



# WOODWARD COUNTY

## Financial Audit

For the fiscal year ended June 30, 2019

**Cindy Byrd, CPA**  
State Auditor & Inspector

**WOODWARD 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

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July 1, 2020

TO THE CITIZENS OF  
WOODWARD COUNTY, OKLAHOMA

Transmitted herewith is the audit of Woodward 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,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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**Board of County Commissioners**

District 1 – Troy White  
District 2 – Randy Johnson  
District 3 – Vernie Matt

**County Assessor**

Mistie Dunn

**County Clerk**

Wendy Dunlap

**County Sheriff**

Kevin Mitchell

**County Treasurer**

Kim Bowers

**Court Clerk**

Tammy Roberts

**District Attorney**

Christopher Boring

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

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**FINANCIAL SECTION**

## Independent Auditor's Report

TO THE OFFICERS OF  
WOODWARD 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 Woodward 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 Woodward 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 Woodward 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 Woodward 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 June 29, 2020, on our consideration of Woodward 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 Woodward County's internal control over financial reporting and compliance.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

June 29, 2020

**REGULATORY BASIS FINANCIAL STATEMENT**

**WOODWARD 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	\$ 3,367,765	\$ 3,778,206	\$ -	\$ -	\$ 3,930,385	\$ 3,215,586
County Highway Cash	1,566,821	4,236,785	-	-	3,360,570	2,443,036
County Bridge and Road Improvement Fund 105	744,977	330,341	-	-	416,542	658,776
County Health Department	530,324	348,423	-	-	370,993	507,754
County Clerk Records Preservation Fee	50,039	28,000	-	-	18,384	59,655
Treasurer Mortgage Tax Certification Fee	17,833	3,705	-	-	-	21,538
County Assessor Visual Inspection	6,641	-	-	-	4,477	2,164
County Clerk Lien Fee	67,283	12,027	-	-	26,790	52,520
County Assessor Revolving	28,170	4,782	-	-	3,503	29,449
Sales Tax	5,551,402	3,809,311	-	-	5,778,370	3,582,343
Resale Property	412,696	125,547	-	-	59,153	479,090
Sheriff Jail Commissary	40,652	54,750	-	-	30,889	64,513
Fort Supply Lake Patrol	5,752	15,731	-	-	12,011	9,472
Sheriff Prisoner Revolving	64,503	127,956	-	-	117,758	74,701
Sheriff Service Fee	244,523	147,650	2,089	-	176,067	218,195
Sheriff Special	2,436	-	-	834	1,602	-
Sheriff Training	39	-	-	39	-	-
Northwest Oklahoma Juvenile Detention Center	17,461	40	-	-	1,297	16,204
Northwest Oklahoma Cattle/Rural	1,020	-	-	1,020	-	-
UTPHONE E-911	152,795	197,359	-	-	170,735	179,419
Sara Title III	3,591	-	-	-	3,591	-
Wireless 911 Cell Phones	383,473	170,983	-	-	134,951	419,505
County Rewards Program	298	141	-	-	-	439
Flood Plain Board	3,143	2,675	-	-	56	5,762
Court Funded Payroll	4,023	101,836	-	-	101,158	4,701
Sheriff Grant	196	-	-	196	-	-
Adult Drug Court	80,936	30,519	-	-	28,995	82,460
<b>Combined Total - All County Funds, as Restated</b>	<b>\$ 13,348,792</b>	<b>\$ 13,526,767</b>	<b>\$ 2,089</b>	<b>\$ 2,089</b>	<b>\$ 14,748,277</b>	<b>\$ 12,127,282</b>

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

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

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

County Bridge and Road Improvement Fund 105 – 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.

County Clerk Records Preservation Fee – accounts for fees collected for instruments filed with the County Clerk as restricted by state statute to be used for preservation of records.

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

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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.

County Assessor Visual Inspection – accounts for the receipt and disbursement of funds by the Assessor as restricted by the state statute for the visual inspection program.

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

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

Sales Tax – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

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

Sheriff Jail Commissary – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods and operating and maintaining the jail. Excess funds are used for maintenance and operations of the Sheriff's department.

Fort Supply Lake Patrol – accounts for collections from the State of Oklahoma. Disbursements are for the salary of a Sheriff's deputy to patrol Fort Supply Lake area.

Sheriff Prisoner Revolving – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of maintaining the jail.

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

Sheriff Special – accounts for donations given to the Sheriff's office and disbursements are for the purchase of ammunition.

Sheriff Training – accounts for the collection of forfeitures of seized property and disbursements are for the purchase of equipment, materials, or supplies that may be used in crime prevention, education, training, or programming.

Northwest Oklahoma Juvenile Detention Center – accounts for state grants and county reimbursements and disbursements are to support the programs and services provided at the juvenile detention facility.

Northwest Oklahoma Cattle/Rural – accounts for restitution and donations and disbursements are for the expenses associated with combating cattle theft.

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

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UTPHONE E-911 – accounts for five percent (5%) of a 911 fee received from phone companies. Funds are disbursed to defray the cost of E-911 services.

Sara Title III – accounts for a \$20.00 fee for the Local Emergency Planning Committee for filing hazardous material reports, and for donations. Disbursements are to defray the cost of special search and recovery operations.

Wireless 911 Cell Phones – accounts for the revenue from fees charged on cell phones. Funds are disbursed to defray the cost of E-911 services.

County Rewards Program – accounts for collections remitted by the Court Clerk on cases where flaming or glowing substances are thrown from vehicles. Disbursements are for rewards for information leading to the arrest and conviction of such persons as outlined by state statute.

Flood Plain Board – accounts for the collection of fees for flood plain permits issued by the Woodward County Flood Plain Board. Disbursements are for the operations of the program.

Court Funded Payroll – accounts for funds deposited to be disbursed for payroll for the Court Clerk's office.

Sheriff Grant – accounts for Justice Assistance Grants awarded yearly to Local Law Enforcement for the purchase of protection equipment including new vehicles and ballistic vests.

Adult Drug Court – accounts for the payment of court costs, treatment costs, supervision fees, and program user fees by the offender. Disbursements are for testing, incentives, and the supervision salary.

**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

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

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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 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

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

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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.

**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



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

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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 1, 1994**

The voters of Woodward County approved an unlimited one-fifth (1/5%) percent of one cent sales tax that became effective June 1, 1994. The sales tax is distributed among the following entities within the Sales Tax fund: firefighting services (37.5%); county fair board (16.5%); OSU Extension Office (16.5%); fire safety and prevention (12%); and drug abuse assistance education (17.5%). The sales tax is accounted for in the Sales Tax fund.

**Sales Tax of August 11, 2009**

The voters of Woodward County approved a sales tax of five-eighths (5/8%) percent of one cent on August 11, 2009 for the purpose of acquisition, construction and equipping a new Woodward County Detention Facility, and operating and maintaining the Woodward County Detention Facility. A portion of the sales tax, .425 of one (1) cent, shall have a limited duration of ten (10) years from the date of commencement, or until principal and interest upon indebtedness incurred on behalf of Woodward County at the Woodward County Public Facilities Authority in furtherance of the new county detention facility is paid in full, whichever occurs earlier. The remaining portion of such sales tax, one-fifth (1/5) of one (1) cent, to continue until repealed by a majority of the electors of Woodward County in an election called for the purpose of posing said proposition; making provisions separable; and declaring an emergency. The sales tax is accounted for in the Sales Tax fund.

**Sales Tax of February 12, 2013**

On February 12, 2013, county voters authorized a one-half (.50%) of one percent sales tax on gross receipts or proceeds on certain sales for the purpose of design, construction, financing, furnishings, capital facilities and improvements, equipment, fixtures, site preparation, street improvements, and continuing maintenance and operation expenses for a new Woodward County Fairgrounds and Expo Facility to be located in Woodward County. The sales tax is to terminate thirteen (13) years from the effective date of the tax or at the date of retirement of any debt. One-tenth (1/10) of one percent shall be perpetual to be used for operation and maintenance of the new fairgrounds and expo facility and shall remain outstanding until lawfully repealed. The sales tax is accounted for in the Sales Tax fund.

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

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**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 \$286,867 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2019.

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:

- \$834 was transferred from the Sheriff Special fund to the Sheriff Service Fee fund by Board of County Commissioners (BOCC) resolution to close the fund.
- \$39 was transferred from the Sheriff Training fund to the Sheriff Service Fee fund by BOCC resolution to close the fund.
- \$196 was transferred from the Sheriff Grant fund to the Sheriff Service Fee fund by BOCC resolution to close the fund.
- \$1,020 was transferred from Northwest Oklahoma Cattle/Rural to the Sheriff Service Fee fund by BOCC resolution to close the fund.

**G. Restatement of Beginning Fund Balance**

During the fiscal year, the County had a reclassification of funds. Adult Drug Court fund was reclassified to a county fund.

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

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Prior year ending balance, as reported	\$13,267,856
Funds reclassified to County Funds:	
Adult Drug Court reclassified from a Trust and Agency fund to a County fund	<u>80,936</u>
Prior year ending balance, as restated	<u>\$13,348,792</u>

**SUPPLEMENTARY INFORMATION**

**WOODWARD 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**

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	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 3,367,765	\$ 3,367,765	\$ -
Less: Prior Year Outstanding Warrants	(133,048)	(133,048)	-
Less: Prior Year Encumbrances	(85,764)	(82,063)	3,701
Beginning Cash Balances, Budgetary Basis	3,148,953	3,152,654	3,701
Total Receipts, Budgetary Basis	3,031,294	3,778,206	746,912
Total Expenditures, Budgetary Basis	6,180,247	3,974,545	2,205,702
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	2,956,315	\$ 2,956,315
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		844	
Add: Current Year Outstanding Warrants		205,228	
Add: Current Year Encumbrances		53,199	
Ending Cash Balance		\$ 3,215,586	

**WOODWARD COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 530,324	\$ 530,324	\$ -
Less: Prior Year Outstanding Warrants	(48,418)	(48,418)	-
Less: Prior Year Encumbrances	(48,356)	(47,856)	500
Beginning Cash Balances, Budgetary Basis	433,550	434,050	500
Total Receipts, Budgetary Basis	323,640	348,423	24,783
Total Expenditures, Budgetary Basis	757,190	345,416	411,774
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	437,057	\$ 437,057
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		-	
Add: Current Year Encumbrances		33,764	
Add: Current Year Outstanding Warrants		36,933	
Ending Cash Balance		\$ 507,754	

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

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**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  
WOODWARD 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 Woodward County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprises Woodward County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 29, 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 Woodward 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 Woodward County's internal control. Accordingly, we do not express an opinion on the effectiveness of Woodward 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: 2019-001, 2019-002, and 2019-003.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Woodward 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 2019-002 and 2019-003.

### **Woodward County's Response to Findings**

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

June 29, 2020

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

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**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 Internal Controls (Repeat Finding 2012-001, 2013-001)**

**Condition:** Through the process of gaining an understanding of the County’s internal control structure, it was noted that 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 the risks of the County.

**Effect of Condition:** Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

**Recommendation:** The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design and implement monitoring procedures to assess 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 of the Board of County Commissioners:** We will start having monthly officers’ meetings to identify risks the county faces and develop procedures to overcome those risks.

**County Clerk:** I will start having monthly officers’ meetings. I will purchase a large three-ring binder to file documentation of the risk identified and the measures taken to control the identified risks.

**County Treasurer:** We as a county will start having County Officers’ Meetings to go through a check list for county-wide controls.

**Criteria:** The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

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

**WOODWARD COUNTY, OKLAHOMA  
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*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.

**Finding 2019-002 – Lack of Internal Controls and Noncompliance Over Discrete Presentation of Sales Tax Activity**

**Condition:** The County sales tax appropriations and expenditures are not discretely presented in the financial records.

Due to the sales tax being comingled with other sources of revenue, it could not be determined how much county sales tax was apportioned or expended.

Total Apportionments into the Sales Tax Fund	Total Sales Tax Collections	Other Sources of Revenue
\$3,809,311	\$3,598,175	\$205,427

Furthermore, there is not an independent verification of amounts appropriated into individual sales tax accounts.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to controls over all aspects of the sales tax appropriation and expenditure processes to ensure adequate internal controls. Additionally, the County was unaware of the statute and Attorney General (AG) opinions concerning the county sales tax.

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

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**Effect of Condition:** This condition resulted in noncompliance with state statute and AG opinions. A lack of review over the sales tax appropriation process could result in incorrect amounts being appropriated, unrecorded transaction, misstated financial reports, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends management be aware of these conditions concerning the sales tax appropriations process and provide independent oversight of office operations and a periodic review of operations. Additionally, OSAI recommends that the County establish policies and procedures that would allow for the sales tax balances and activity to be distinguished from other revenue sources within the County General Fund or deposited into separate revolving funds as required by state statute and AG opinions.

**Management Response:**

**BOCC Chairman:** It is our plan to separate the use tax from the sales tax.

**County Clerk:** We have broken out the use tax separate from the regular sales tax collections.

**County Treasurer:** On July 1, 2019, Woodward County implemented the new chart of accounts. This should take care of apportioning of county sales tax money.

**Criteria:** The GAO Standards – Section 2 – Objective of an Entity – OV2.23 states in part:

*Compliance Objectives*

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, GAO Standards – Principle 6 – Defined Objectives and Risk Tolerances – 6.05 states:

*Definitions of Objectives*

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. § 1370(E) 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.

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

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AG opinion 2005 OK AG 23 dated 07/13/2005 (14) 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.”

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. 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 2019-003 – Lack of Internal Controls and Noncompliance Over the Disbursement and Payroll Processes (Repeat Finding 2012-006, 2013-006)**

**Condition:** Upon inquiry and observation of the County’s disbursement process and test of forty-two (42) disbursements, the following weaknesses were noted:

- Two (2) disbursements were unable to be located.
- Ten (10) disbursements were not encumbered prior to receiving the goods or services prior to the invoice date.
- Nine (9) disbursements did not have proper documentation attached (receiving report, etc.).

Upon inquiry and observation of the County’s payroll process and test of thirty-two (32) payroll disbursements, the following weaknesses were noted:

- There are two (2) employees responsible for processing payroll, but these duties are not fully segregated as described below:
  - Changing/adjusting deductions in employee payrolls.
  - Reviewing timesheets.
  - Entering hours into the software for each employee.
  - Preparing the direct deposit.
  - Preparing paper warrants.
  - Obtaining Treasurer’s approval/signature.
  - Completing state and federal tax filings and payments
  - Remitting payments to retirement and insurance vendors.
    - Although duties are somewhat segregated there is no technological programming to ensure the verification of new employees input in the system or changes to deductions.
- Four (4) timesheets were not signed/approved by a supervisor or county official.

**WOODWARD COUNTY, OKLAHOMA  
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- One (1) employee did not complete a timesheet for the Fairgrounds.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to the disbursement process to strengthen internal controls and ensure compliance with state statutes.

**Effect of Condition:** These conditions resulted in noncompliance with the state statutes and could result in unrecorded transactions, misstated financials reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends the County implement internal controls over the disbursement process to ensure compliance with state statutes. All purchases should be properly maintained, encumbered prior to ordering goods or services, and have proper documentation attached.

Further, OSAI recommends that payroll duties be segregated. One individual should not be responsible for processing payroll claims while still having the ability to enroll new hires into the system and change withholding amounts. Additionally, all County employees should have properly approved time records to support monthly payroll on file with the County Clerk. Each employee's time record should reflect the hours worked for each day; the compensatory time earned, annual, sick and compensatory time taken or paid; and be approved by the County officer or department head.

**Management Response:**

**District 1 County Commissioner:** We will gladly complete a receiving report in the future.

**District 2 County Commissioner:** It is my understanding that we are addressing all disbursement and payroll issues. We have changed the process for utility bills and we now create receiving reports at our shop.

**District 3 County Commissioner:** We will start making sure receiving reports are attached to all purchase orders. I will make sure the foreman knows to sign all timesheets for approval.

**County Clerk:** The missing purchases were filed incorrectly. I will talk to the vendor and ask them to notify me in a timely manner of the amount of E911 funds that they require each month. The 9 items listed for missing documentation were for insurance and for request for remittance of E911 fees. We do not typically attach receiving reports for those items because visual verification is no required. I will start requiring receiving reports for these items.

I will research ways to correct this matter and adequately segregate the enrolling of new employees from the payroll completion process. Before processing payroll, the timesheets are required to be signed by either a supervisor or the county official. We now have a new free fair administrator who completes timesheets, which she signs before submitting them.

**County Sheriff:** The medical contractor made an appointment with the administrative assistant's knowledge. The contractor now knows to notify administrative assistant before incurring additional medical expenses. We now make sure that employee, supervisor, and /or sheriff signs all timesheets

**WOODWARD COUNTY, OKLAHOMA  
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**Criteria:** The GAO Standards – Section 2 – Objectives of an Entity – OV2.23 states in part:

*Compliance Objectives*

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, GAO Standards – Principle 6 – Defined Objectives and Risk Tolerances – 6.05 states:

*Definitions of Objectives*

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.

GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

*Segregation of duties*

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 – Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.



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10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Title 19 O.S. § 1505(C) and § 1505(E) requires county funds to be encumbered prior to the receipt of goods and/or services and disbursements of county funds should be supported with invoices and receiving reports.

O·K·L·A·H·O·M·A  
S·A·I  
STATE AUDITOR & INSPECTOR



**Cindy Byrd, CPA | State Auditor & Inspector**

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