



CHOCTAW COUNTY

Financial Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**CHOCTAW COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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Cindy Byrd, CPA | State Auditor & Inspector

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

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, 2020. 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, 2020**

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, 2020**

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 <i>Government Auditing Standards</i>	16
Schedule of Findings and Responses	18

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, 2020, 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, 2020, 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, 2020, 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, 2020

	Beginning Cash Balances July 1, 2019	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
County Funds:						
County General	\$ 766,018	\$ 1,630,881	\$ 75	\$ -	\$ 1,325,847	\$ 1,071,127
General Gov't-ST	230,258	243,897	-	-	274,058	200,097
County Highway Unrestricted	676,242	2,700,612	-	331,338	1,970,396	1,075,120
Road and Bridges-ST	525,357	463,132	-	-	383,691	604,798
County Bridge and Road Improvement	627,518	423,877	-	-	374,623	676,772
REAP	-	129,879	-	-	129,879	-
Health	378,075	195,455	-	-	140,568	432,962
Hospital-ST	390,479	963,493	-	-	1,036,195	317,777
Sheriff Service Fee	484,123	208,527	-	-	279,432	413,218
Sheriff Commissary	73,110	68,710	-	-	96,580	45,240
Drug Enforcement Revolving	25,915	25	-	25,940	-	-
Sheriff-ST	29,263	192,398	-	-	153,128	68,533
Department of Corrections Boarding	10,948	-	-	-	10,948	-
Emergency Management	18,868	3,900	-	-	4,513	18,255
Ambulance Service District-ST	32,363	192,398	-	-	207,189	17,572
Treasurer Mortgage Certification	10,849	2,375	-	-	2,267	10,957
Resale Property	188,730	109,250	-	-	162,350	135,630
County Assessor Visual Inspection	28,090	2	-	28,092	-	-
Free Fair Board	9,108	5,205	-	-	3,304	11,009
County Clerk Lien Fee	23,881	5,774	-	-	6,263	23,392
County Clerk Records Management and Preservation	62,722	22,614	-	-	12,302	73,034
Rural Fire-ST	789,568	322,882	-	-	250,151	862,299
911 Phone Fees	917,155	160,253	-	-	112,448	964,960
Reward Fund	613	79	-	-	-	692
Library-ST	12,702	25,653	-	-	25,324	13,031
Economic Development-ST	362,823	115,816	-	-	55,804	422,835
Extension-ST	61,051	51,307	-	-	21,688	90,670
Court Clerk Payroll	14,384	102,743	-	-	107,623	9,504
Sheriff Forfeiture	22,555	3,314	25,940	-	7,600	44,209
County Donations	38,988	96,012	-	-	1,386	133,614
Assessor Revolving Fee	456	1,307	28,092	-	7,880	21,975
Safe Oklahoma - AG	-	15,000	-	-	5,237	9,763
Total - All County Funds	\$ 6,812,212	\$ 8,456,770	\$ 54,107	\$ 385,370	\$ 7,168,674	\$ 7,769,045

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, 2020**

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.

During the fiscal year ended June 30, 2020, the County converted to a new chart of accounts; therefore, several fund names and descriptions change. However, these changes do not reflect a change in the sources and uses of revenues over the prior fiscal year.

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.

General Gov't-ST – 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 Unrestricted – accounts for state, local, and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

Road and Bridges-ST – 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, 2020**

County Bridge and Road Improvement – 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.

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

Hospital-ST – 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.

Sheriff-ST – 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.

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.

Ambulance Service District-ST – 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.

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

Resale Property – 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.

**CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Free Fair Board – 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 Records Management and 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.

Rural Fire-ST – 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.

911 Phone Fees – accounts for monies received from private telephone companies for the operation of emergency 911 services.

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

Library-ST – 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.

Economic Development-ST – 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.

Extension-ST – 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.

Sheriff Forfeiture – 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 Fee – accounts for the collection of fees for copies and the disbursement of funds as restricted by state statute.

**CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Safe Oklahoma - AG – accounts for state grant funds received from the Oklahoma Attorney General and the disbursement of funds restricted by grant agreement.

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 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

**CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

**CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

**CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- 11. Spencerville
- 12. Swink

These funds are accounted for in the Rural Fire-ST 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-ST 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 Ambulance Service District-ST, Road and Bridges-ST, Sheriff-ST, General Gov't-ST, Economic Development-ST, Extension-ST, and Library-ST funds.

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 \$2,914 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2020.

**CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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:

- \$25,940 was transferred from Drug Enforcement Revolving fund to Sheriff Forfeiture fund to establish a uniform system of bookkeeping in accordance with Title 74 O.S. § 214.
- \$28,092 was transferred from County Assessor Visual Inspection fund to Assessor Revolving Fee fund by the Board of County Commissioners' resolution to establish a uniform system of bookkeeping in accordance with Title 74 O.S. § 214.
- \$75 was transferred from Election Board fund (a trust and agency 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.
- \$331,338 from the County Highway Unrestricted fund to the County Highway ETR Loan fund (a trust and agency fund) for loan repayment for 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, 2020

	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 15,000	\$ 15,000	\$ -
County Sheriff	211,345	211,345	-
County Treasurer	97,300	97,298	2
County Commissioners	20,000	-	20,000
County Clerk	135,037	134,978	59
Court Clerk	117,400	117,365	35
County Assessor	61,130	59,579	1,551
Assessor's Visual Inspection	220,000	188,987	31,013
Civil Defense	78,800	66,740	12,060
General Government - Library	2,500	2,500	-
General Government	951,606	362,665	588,941
Excise - Equalization Board	5,265	5,265	-
County Election Board	66,413	63,405	3,008
Free Fair Budget Account	10,000	9,950	50
County Audit Budget Account	8,397	-	8,397
Total Expenditures, Budgetary Basis	<u>\$ 2,000,193</u>	<u>\$ 1,335,077</u>	<u>\$ 665,116</u>

CHOCTAW COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 544,307	\$ 151,344	\$ 392,963
Total Expenditures, Budgetary Basis	\$ 544,307	\$ 151,344	\$ 392,963

**CHOCTAW COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 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, 2020, 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, 2020, 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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2020-001.

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

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, 2020**

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 2020-001 – County-Wide Controls (Repeat Finding 2007-002, 2017-001, 2018-001, & 2019-001)

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 we 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, 2020**

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.

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 2021-004 - Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Funds (Repeat Finding 2017-004, 2018-004, and 2019-004)

Condition: Regarding the Inmate Trust Fund Checking Account, the following weaknesses were noted:

- The Inmate Trust Fund Checking Account balance was not reconciled to the inmates' ledger balance at June 30, 2020.
- 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, 2020**

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, 2020**

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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