



# CHOCTAW COUNTY

## Financial Report

For the fiscal year ended June 30, 2019

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

**CHOCTAW 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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March 7, 2022

TO THE CITIZENS OF  
CHOCTAW COUNTY, OKLAHOMA

Transmitted herewith is the audit of Choctaw 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.

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



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

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**Board of County Commissioners**

District 1 – Ronnie Thompson  
District 2 – Randy Robertson  
District 3 – Roger Vandever

**County Assessor**

Rhonda Cahill

**County Clerk**

Emily VanWorth

**County Sheriff**

Terry Park

**County Treasurer**

Cheri Stacy

**Court Clerk**

Laura Sumner

**District Attorney**

Mark Matloff

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

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## **FINANCIAL SECTION**

## Independent Auditor's Report

TO THE OFFICERS OF  
CHOCTAW COUNTY, OKLAHOMA

### *Report on the Financial Statement*

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Choctaw 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 Choctaw 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 Choctaw 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 total receipts, disbursements, and changes in cash balances for all county funds of Choctaw County, as of and 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 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.

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 February 16, 2022, on our consideration of Choctaw 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 Choctaw County's internal control over financial reporting and compliance.

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

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

February 16, 2022

## **REGULATORY BASIS FINANCIAL STATEMENT**

**CHOCTAW COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**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
County Funds:						
County General	\$ 593,874	\$ 1,559,334	\$ 30,903	\$ -	\$ 1,418,093	\$ 766,018
1 Cent County General Cash	236,471	239,565	-	-	245,778	230,258
County Highway	517,647	1,875,547	531,214	-	2,248,166	676,242
County Highway Restricted	153,125	108,142	-	199,876	61,391	-
1 Cent Road Improvement Cash	534,388	454,027	-	-	463,058	525,357
CBRI 105	670,888	398,022	-	-	441,392	627,518
REAP	-	69,832	-	-	69,832	-
CDBG - EC	26,715	26	-	53	26,688	-
County Health Department	334,466	183,502	-	-	139,893	378,075
Hospital Cash	542,935	944,835	-	-	1,097,291	390,479
Sheriff Service Fee	396,598	173,531	67,876	-	153,882	484,123
Sheriff Commissary	131,962	68,165	-	-	127,017	73,110
Drug Enforcement Revolving	25,889	26	-	-	-	25,915
1 Cent Law Enforcement Cash	59,682	188,967	-	-	219,386	29,263
Sheriff Lake Patrol	841	-	-	841	-	-
Department of Corrections Boarding	190,457	8,058	-	67,035	120,532	10,948
Emergency Management	15,742	5,553	-	-	2,427	18,868
1 Cent Ambulance Cash	15,606	188,967	-	-	172,210	32,363
Treasurer Mortgage Tax Certification Fee	10,213	2,240	-	-	1,604	10,849
County Treasurer Fee	638	120	-	482	276	-
County Treasurer Resale	130,146	172,001	-	-	113,417	188,730
County Assessor Visual Inspection	39,175	1,044	-	-	12,129	28,090
Fair Board Cash Account	3,560	9,870	-	-	4,322	9,108
County Clerk Lien Fee	21,332	5,453	-	-	2,904	23,881
County Clerk Preservation	54,412	14,469	-	-	6,159	62,722
VFD Cash	803,004	314,945	-	-	328,381	789,568
Insurance Recovery	29,595	10,264	-	30,368	9,491	-
Choctaw County E-911	891,438	153,580	-	-	127,863	917,155
Reward	508	105	-	-	-	613
1 Cent County Library Cash	13,055	25,675	-	-	26,028	12,702
1 Cent Economics Cash	302,238	113,739	-	-	53,154	362,823
1 Cent County Extension Cash	40,047	50,391	-	-	29,387	61,051
Court Clerk Payroll	21,169	103,609	-	-	110,394	14,384
Unclaimed Property	4,350	22,360	-	-	4,155	22,555
County Donations	-	34,842	4,146	-	-	38,988
Assessor Revolving Fund	-	456	-	-	-	456
<b>Total - All County Funds</b>	<b>\$ 6,812,166</b>	<b>\$ 7,501,262</b>	<b>\$ 634,139</b>	<b>\$ 298,655</b>	<b>\$ 7,836,700</b>	<b>\$ 6,812,212</b>

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

**CHOCTAW 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**

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

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

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

**B. Fund Accounting**

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

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

County General – accounts for ad valorem, officers' fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

1 Cent County General Cash – accounts for the sales tax revenue collected, and the disbursement thereof, as restricted by the sales tax ballot to be used for general county purposes.

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

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

1 Cent Road Improvement Cash – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot to be used for county roads and bridges.

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

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CBRI 105 – accounts for funds received from the Oklahoma Department of Transportation, and disbursements are restricted by state statutes for the purpose of reimbursement for constructing and maintaining county roads and bridges.

REAP – accounts for state grant funds received for various projects.

CDBG - EC – accounts for payments from incubator companies on a revolving loan fund established with federal funds from the Department of Commerce for the economic development of Choctaw County.

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

Hospital Cash – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

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

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

Drug Enforcement Revolving – accounts for monies collected from the disposition of property seized during drug abuse cases, and disbursement for the intervention and prevention of narcotic use.

1 Cent Law Enforcement Cash – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot to be used for the Sheriff's office.

Sheriff Lake Patrol – accounts for contract services with the Corps of Engineers for patrolling lake areas.

Department of Corrections Boarding – accounts for monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections' prisoners. Disbursements of funds are for jail operating expenses.

Emergency Management – accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

1 Cent Ambulance Cash – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot to be used for ambulance related services.

**CHOCTAW 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 collections of fees by the County Treasurer for mortgage tax certificates, and the disbursement of the funds as restricted by state statute.

County Treasurer Fee – accounts for the collection of fees by the County Treasurer for copy fees, research fees, and insufficient check fees to be used for the operation of the County Treasurer's office.

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

County Assessor Visual Inspection – accounts for the collection of fees for copies restricted by state statute.

Fair Board Cash Account – accounts for funds collected from Fair Board activities to be used for County fair expenses.

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

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

VFD Cash – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot to be used to fund the fire departments.

Insurance Recovery – accounts for monies received from insurance companies for damages to county property.

Choctaw County E-911 – accounts for monies received from private telephone companies for the operation of emergency 911 services.

Reward – accounts for state funds used to offset the cost of programs used to control illegal dumping, as restricted by state statute.

1 Cent County Library Cash – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot to be used for the maintenance and operation of the county library.

1 Cent Economics Cash – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot to be used by the county economic development office.

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

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1 Cent County Extension Cash – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot to be used by the county extension office.

Court Clerk Payroll – accounts for funds deposited by the Court Clerk and disbursed for payroll for the Court Clerk’s office.

Unclaimed Property – accounts for unclaimed inmate trust monies forfeited to the Sheriff’s Office to be used as provided by law.

County Donations – accounts for the donations received and acknowledged by resolutions by the Board of County Commissioners and to be disbursed for the purpose for which they are donated.

Assessor Revolving Fund – accounts for the collection of fees for copies and the disbursement of funds as restricted by state statute.

**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 allows 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, 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

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

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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.

At June 30, 2019, the County's investments were under-collateralized in the amount of \$2,624,740.

**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



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

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property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

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

**3. Other Information**

**A. Pension Plan**

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

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

**B. Other Post Employment Benefits (OPEB)**

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

**C. Contingent Liabilities**

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

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

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**D. Sales Tax**

The voters of Choctaw County approved a permanent one-quarter percent (0.25%) sales tax on November 4, 2008. This sales tax was established for the purpose of providing funding for the fire departments in the following communities:

1. Bluff
2. Boswell
3. Fort Towson
4. Grant
5. Hugo
6. Messer
7. Nelson
8. Sawyer
9. Soper
10. Speer
11. Spencerville
12. Swink

These funds are accounted for in the VFD Cash fund.

The voters of Choctaw County approved a three-quarter of one percent (0.75%) sales tax on December 9, 2008 to become effective April 1, 2009, continuing unless repealed by a majority of the registered voters. This sales tax was established to provide funds for the purpose of furnishing, equipping, repairing, renovating, and maintaining the Choctaw County Memorial Hospital, including indebtedness. These funds are accounted for in the Hospital Cash fund.

The voters of Choctaw County approved a continuation of a one percent (1%) sales tax on April 7, 2015 to become effective on June 1, 2015 and to expire June 30, 2020. This sales tax was reallocated to provide revenue to the County for the following areas:

- |  |     |
|--|-----|
| • Choctaw County Ambulance Authority           | 15% |
| • County Road Improvement                      | 36% |
| • County Law Enforcement                       | 15% |
| • County General                               | 19% |
| • County Economic Development                  | 9%  |
| • County Extension Service                     | 4%  |
| • County Libraries (Maintenance and Operation) | 2%  |

These funds are accounted for in the 1 Cent Ambulance Cash, 1 Cent Road Improvement Cash, 1 Cent Law Enforcement Cash, 1 Cent County General Cash, 1 Cent Economics Cash, 1 Cent County Extension Cash, and 1 Cent County Library Cash funds.

**CHOCTAW 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 \$2,935 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:

- \$199,876 was transferred from County Highway Restricted fund to County Highway fund by the Board of County Commissioners' resolution to establish a uniform system of bookkeeping in accordance with Title 74 O.S. § 214.
- \$53 was transferred from CDBG - EC fund to County General fund by the Board of County Commissioners' resolution to establish a uniform system of bookkeeping in accordance with Title 74 O.S. § 214.
- \$841 was transferred from Sheriff Lake Patrol fund to Sheriff Service Fee fund by the Board of County Commissioners' resolution to establish a uniform system of bookkeeping in accordance with Title 74 O.S. § 214.
- \$67,035 was transferred from Department of Corrections Boarding fund to Sheriff Service Fee fund by the Board of County Commissioners' resolution to establish a uniform system of bookkeeping in accordance with Title 74 O.S. § 214.

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

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- \$482 was transferred from County Treasurer Fee fund to County General fund by the Board of County Commissioners' resolution to establish a uniform system of bookkeeping in accordance with Title 74 O.S. § 214.
- \$30,368 was transferred from Insurance Recovery fund to County General fund by the Board of County Commissioners' resolution to establish a uniform system of bookkeeping in accordance with Title 74 O.S. § 214.
- \$4,146 was transferred from Highway Public Trust (a trust and agency fund) to County Donations fund by the Board of County Commissioners' resolution to establish a uniform system of bookkeeping in accordance with Title 74 O.S. § 214.
- \$331,338 was transferred from County Highway ETR Loan fund (a trust and agency fund) to County Highway fund to reimburse for expenditures on bridge and road projects in the County.

## **SUPPLEMENTARY INFORMATION**

**CHOCTAW COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 15,000	\$ 15,000	\$ -
County Sheriff	160,265	160,265	-
County Treasurer	96,500	96,496	4
County Commissioners	20,000	-	20,000
County Clerk	140,830	140,509	321
Court Clerk	113,000	112,989	11
County Assessor	60,330	60,248	82
Assessor's Visual Inspection	220,000	219,591	409
General Government Library	5,000	-	5,000
General Government	742,813	471,286	271,527
Excise - Equalization Board	5,250	5,095	155
County Election Board	57,963	56,462	1,501
Civil Defense	76,800	56,762	20,038
County Audit Budget Account	14,574	13,981	593
Free Fair Budget Account	10,000	9,700	300
Total Expenditures, Budgetary Basis	<u>\$ 1,738,325</u>	<u>\$ 1,418,384</u>	<u>\$ 319,941</u>

**CHOCTAW COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—HEALTH FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 500,086	\$ 153,390	\$ 346,696
Total Expenditures, Budgetary Basis	\$ 500,086	\$ 153,390	\$ 346,696

**CHOCTAW 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 Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health 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 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  
CHOCTAW COUNTY, OKLAHOMA

We have audited, 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, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Choctaw County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprise Choctaw County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated February 16, 2022.

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 as of and 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 Choctaw 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 Choctaw County's internal control. Accordingly, we do not express an opinion on the effectiveness of Choctaw 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 and 2019-003.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Choctaw 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2019-003.

We noted certain matters regarding statutory compliance that we reported to the management of Choctaw County, which are included in Section 2 of the schedule of findings and responses contained in this report.

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

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

February 16, 2022

**CHOCTAW 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 – County-Wide Controls (Repeat Finding - 2007-002, 2017-001, and 2018-001)**

**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 and implemented.

**Cause of Condition:** Policies and procedures have not been designed and implemented to address risks 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:** We have now designed a Risk Management and Monitoring Policy that will be on the next agenda.

**County Treasurer:** I will do my part to safeguard the County by assisting in implementing steps that will reduce risk to the County, as well as assist in monitoring any and all situations that are in need. One way for this, is the implementation of Quarterly meetings, which are a crucial part of risk management. We have implemented these meetings and will do our best to keep them on course.

**County Clerk:** We will design a policy and procedure to correct the issues.

**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.

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

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

*Definition of Internal Control*

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

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

*Components, Principles, and Attributes*

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.

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 2019-003 – Internal Controls and Noncompliance Over Pledged Collateral**

**Condition:** Upon inquiry of the County Treasurer, observation, and review of documents, the following was noted:

- At June 30, 2019, the County's deposits were not secured by pledged collateral in one (1) bank in the amount of \$2,624,740.

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

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

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

**Management Response:**

**County Treasurer:** Our pledge coverage lapsed for 3 business days, for which I am deeply sorry. Fortunately, due to periodic monitory this error was discovered in a timely manner and corrected. To be certain this type of oversight will not occur again, we went to weekly monitoring of pledges the following year. As well as frequent correspondence with our Financial Institution regarding our pledge coverage. Then this fiscal year, we updated our monitoring from weekly to daily for added security.

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

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**Criteria:** 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.

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

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

**Finding 2019-004 – Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Funds (Repeat Finding 2017-004 and 2018-004)**

**Condition:** Regarding the Inmate Trust Fund depository account, the following weaknesses were noted:

- The Inmate Trust Fund Checking Account balance was not reconciled to the inmates’ ledger balance at June 30, 2019.
- Inmate unclaimed monies were transferred to the Sheriff Commissary Fund without following proper unclaimed property procedures.
- Inventory verification of in-house commissary items is not retained.

**Cause of Condition:** Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes and could result in misappropriation of funds, inaccurate records, incomplete information and loss of assets.

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

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**Recommendation:** OSAI recommends the following:

- Inmate Trust Fund Checking Account monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's trust fund balance should be reconciled to the total of the inmate's balances.
- Unclaimed inmate monies should follow unclaimed property procedures.
- Inventory verification should be performed, documented, and retained weekly.

**Management Response:**

**County Sheriff:** We have corrected the unclaimed property procedures the last two years. We are working on the reconciliation at the end of the month. The jail administrator is following procedure for inventory verification.

**Criteria:** The GAO Standards - Principle 10 – Design Control Activities – 10.03 states in part:

*Appropriate documentation of transactions and internal control*

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

*Accurate and timely recording of transactions*

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

*Physical control over vulnerable assets*

Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.

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.

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

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Effective internal controls include management properly implementing procedures to ensure the safeguarding of inmate trust funds and compliance with 19 O.S. § 180.43(D) and 22 O.S. § 1325.





Cindy Byrd, CPA | State Auditor & Inspector

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