



CHOCTAW COUNTY

County Audit

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

**CHOCTAW COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

September 9, 2019

TO THE CITIZENS OF
CHOCTAW COUNTY, OKLAHOMA

Transmitted herewith is the audit of Choctaw County, Oklahoma for the fiscal year ended June 30, 2017. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**CHOCTAW COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017**

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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 combined 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, 2017, 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, 2017, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Choctaw County, for the year ended June 30, 2017, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the financial statement.

The other supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2019, 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

August 27, 2019

REGULATORY BASIS FINANCIAL STATEMENT

CHOCTAW COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
County General	\$ 590,520	\$ 1,281,411	\$ -	\$ -	\$ 1,184,059	\$ 687,872
1 Cent County General Cash	162,332	230,103	-	-	170,389	222,046
County Highway	692,375	1,956,976	50,000	-	2,225,256	474,095
County Highway Restricted	84,386	147,867	-	-	74,145	158,108
1 Cent Road Improvement Cash	328,978	440,163	-	-	355,561	413,580
CBRI 105	1,207,805	227,954	-	-	523,423	912,336
REAP	-	194,021	-	-	194,021	-
CDBG - EC	26,663	25	-	-	-	26,688
County Health Department	104,080	318,881	-	-	224,831	198,130
Hospital Cash	562,282	907,618	-	-	1,124,221	345,679
Sheriff Service Fee	268,536	149,730	-	-	122,949	295,317
Sheriff Commissary	215,323	84,610	-	-	121,133	178,800
Drug Enforcement Revolving	56,591	54	-	-	2,772	53,873
1 Cent Law Enforcement Cash	42,669	181,523	-	-	105,237	118,955
Sheriff Lake Patrol	841	-	-	-	-	841
Department of Corrections Boarding	960,903	444,230	-	-	860,522	544,611
Emergency Management	10,934	7,500	-	-	5,492	12,942
1 Cent Ambulance Cash	15,131	181,524	-	-	182,345	14,310
Treasurer Mortgage Tax Certification Fee	10,121	2,405	-	-	3,427	9,099
County Treasurer Fee	701	172	-	-	-	873
County Treasurer Resale	130,821	108,211	-	-	143,510	95,522
County Assessor Visual Inspection	39,247	1,142	-	-	-	40,389
Fair Board Cash Account	22,735	6,101	-	-	9,857	18,979
County Clerk Lien Fee	16,251	6,596	-	-	-	22,847
County Clerk Preservation	57,598	15,784	-	-	22,961	50,421
VFD Cash	677,557	302,549	-	-	272,620	707,486
Insurance Recovery	16,045	7,982	-	-	-	24,027
DHS Advocacy	7,842	6,214	-	-	13,928	128
Choctaw County E-911	811,459	127,388	-	-	105,983	832,864
Reward	501	-	-	-	-	501
1 Cent County Library Cash	3,217	24,203	-	-	19,851	7,569
1 Cent Economics Cash	193,249	109,122	-	-	57,494	244,877
1 Cent County Extension Cash	23,602	48,406	-	-	30,973	41,035
Court Clerk Payroll	14,625	95,403	-	-	93,892	16,136
Unclaimed Property	-	2,565	-	-	-	2,565
CDBG - General	-	65,830	-	-	65,830	-
Combined Total - All County Funds, as Restated	\$ 7,355,920	\$ 7,684,263	\$ 50,000	\$ -	\$ 8,316,682	\$ 6,773,501

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, 2017**

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 as combining information 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.

**CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

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.

**CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

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.

DHS Advocacy – accounts for the state funds for the protection of minor children sponsored by Department of Human Services (DHS).

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.

**CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

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.

CDBG - General – accounts for federal funds received from the Department of Commerce for the economic development of Choctaw County.

C. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the 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, 2017**

and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

**CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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; although, the County expects such amounts, if any, to be immaterial.

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

**CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017**

E. Interfund Transfers

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

- \$50,000 from the County Highway – ETR Loan fund (a trust and agency fund) to the County Highway fund for expenditures on bridge and road projects in the County.

F. Restatement of Fund Balance

During the fiscal year, the County Treasurer Resale and County Treasurer Cash Drawer fund balances at June 30, 2016 were inaccurately reported and corrected on the July 1, 2016 beginning balance. This increased the County Treasurer Resale beginning balance to \$130,821 and decreased the County Treasurer Cash Drawer fund beginning balance to \$0. These corrections resulted in a \$0 change in the July 1, 2016 beginning balance.

OTHER SUPPLEMENTARY INFORMATION

CHOCTAW COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 590,520	\$ 590,520	\$ -
Less: Prior Year Outstanding Warrants	(44,331)	(44,331)	-
Less: Prior Year Encumbrances	(9,780)	(9,041)	739
Beginning Cash Balances, Budgetary Basis	536,409	537,148	739
Total Receipts, Budgetary Basis	1,083,478	1,281,411	197,933
Total Expenditures, Budgetary Basis	1,619,887	1,190,887	429,000
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	627,672	\$ 627,672
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		45,897	
Add: Current Year Encumbrances		14,303	
Ending Cash Balance		\$ 687,872	

**CHOCTAW COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 104,080	\$ 104,080	\$ -
Less: Prior Year Outstanding Warrants	(5,791)	(5,791)	-
Less: Prior Year Encumbrances	(39,335)	(39,198)	137
Beginning Cash Balances, Budgetary Basis	58,954	59,091	137
 Total Receipts, Budgetary Basis	 305,688	 318,881	 13,193
 Total Expenditures, Budgetary Basis	 364,642	 223,191	 141,451
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 154,781	 \$ 154,781
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		41,967	
Add: Current Year Outstanding Warrants		1,382	
Ending Cash Balance		\$ 198,130	

**CHOCTAW COUNTY, OKLAHOMA
NOTE TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

INTERNAL CONTROL AND COMPLIANCE SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

TO THE OFFICERS OF
CHOCTAW COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Choctaw County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprises Choctaw County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 27, 2019.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2017, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of 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: 2017-001 and 2017-003.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2017-003.

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 are 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 the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

August 27, 2019

**CHOCTAW COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 2017-001 – County-Wide Controls (Repeat Finding 2007-002)

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

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

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design 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:

County Commissioner District 1: We will work on designing county-wide controls for Risk Assessment and Monitoring and include it in the County’s handbook.

County Commissioner District 2: We will be working on county-wide controls regarding Risk Assessment and Monitoring.

County Commissioner District 3: We will work on county-wide controls.

County Treasurer: I will try to do my part in implementing the procedures needed to ensure minimal risk for our County.

County Clerk: We are correcting this issue by utilizing OSAI Form 500 to document risk assessment and monitoring for the County.

Criteria: Internal control is an integral component of an organization’s management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

**CHOCTAW COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Risk Assessment is a component of internal control which should provide for an assessment of the risks the county faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating processes. Proper monitoring will ensure that controls continue to be adequate and function properly.

Finding 2017-003 – Internal Controls and Noncompliance Over the Disbursement Process

Condition: The test of sixty-five (65) disbursements reflected the following exceptions:

- Twenty-six (26) were not reviewed/authorized.
- Six (6) were not approved by the Board of County Commissioners.
- Three (3) were not encumbered before receiving goods or services.
- One (1) did not have supporting documentation attached to the purchase order; therefore, we were unable to verify if the disbursement was for the appropriate amount, the disbursement was charged to the proper period, or the encumbrance was made before receiving goods or services.
- One (1) was not charged to the proper period.

Cause of Condition: The County did not follow the policies and procedures designed by state statute regarding the purchasing process. Additionally, policies and procedures have not been designed and implemented to ensure disbursements are reviewed/authorized, approved by the BOCC, supporting documentation is retained, and charged to the proper period.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in unrecorded transactions, undetected errors, inaccurate records, incomplete information, or misappropriation of funds.

Recommendation: OSAI recommends the County implement internal control procedures to ensure compliance with the purchasing statutes.

Management Response:

County Clerk: I will try to get the other departments to comply with the purchasing state statute. Payroll reports are now being signed regularly.

**CHOCTAW COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Chairman of the Board of County Commissioners: We will work on making sure to manage and review all accounting functions. Also, we will implement procedures for internal control.

Criteria: Effective internal controls require that management properly implement procedures to ensure that purchases are made in compliance with 19 O.S. § 1505.

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

Finding 2017-004 – Internal Controls and Noncompliance Over Inmate Trust and Sheriff Commissary Funds

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

- The Inmate Trust Fund balance was not reconciled to the inmates’ ledger balance at June 30, 2017.
- Inmate unclaimed monies were transferred to the Sheriff Commissary Fund without follow proper unclaimed property procedures.
- The County Sheriff does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th, of each year.

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

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

Recommendation: OSAI recommends the following:

- Inmate Trust Fund 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.
- The Sheriff should file a report of the commissary with the County commissioners by January 15th, of each year.

Management Response:

County Sheriff: The Sheriff’s Office has implemented proper procedures to ensure that inmate balances are properly reconciled o the inmate trust fund. Unclaimed property procedures are not being followed for unclaimed inmate monies. The Commissary report will be filed with the County Commissioners by January 15, of each year.

**CHOCTAW COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Criteria: 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.

O·K·L·A·H·O·M·A
SAI
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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