



CHEROKEE COUNTY

Financial Report

For the fiscal year ended June 30, 2022

Cindy Byrd, CPA
State Auditor & Inspector

**CHEROKEE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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.



March 11, 2024

TO THE CITIZENS OF
CHEROKEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cherokee County, Oklahoma for the fiscal year ended June 30, 2022. 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.

This report is 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.

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**CHEROKEE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Board of County Commissioner

District 1 – Douglas Hubbard

District 2 – Chris Jenkins

District 3 – Clif Hall

County Assessor

Marsha Trammel

County Clerk

Cheryl Trammel

County Sheriff

Jason Chenault

County Treasurer

Patsy Stafford

Court Clerk

Lesa Rousey Daniels

District Attorney

Jack Thorp

**CHEROKEE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 4

 Notes to the Financial Statement..... 5

SUPPLEMENTARY INFORMATION

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—General Fund..... 13

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—Health Fund..... 14

 Note to Supplementary Information..... 15

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
Government Auditing Standards..... 16

Report on Compliance for the U.S. Department of Treasury Coronavirus State and Local
Fiscal Recovery Funds Program (CSLFRF) Requirements for an Alternative CSLFRF
Compliance Examination Engagement..... 18

Schedule of Findings and Responses 20

FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
CHEROKEE COUNTY, OKLAHOMA

Report on the Audit of the Financial Statement

Opinion

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Cherokee County, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the regulatory basis total receipts, disbursements, and changes in cash balances for all county funds of Cherokee County, as of and for the year ended June 30, 2022, in accordance with the financial reporting provisions of Title 19 O.S. § 171 of Oklahoma Statutes described in Note 1.

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 (U.S. GAAP) section of our report, the financial statement referred to above does not present fairly, in accordance with U.S. GAAP, the financial position of Cherokee County as of June 30, 2022, or changes in financial position for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Cherokee County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statement is prepared by Cherokee County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than U.S. GAAP to meet the requirements of the State of Oklahoma. The effects on the financial statement of the variances

between the regulatory basis of accounting described in Note 1 and U.S. GAAP, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management 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 prescribed or permitted by Oklahoma state law, 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cherokee County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit 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 Cherokee County's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cherokee County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 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 is not a required part of the financial statement. Such 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. The 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 GAAS. 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 March 5, 2024, on our consideration of Cherokee 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 Cherokee County’s internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 5, 2024

REGULATORY BASIS FINANCIAL STATEMENT

CHEROKEE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Beginning Cash Balances July 1, 2021	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2022
County Funds:						
County General	\$ 1,114,187	\$ 4,581,073	\$ 917,320	\$ 784,702	\$ 4,199,785	\$ 1,628,093
County Highway Unrestricted	3,562,031	3,852,111	350,000	332,835	3,686,828	3,744,479
Health	745,114	388,920	-	-	560,288	573,746
General Gov't-ST	826,484	1,231,123	-	61,827	906,223	1,089,557
Road and Bridges-ST	1,588,974	2,622,424	-	-	2,566,398	1,645,000
Jail-ST	224,957	2,542,246	-	-	2,560,180	207,023
Sheriff-ST	559,585	822,674	45,000	63,010	538,735	825,514
Grant Matching-ST	1,676,167	608,449	-	-	168,991	2,115,625
Rural Fire-ST	1,925,567	1,284,010	-	-	990,079	2,219,498
Use Tax-ST	3,174,179	1,370,233	784,702	702,104	452,164	4,174,846
County Bridge and Road Improvement	1,112,748	394,627	-	-	393,189	1,114,186
911 Phone Fees	438,743	558,274	-	261	496,084	500,672
Flood Plain	6,842	6,775	-	-	8,784	4,833
Sheriff Training	22,286	-	-	-	-	22,286
Community Service Sentencing Program	25,345	3,690	-	2,283	10,747	16,005
Solid Waste Management	142,462	425,989	-	-	295,897	272,554
Sheriff Forfeiture	3,487	9,260	-	-	600	12,147
County Clerk Records Management and Preservation	239,220	114,230	-	-	158,834	194,616
Local Emergency Planning Committee	2,200	1,000	-	-	-	3,200
Sheriff Drug Buy	2,552	-	-	-	-	2,552
Health Cash	100	-	-	-	-	100
Resale Property	872,101	415,089	-	-	278,106	1,009,084
Treasurer Mortgage Certification	22,004	10,035	-	-	10,238	21,801
Sheriff Service Fee	234,829	227,893	-	-	326,225	136,497
County Clerk Lien Fee	26,573	27,730	-	-	22,358	31,945
County Treasurer Cash	615	-	-	-	-	615
County Assessor Cash	6	-	-	-	-	6
Assessor Revolving Fee	9,161	2,542	-	-	9,434	2,269
Rental of County Property	4,542	26,900	-	-	12,974	18,468
County Donations	262,147	1,000	-	-	251,534	11,613
COVID Aid and Relief	2,074,202	-	-	-	1,515,720	558,482
Lodging Tax-ST	-	147,673	-	-	90,426	57,247
American Rescue Plan 2021	-	4,731,221	-	-	2,336,620	2,394,601
Safe Oklahoma-AG Grant	-	28,000	-	-	4,723	23,277
Total - All County Funds	\$ 20,899,410	\$ 26,435,191	\$ 2,097,022	\$ 1,947,022	\$ 22,852,164	\$ 24,632,437

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

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Cherokee 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 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 within the financial statement:

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

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

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

General Gov't-ST – accounts for the collection of sales tax revenue and the disbursements of funds, as restricted by the sales tax ballot.

Road and Bridges-ST – accounts for the collection of sales tax revenue and the disbursements of funds, as restricted by the sales tax ballot.

Jail-ST – accounts for the collection of sales tax revenue and the disbursements of funds, as restricted by the sales tax ballot.

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Sheriff-ST – accounts for the collection of sales tax revenue and the disbursements of funds, as restricted by the sales tax ballot.

Grant Matching-ST – accounts for the collection of sales tax revenue and the disbursements of funds, as restricted by the sales tax ballot.

Rural Fire-ST – accounts for sales tax monies collected for the funding of fourteen fire districts within Cherokee County. Disbursements are for the fire protection of Cherokee County.

Use Tax-ST – accounts for the collection of use tax remitted to the County by the Oklahoma Tax Commission and disbursements are for any function of county government, as designated by the County Commissioners.

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

911 Phone Fees – accounts for the collection of fees imposed on wireless users within the County for the operation of the Emergency 911 service.

Flood Plain – accounts for revenues from fees paid to the County Clerk when a piece of property sells to determine if the property is in a flood plain and disbursements are for payroll of employees issuing permits.

Sheriff Training – accounts for the collection of miscellaneous receipts and disbursements for the training of Sheriff’s deputies.

Community Service Sentencing Program – accounts for revenue from the State Department of Corrections to reimburse the County for the expense of administering the Community Service Program.

Solid Waste Management – accounts for revenue from solid waste fees from three transfer stations and disbursements are for fees and employee payroll.

Sheriff Forfeiture – accounts for monies received from forfeited drug cases and disbursed for the operation of the Sheriff’s Drug Task Force to enforce controlled and dangerous substances laws.

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

Local Emergency Planning Committee – accounts for grant monies received and the disbursement of funds for emergency planning, training, and equipment.

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Sheriff Drug Buy – accounts for revenues from seized property forfeited to the Sheriff’s office and disbursements are for the enforcement of state statutes.

Health Cash – accounts for the Health Department’s change fund.

Resale Property – accounts for the collection of interest and penalties on delinquent ad valorem tax collections. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

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

Sheriff Service Fee – accounts for the collection of fees and reimbursements for revenues such as process fees, courthouse security, contracts for housing and feeding prisoners and disbursements as restricted by state statute.

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

County Treasurer Cash – accounts for the County Treasurer’s office change fund.

County Assessor Cash – accounts for the County Assessor’s office change fund.

Assessor Revolving Fee – accounts for the collection and expenditure of fees collected by the County Assessor as restricted by state statute for the visual inspection program.

Rental of County Property – accounts for revenue from the rental of the Keys Community Building and fairgrounds. Disbursements are for maintenance and operation of the buildings.

County Donations – accounts for the collection of donations and disbursement of funds as specified by the approved Board of County Commissioners’ resolution.

COVID Aid and Relief – accounts for federal grant monies received from the Coronavirus Relief Fund for the reimbursement of COVID related expenditures. Disbursements are for any lawful purpose of the County as directed by Board of County Commissioners’ resolution.

Lodging Tax-ST – accounts for excise tax collected on lodging to be used for the promotion and development of tourism and recreational activities for Cherokee County.

American Rescue Plan Act 2021 – accounts for monies received from the United States Department of Treasury and disbursed for responding to the COVID-19 public health emergency and its negative economic impact, premium pay to eligible workers, the provision of government services to the extent of the reduction in revenue due to the COVID-19 public

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

health emergency, and investments in water, sewer, and broadband infrastructure, as restricted by federal requirements.

Safe Oklahoma-AG Grant – accounts for grant funds from the Oklahoma Attorney General for local law enforcement and the disbursements of funds, as restricted by grant requirements.

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

D. Budget

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

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

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

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

2. Ad Valorem Tax

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

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

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

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

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; however, 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 September 15, 1998

On September 15, 1998, the voters of Cherokee County approved a one-quarter percent (1/4%) sales tax designated for the purpose of providing funding for the fire departments in the following communities: Chicken Creek, Cookson, Gideon, Hulbert, Illinois River, Keys, Lowery, Norwood, Peggs, Sparrow Hawk, Spring Valley, Tahlequah, Welling, and Woodall or others hereinafter established, for such fire protection as may be deemed necessary by the Board of County Commissioners. There is no expiration date on this sales tax. These funds are accounted for in the Rural Fire-ST fund.

Sales Tax of February 24, 2004

On February 24, 2004, the voters of Cherokee County approved a three-fourth of one percent (3/4%) sales tax. This sales tax is to be used solely to pay for acquiring, constructing, equipping,

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

operating, and maintaining new county jail facilities and parking facilities on behalf of the County by the Cherokee County Governmental Building Authority, providing one-half of one percent (1/2%) shall be levied until repealed by a majority of the voters of Cherokee County and providing that the remaining one-fourth of one percent (1/4%) for the indebtedness of the Cherokee County Governmental Building Authority. This one-fourth of one percent (1/4%) shall expire when the indebtedness is paid or by June 30, 2014, whichever comes first. These funds are accounted for in the Jail-ST fund.

Sales Tax of April 1, 2008

On April 1, 2008, the voters of Cherokee County approved a continuation of a one percent (1%) sales tax. The proceeds of the tax are used as follows: 50% for county roads, 15% for law enforcement, 25% for general county operations, including extension services and 4-H clubs, and 10% for grant matching funds, and provided further that said sales tax shall become effective January 1, 2009 and shall be levied on a permanent basis or until repealed by a majority of electors of Cherokee County in an election called for that purpose. These funds are accounted for in the Road and Bridges-ST, General Gov't-ST, Sheriff-ST, and Grant Matching-ST funds.

E. Interfund Transfers

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

- \$700,000 was transferred from the Use Tax-ST fund to the County General fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$700,000 was transferred from the County General fund to the Use Tax-ST fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$217,320 was transferred from the following funds to the County General fund for reimbursement of workers compensation insurance premiums:
 - \$261 from the 911 Phone Fees.
 - \$2,104 from the Use Tax-ST.
 - \$2,283 from the Community Service Sentencing Program
 - \$132,835 from the County Highway Unrestricted.
 - \$16,827 from the General Gov't-ST.
 - \$63,010 from the Sheriff -ST.
- \$84,702 was transferred from the County General fund to the Use Tax-ST fund for reimbursement of workers compensation premiums.
- \$350,000 was transferred from the Emergency and Transportation Revolving Fund (a trust and agency fund) to the County Highway Unrestricted fund as a loan used for bridge and road projects in the County.
- \$200,000 was transferred from the County Highway Unrestricted fund to the Emergency and Transportation Revolving Fund, (a trust and agency fund) for repayment of a loan used for bridge and road projects in the County.
- \$45,000 was transferred to Sheriff -ST fund from the General Gov't-ST fund for additional appropriations.

SUPPLEMENTARY INFORMATION

CHEROKEE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund		
	Budget	Actual	Variance
County Sheriff	\$ 1,295,985	\$ 1,287,694	\$ 8,291
County Treasurer	242,043	220,860	21,183
County Commissioners	1,976,297	948,152	1,028,145
County Clerk	454,649	433,874	20,775
Court Clerk	557,810	544,709	13,101
County Assessor	182,427	148,815	33,612
Revaluation of Real Property	487,128	435,693	51,435
Excise - Equalization Board	13,250	7,293	5,957
County Election Expense	220,590	185,057	35,533
County Audit Budget Account	36,158	1,910	34,248
Total Expenditures, Budgetary Basis	\$ 5,466,337	\$ 4,214,057	\$ 1,252,280

CHEROKEE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 910,061	\$ 785,211	\$ 124,850
Total Expenditures, Budgetary Basis	\$ 910,061	\$ 785,211	\$ 124,850

**CHEROKEE COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances 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
CHEROKEE COUNTY, OKLAHOMA

We have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Cherokee County, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise Cherokee County’s financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 5, 2024.

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 (U.S. GAAP). 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 as of and for the year ended June 30, 2022, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Cherokee County’s internal control over financial reporting (internal control) as a basis for designing 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 Cherokee County’s internal control. Accordingly, we do not express an opinion on the effectiveness of Cherokee 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: 2022-001 and 2022-007.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cherokee 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 financial statement. 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*.

Cherokee County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Cherokee County's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Cherokee County's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

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 results 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 5, 2024



Report on Compliance for the U.S. Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Program (CSLFRF) Requirements for an Alternative CSLFRF Compliance Examination Engagement

Independent Accountant's Report

TO THE OFFICERS OF
CHEROKEE COUNTY, OKLAHOMA

We have examined Cherokee County's compliance with the compliance requirements "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the CSLFRF section of the 2022 OMB *Compliance Supplement* (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement") during the year ended June 30, 2022. The County is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on Cherokee County's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in the "Requirements for an Alternative CSLFRF Compliance Examination Engagement." Those standards and requirements require that we plan and perform the examination to obtain reasonable assurance about whether Cherokee County complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Cherokee County complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on Cherokee County's compliance with specified requirements.

In our opinion, Cherokee County complied, in all material respects, with the specified requirements referenced above during the year ended June 30, 2022.

Intended Purpose

The purpose of this examination report is solely to express an opinion on whether Cherokee County complied, in all material respects with the specified requirements referenced above during the year ended June 30, 2022. Accordingly, this report is not suitable for any other purpose.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 5, 2024

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 2022-001 - Lack of County–Wide Internal Controls (Repeat Finding - 2008-003, 2009-002 2010-002, 2011-002, 2012-001, 2013-001, 2014-001, 2017-001, 2018-001, 2019-001, 2020-001, 2021-001)

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 Risk Assessment and Monitoring 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 and County Treasurer: Through the process of gaining and understanding the County’s internal control structure, the County Clerk’s office has drafted and implemented a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively with a County-Wide internal control for Risk Assessment and Monitoring Handbook. Assessments from each department will be turned in on an annual basis, and quarterly meetings will be conducted to review internal controls.

County Clerk: We have drafted and printed the Internal Controls Handbook and delivered it to each office. We are waiting on their reply before we can complete it and get it approved in a Board of County Commissioners meeting. We will be more diligent in having our quarterly meetings.

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.

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

Definition of Internal Controls

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 2022-007 – Lack of Internal Controls Over Presentation of Financial Statement (Repeat Finding - 2019-009, 2020-006, 2021-007)

Condition: The County has not designed and implemented internal controls to ensure the accurate presentation of the County’s financial statement. During the review and reconciliation of the financial statement as initially prepared by the County, we determined that the beginning cash balances, receipts apportioned, transfers in, and transfers out, disbursements, and ending cash balances were misstated as shown below:

	Beginning Cash Balance July 1, 2021	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balance June 30, 2022
Initial	\$18,799,863	\$26,431,501	\$2,135,898	\$1,983,614	\$21,325,697	\$24,057,950
Amended	<u>20,899,410</u>	<u>26,435,192</u>	<u>2,097,021</u>	<u>1,947,021</u>	<u>22,852,164</u>	<u>24,632,437</u>
Variance	<u>(\$2,099,546)</u>	<u>(\$ 3,690)</u>	<u>\$ 38,876</u>	<u>(\$ 36,593)</u>	<u>(\$ 1,526,466)</u>	<u>(\$ 574,486)</u>

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the County’s financial statement is accurately presented.

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Effect of Condition: This condition resulted in the County's financial statement being materially misstated.

Recommendation: OSAI recommends the County design and implement procedures to ensure the cash receipts and cash disbursements are reported accurately on the financial statement.

Management Response:

County Treasurer: Per OSAI recommendations, I will implement procedures to ensure the cash receipts and cash disbursements are reported accurately on the financial statements. As I was not Treasurer for most of this time period, I will do my best to implement the proposed adjustments and error corrections that were discussed as corrections to the financial statements prior to my taking office.

Criteria: The GAO Standards – Principle 14 – Communicate Internally – 14.01 states in part:

Management should internally communicate the necessary quality information to achieve the entity's objectives.

Additionally, Principle 14 – Communication throughout the Entity states:

14.02 – Management communicates quality information throughout the entity using established reporting lines. Quality information is communicated down, across, up, and around reporting lines to all levels of the entity.

14.04 – Management receives quality information about the entity's operational processes that flows up the reporting lines from personnel to help management achieve the entity's objectives.

Additionally, Principle 16 – Perform Monitoring Activities states in part:

16.05 - Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

Additionally, GAO Standards – Section 2 – Objectives of an Entity – OV2.21 states in part:

Reporting Objectives

“Reporting objectives relate to the preparation of reports for use by the entity, its stakeholders, or other external parties. Objectives related to gathering and communication information needed by management to support decision making and evaluation of the entity's performance.

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Additionally, the limitations of the auditor are described in the American Institute of Certified Public Accountants Clarified Statements on Auditing Standards AU-C § 210, which states, in part:

Agreement of the Responsibilities of Management

“The concept of an independent audit required that the auditor’s role does not involve assuming management’s responsibility for the preparation and fair presentation of the financial statements or assuming responsibility for the entity’s related internal control and that the auditor has a reasonable expectation of obtaining the information necessary for the audit insofar as management is able to provide or procure it. Accordingly, the premise is fundamental to the conduct of an independent audit.”

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

No matters were noted.

SECTION 3—Findings related to the Report on Compliance for the U.S. Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Program (CSLFRF) Requirements for an Alternative CSLFRF Compliance Examination Engagement

No matters were noted.

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



Cindy Byrd, CPA | State Auditor & Inspector

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