792	-	-	51,379	51,191
Sheriff Commissary	89,663	69,279	-	-	55,213	103,729
Court Fund Payroll	4,064	82,151	-	-	82,111	4,104
Washita/Custer Drug Court	160,430	123,410	-	-	114,995	168,845
Safe Room Grant	-	101,650	-	-	91,823	9,827
EMPG Grant	-	8,061	-	-	1,310	6,751
DEQ Grant	-	2,501	-	-	2,501	-
Sheriff Drug Buy	-	82,469	-	-	-	82,469
Combined Total - All County Funds as Restated	\$ 10,227,626	\$ 11,628,976	\$ 12,227	\$ 11,529	\$ 10,792,210	\$ 11,065,090

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Washita County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects, and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, libraries, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

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

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

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

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

County Sales Tax – accounts for the collection of sales tax revenue and distributed to the Washita County Cooperative Extension Service and 4-H, Washita County Senior Citizen Centers, Washita County Capital Maintenance, County Fair Facilities, and Courthouse, and the Washita County Free Fair and Junior Livestock Show.

Jail Sales Tax – accounts for sales tax collections disbursed for the indebtedness in the construction and equipping of the jail facility.

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

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

Washita Sinking – accounts for the remaining balance of ad valorem taxes collected to pay off the debt of a chicken plant. Since Fiscal Year End 2009, there has been no activity in this fund.

County Building Insurance Fund – accounts for the remaining balance from an insurance claim. Since Fiscal Year End 2013, there has been no activity in this fund.

Washita Industrial Sinking – accounts for the remaining balance of ad valorem taxes collected to pay off the debt of the Robertson Factory. Since fiscal year end 2013, there has been no activity in this fund.

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

Sheriff Board of Prisoners – accounts for the collection of funding from the State Department of Corrections, local police departments and fees collected through the courts for administrative expenses and supervision of offenders.

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

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

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

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

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

Health Department (MD) – accounts for balance of monies collected on behalf of the County Health Department prior to 2000. The fund is inactive and last activity was prior to fiscal year 2000.

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

County Bridge and Road Improvement 103 – accounts for state receipts and disbursements for the purpose of maintaining roads and bridges.

Assessor Hardware Upgrade – accounts for the collection of funds received from the State of Oklahoma and disbursed for the upgrade of Assessor computer equipment. Since fiscal year end 2009, there has been no activity in this fund.

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

Courthouse Security – accounts for fees collected through the courts and disbursed for courthouse security.

CENA Grant Fund – accounts for the collection of grant money and disbursed for operations of the Cloud Chief Community Center and Cowden Community Center.

E911 – accounts for monies received from private telephone companies for the operations of emergency 911 services.

Sheriff Commissary – accounts for monies received from the commissary sales and disbursement of funds for commissary expenses and jail operating expenses.

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

Washita/Custer Drug Court – accounts for monies received from the Oklahoma Department of Mental Health and Substance Abuse Services and is disbursed for salaries of the Drug Court administration.

Safe Room Grant – accounts for federal grant money received to be disbursed according to the grant agreement.

EMPG Grant – accounts for federal grant money received to be disbursed according to the grant agreement.

DEQ Grant – accounts for federal grant money received to be disbursed according to the grant agreement.

Sheriff Drug Buy – accounts for profits made from seized monies and the sale of seized properties for the use of drug investigations and drug education.

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

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

governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

D. Budget

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

E. Cash and Investments

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

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

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

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

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

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

established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

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

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

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

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

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

D. Sales Tax

Sales Tax of June 9, 2009

On June 9, 2009, the voters of Washita County approved a sales tax of three-quarters (3/4) of one cent (1%). This sales tax was established to provide revenue for the retirement of indebtedness incurred for the construction and equipping of a new Washita County Detention Facility and the operation and maintenance of the Washita County Detention Facility and existing jail renovations.

A portion of such sales tax, three-eighths (3/8) of one cent (1%) sales tax shall have a limited duration of twenty (20) years from the date of commencement or until the principal and interest upon indebtedness incurred is paid in full, whichever occurs earlier. The remaining half of sales tax, three-eighths (3/8) of one cent (1%) will terminate after twenty (20) years unless continued by a majority of the voters of Washita County. These funds are accounted for in the Jail Sales Tax Fund.

Sales Tax of February 11, 2014

On February 11, 2014, the voters of Washita County approved five-eighths (5/8) of one percent (1%) sales tax. This sales tax was established to provide revenues as follows:

- 49% for the Washita County Cooperative Extension Service and 4-H, not to exceed \$147,000.00.
- 10% for the Washita County Free Fair and Junior Livestock Show, not to exceed \$30,000.00.
- 21% for the Washita County Senior Citizens Centers, not to exceed \$63,000.00.
- 20% for the Washita County Capital Maintenance for the County Jail, and County Fair Facilities and Courthouse, not to exceed \$60,000.00.

The allocation to the groups is not to exceed the amount stated above and any overage shall go to the County General Fund. This sales tax shall have a duration of sixty (60) months. This sales tax is accounted for within the County Sales Tax fund and the County General Fund.

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

Sales Tax of June 24, 2014

On June 24, 2014, the voters of Washita County approved a five-eighths (5/8) of one percent (1%) sales tax. This sales tax was established to provide revenue as follows:

- 78.57% for the Washita County Fire Departments, not to exceed \$396,000.00.
- 21.43% for the Washita County Ambulance Service, not to exceed \$108,000.00.

The allocation to the groups is not to exceed the amount stated above and any overage shall go to the County General Fund. This sales tax shall have a duration of sixty (60) months. This sales tax is accounted for within the County Sales Tax fund and the County General Fund.

E. Tax Abatements

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

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$357,330 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2018.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

F. Interfund Transfers

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

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

- \$11,239 of residual balance was transferred from the Health Department (MD) fund to the County General Fund by Board of County Commissioner (BOCC) resolution to close the fund.
- \$46 of residual balance was transferred from Assessor Hardware Upgrade fund to the County General Fund by BOCC resolution to close the fund.
- \$244 of residual balance was transferred from the Assessor Visual Inspection Reimbursement fund to the County General Fund by BOCC resolution to close the fund.
- \$698 was transferred from the Sheriff Estray Cattle Fund (a trust and agency fund) to the County General Fund in accordance with Title 4 O.S. § 85.6d.

G. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Detention Center Sales Tax was reclassified as a trust and agency fund and re-designated as Washita County Public Facilities Authority. For the payment of interest and principal of indebtedness incurred on behalf of the Washita County Public Facilities Authority; for the purpose of acquisition, construction, and equipping a Washita County Detention Center.

Prior year ending balance, as reported	\$10,324,804
Funds reclassified to Trust and Agency Funds:	
Detention Center Sales Tax re-designated as Washita	
County Public Facilities Authority (a trust and agency fund)	<u>(97,178)</u>
Prior year ending balance, as restated	<u>\$10,227,626</u>

OTHER SUPPLEMENTARY INFORMATION

WASHITA 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	\$ 590,157	\$ 590,157	\$ -
Less: Prior Year Outstanding Warrants	(137,914)	(137,914)	-
Less: Prior Year Encumbrances	(18,446)	(10,188)	8,258
Beginning Cash Balances, Budgetary Basis	<u>433,797</u>	<u>442,055</u>	<u>8,258</u>
Net Residual Transfers	-	11,529	11,529
Total Receipts, Budgetary Basis	<u>1,692,600</u>	<u>2,233,964</u>	<u>541,364</u>
Total Expenditures, Budgetary Basis	<u>2,126,397</u>	<u>1,837,252</u>	<u>289,145</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	850,296	<u>\$ 850,296</u>
Net Operating Transfer		<u>698</u>	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		83,755	
Add: Current Year Encumbrances		<u>34,221</u>	
Ending Cash Balance		<u>\$ 968,970</u>	

WASHITA 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 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
WASHITA 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 Washita County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprises Washita County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 26, 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 Washita 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 Washita County's internal control. Accordingly, we do not express an opinion on the effectiveness of Washita County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness: 2018-001.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2018-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washita 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*.

Washita County's Response to Findings

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

August 26, 2019

WASHITA 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 Controls (Repeat Finding – 2016-003, 2017-003)

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

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

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

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

Management Response:

Chairman, Board of County Commissioners: We are aware of the condition and will work toward assessing and identifying risks to design written county-wide controls to address the seventeen (17) principles as outlined in the Standards for Internal Control in the Federal Government, (green book). The Board of County Commissioners will also work to set up quarterly meetings with all elected officials to discuss and take action regarding risk management and monitoring.

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

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

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

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

Finding 2018-002 – Inadequate Internal Controls and Noncompliance Over the Disbursements of County Sales Tax (Repeat Finding – 2016-002, 2017-002)

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

- Sales tax appropriations and expenditures were not discreetly presented within the County General Fund. The County apportioned \$189,567 in sales tax collections to the County General Fund during 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 expenditures 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 the AG Opinions and the County sales tax statute.

Recommendation: OSAI recommends that the County sales tax apportioned to the County General Fund be accounted for in a separate account 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 with the purposes specified by the ballot as outlined by the AG Opinions and 68 O.S. § 1370E.

Management Response:

Chairman, Board of County Commissioners: We will work toward presenting the sales tax in the County General Fund in a separate account to identify sales tax expenditures.

Criteria: GAO Standards states in part,

10.03 Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

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

Title 68 O.S. § 1370E, requires the sales tax collections 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 3 dated 7/13/2005 states:

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

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

4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled 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, Oka. Const. art. X, § 19: 68 O.S. 2011, § 1370; 19 .S. Supp. 2013, § 339; 19 O.S. 2011, § 345; Cavin v. Bd. Of Cunty Comm'rs, 1934 OK 245, 11, 33 P. 2d 477, 479.



Cindy Byrd, CPA | State Auditor & Inspector

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