



COAL COUNTY

Financial Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**COAL COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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OKLAHOMA
Office of the State Auditor & Inspector

Cindy Byrd, CPA | State Auditor & Inspector

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

December 4, 2023

TO THE CITIZENS OF
COAL COUNTY, OKLAHOMA

Transmitted herewith is the audit of Coal County, Oklahoma for the fiscal year ended June 30, 2021. 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 black ink that reads "Lisa Hodges". The signature is written in a cursive, flowing style.

LISA HODGES, CFE, CGFM
OKLAHOMA DEPUTY STATE AUDITOR & INSPECTOR

**COAL COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Board of County Commissioners

District 1 – Brock Jones
District 2 – Nick Lee
District 3 – Earnest “Buddy” Cottrell

County Assessor

Kandace Madden

County Clerk

Eugina Loudermilk

County Sheriff

Bryan Jump

County Treasurer

Gina McNutt

Court Clerk

LaDonna Flowers

District Attorney

Tim Webster

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
COAL 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 Coal County, Oklahoma, as of and for the year ended June 30, 2021, 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 Coal 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 Coal County as of June 30, 2021, 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 Coal County, as of and for the year ended June 30, 2021, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

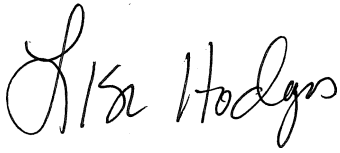
Our audit was conducted for the purpose of forming an opinion on the total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

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 November 15, 2023, on our consideration of Coal 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 Coal County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lisa Hodges". The signature is written in a cursive, flowing style.

LISA HODGES, CFE, CGFM
OKLAHOMA DEPUTY STATE AUDITOR & INSPECTOR

November 15, 2023

REGULATORY BASIS FINANCIAL STATEMENT

COAL COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Beginning Cash Balances July 1, 2020	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2021
County Funds:						
County General	\$ 219,989	\$ 1,496,748	\$ 300,000	\$ 250,000	\$ 1,493,684	\$ 273,053
County Highway Unrestricted	639,411	2,419,105	-	-	1,957,601	1,100,915
Resale Property	34,975	83,556	-	-	45,679	72,852
Health	503,952	291,361	-	-	211,800	583,513
Emergency Medical Service (EMS-522)-ST	40,143	55,425	-	-	37,606	57,962
Extension-ST	265,404	27,777	-	-	34,014	259,167
General Gov't-ST	7,193	155,984	28,400	-	121,241	70,336
Hospital-ST	30,218	461,796	-	-	445,244	46,770
Sheriff-ST	95,828	149,420	-	-	179,964	65,284
Solid Waste Management-ST	87,406	21,111	-	-	36,630	71,887
Rural Fire-ST	116,298	29,476	-	-	22,769	123,005
Senior Citizens-ST	166,268	23,443	-	-	38,134	151,577
Solid Waste Management	11,693	4,681	-	-	-	16,374
CDBG Home/Water Grant	600	6,251	-	-	5,729	1,122
County Donations	148,568	38,400	5,000	5,000	45,334	141,634
Sheriff Service Fee	108,197	106,284	-	-	149,789	64,692
Trash Cop	1,218	-	-	-	-	1,218
Treasurer Mortgage Certification	9,516	1,180	-	-	9,126	1,570
County Clerk Lien Fee	50,857	9,203	-	-	3,414	56,646
Assessor Revolving Fee	25,179	1,567	-	-	-	26,746
Use Tax-ST	388,361	601,758	-	-	484,183	505,936
County Sinking Fund	45	-	-	-	-	45
Hazard Mitigation	7,500	-	-	-	3,750	3,750
Emergency Management	18,398	24,071	-	-	12,485	29,984
Coal County Firefighters Association	1,333	-	-	-	270	1,063
Local Emergency Planning Committee	1,313	-	-	-	-	1,313
MD4 Cash Donation Health	1,294	-	-	-	-	1,294
County Bridge and Road Improvement	526,861	182,048	233,768	80,929	380,087	481,661
911 Phone Fees	34,124	69,641	-	-	72,165	31,600
Lodging Tax-ST	19,540	44	-	-	-	19,584
Reward Fund	62	-	-	-	-	62
County Clerk Records Management and Preservation	4,847	21,324	-	-	13,995	12,176
Courthouse Improvement-ST	643,648	68,905	468,028	339,023	75,896	765,662
USDA Community Facility Assistance Grant	28,400	-	-	28,400	-	-
Community Development Block Grants Revolving Fund	123,570	67,728	-	140,839	50,459	-
REAP 19-035	14,750	-	-	14,750	-	-
REAP 20-013	40,869	33,169	-	38,166	35,872	-
REAP 20-038	23,373	17,333	-	26,349	14,357	-
REAP 20-040	50,257	17,333	-	49,113	18,477	-
REAP 20-039	-	17,333	20,929	18,972	19,290	-
REAP 21-032	-	14,023	14,023	14,023	14,023	-
REAP 21-036	-	-	20,000	-	4,108	15,892
Rural Economic Action Plan Revolving Fund	-	-	40,000	-	8,000	32,000
Total - All County Funds	\$ 4,491,458	\$ 6,517,478	\$ 1,130,148	\$ 1,005,564	\$ 6,045,175	\$ 5,088,345

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

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Coal 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 the general operations of the government.

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

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

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

Emergency Medical Service (EMS-522)-ST – accounts for the collection of sales tax revenue. Disbursements are restricted for the purpose of operating the EMS District.

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Extension-ST – accounts for the collection of sales tax revenue. Disbursements are restricted for the purpose of operating the OSU Extension office and 4-H services.

General Gov't-ST – accounts for the collection of sales tax revenue. Disbursements are restricted for the purpose of general operations of the County.

Hospital-ST – accounts for the collection of sales tax revenue. Disbursements are restricted for the operation, maintenance, and improvement of Coal County General Hospital and public acute healthcare purposes.

Sheriff-ST – accounts for the collection of sales tax revenue. Disbursements are restricted for the purpose of operating the County Sheriff's office.

Solid Waste Management-ST – accounts for the collection of sales tax revenue. Disbursements are restricted for the purpose of the county solid waste facility.

Rural Fire-ST – accounts for the collection of sales tax revenue. Disbursements are restricted for the purpose of operating fire departments within the County.

Senior Citizens-ST – accounts for the collection of sales tax revenue. Disbursements are restricted for the purpose of operating senior citizen centers within the County.

Solid Waste Management – accounts for trash collection fees received from the public and disbursement of funds for the disposal of household trash collected in the dumpsters located at the County's recycling center.

CDBG Home/Water Grant – accounts for federal grant monies received and disbursed for the establishment of a rural water department, as restricted by the grant agreement with the Oklahoma Department of Commerce.

County Donations – accounts for funds donated to Coal County to be disbursed specifically for the purchase for which the donation was made.

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

Trash Cop – accounts for grant monies received and disbursed for the prevention and investigation of illegal trash dumping, as restricted by the grant agreement.

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

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

Use Tax-ST – accounts for the receipt of use tax from the Oklahoma Tax Commission and disbursed for the general operation of the County.

County Sinking Fund – accounts for debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

Hazard Mitigation – accounts for state and federal grant monies received and disbursed for the creation of a Hazard Mitigation Plan, as restricted by the grant agreement with the U.S. Department of Homeland Security.

Emergency Management – accounts for state and federal grant monies received and disbursed as restricted by the grant agreement.

Coal County Firefighters Association – accounts for annual dues collected prior to 2008 for a fire association comprised of eight (8) fire departments county-wide and disbursed for training and fire department supplies.

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

MD4 Cash Donation Health – accounts for donations to be disbursed for the general operations of the county health department.

County Bridge and Road Improvement – accounts for state receipts and disbursements are for the purpose of maintaining bridges and roads.

911 Phone Fees – accounts for the collection of an emergency telephone fee collected by local service providers for the operations of the enhanced emergency telephone system.

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

Reward Fund – accounts for the collection of fines issued by the County Sheriff's office for illegal trash dumping to be used for trash clean up and signs.

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

County Clerk Records Management and Preservation – accounts for a special fee collected on all documents filed of record in the County Clerk’s office. Disbursements are restricted to activities related to preservation of records in the County Clerk’s office.

Courthouse Improvement-ST – accounts for the collection of sales tax revenue. Disbursements are restricted for the purpose of improvements to the courthouse.

USDA Community Facility Assistance Grant – accounts for federal grant funds to construct, enlarge, extend, or otherwise improve community facilities providing essential services to rural residents.

Community Development Block Grants Revolving Fund – accounts for federal grant funds received from the Oklahoma Department of Commerce and disbursements are in accordance with the grant agreements.

REAP 19-035 – accounts for state revenue received for the purpose of economic development.

REAP 20-013 – accounts for state revenue received for the purpose of economic development.

REAP 20-038 – accounts for state revenue received for the purpose of economic development.

REAP 20-040 – accounts for state revenue received for the purpose of economic development.

REAP 20-039 – accounts for state revenue received for the purpose of economic development.

REAP 21-032 – accounts for state revenue received for the purpose of economic development.

REAP 21-036 – accounts for state revenue received for the purpose of economic development.

Rural Economic Action Plan Revolving Fund – accounts for state revenue received for the purpose of economic development.

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

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

in conformity with Title 19 O.S. § 171, which specifies the format and presentation of such regulatory basis financial statements: county governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

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

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County’s deposits. The amount of collateral securities to be 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

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 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.

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

C. Contingent Liabilities

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

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

D. Sales Tax

Sales Tax of November 6, 2012

On November 6, 2012, the voters of Coal County approved a permanent one percent (1%) sales tax effective April 1, 2013. This sales tax is for the operation, maintenance, and improvement of Coal County General Hospital and public acute healthcare purposes. These funds are accounted for within the Hospital-ST fund.

Sales Tax Of November 12, 2013

On November 12, 2013, the voters of Coal County approved the renewal and making permanent this one percent (1%) sales tax, beginning February 14, 2015. Proceeds of the tax are designated as follows: County General fund, 30%; County Sheriff and Security, 24%; OSU Extension and 4-H offices, 6%; Capital Improvements on county buildings, 14%; Emergency Medical Services (Ambulance), 12%; County Senior Citizens Centers, 5%; Rural Fire Departments, 6%; and Solid Waste and Recycling programs, 3%. These funds are accounted for in the following funds: County General, Courthouse Improvement-ST, Emergency Medical Service (EMS-522)-ST, Extension-ST, General Gov't-ST, Sheriff-ST, Solid Waste Management-ST, Rural Fire- ST, and Senior Citizens-ST.

E. Interfund Transfers

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

- \$300,000 was transferred from the Courthouse Improvement-ST fund to the County General fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$250,000 was transferred from the County General fund to the Courthouse Improvement-ST fund to repay temporary loans in accordance with 68 O.S. § 3021.
- \$28,400 was transferred from the USDA Community Facility Assistance Grant fund to the General Gov't-ST fund to repay a temporary loan in accordance with 68 O.S. § 3021.

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

- \$5,000 was transferred from the Courthouse Improvement-ST fund to the County Donations fund as a temporary loan.
- \$5,000 was transferred from the County Donations fund to the Courthouse Improvement-ST fund to repay a temporary loan in accordance with 68 O.S. § 3021.
- \$124,584 was transferred from the Emergency and Transportation Revolving Fund, a trust and agency fund, to the County Bridge and Road Improvement fund to repay loans used for bridge and road projects in the County.
- \$20,929 was transferred from the County Bridge and Road Improvement fund to the REAP 20-039 fund as a temporary loan.
- \$18,972 was transferred from the REAP 20-039 fund to the County Bridge and Road Improvement fund to repay a temporary loan in accordance with 68 O.S. § 3021.
- \$20,000 was transferred from the County Bridge and Road Improvement fund to the REAP 21-036 fund as a temporary loan.
- \$40,000 was transferred from the County Bridge and Road Improvement fund to the Rural Economic Action Plan Revolving fund as a temporary loan.
- \$25,129 was transferred from the REAP 20-040 fund to the County Bridge and Road Improvement fund for a prior year error correction.
- \$23,984 was transferred from the REAP 20-040 fund to the County Bridge and Road Improvement fund to repay a temporary loan in accordance with 68 O.S. § 3021.
- \$14,750 was transferred from the REAP 19-035 fund to the County Bridge and Road Improvement fund to repay a temporary loan in accordance with 68 O.S. § 3021.
- \$26,349 was transferred from the REAP 20-038 fund to the County Bridge and Road Improvement fund to repay a temporary loan in accordance with 68 O.S. § 3021.
- \$20,000 was transferred from the Courthouse Improvement-ST fund to the EMS-522 fund, a trust and agency fund, as a temporary loan.
- \$20,000 was transferred from the EMS-522 fund, a trust and agency fund, to the Courthouse Improvement-ST fund to repay a temporary loan in accordance with 68 O.S. § 3021.
- \$14,023 was transferred from the Courthouse Improvement-ST fund to the REAP 21-032 fund as a temporary loan.
- \$14,023 was transferred from the REAP 21-032 fund to the Courthouse Improvement-ST fund to repay a temporary loan in accordance with 68 O.S. § 3021.
- \$38,166 was transferred from the REAP 20-013 fund to the Courthouse Improvement-ST fund to repay a temporary loan in accordance with 68 O.S. § 3021.
- \$140,839 was transferred from the Community Development Block Grants Revolving Fund to the Courthouse Improvement-ST fund to repay temporary loans in accordance with 68 O.S. § 3021.

SUPPLEMENTARY INFORMATION

COAL COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund		
	Budget	Actual	Variance
County Sheriff	\$ 288,700	\$ 288,450	\$ 250
County Treasurer	88,800	88,245	555
County Commissioners	197,000	188,249	8,751
County Clerk	126,225	126,224	1
Boarding of Prisoners	15,300	15,641	(341)
Court Clerk	117,600	117,469	131
County Assessor	105,000	105,000	-
Visual Inspection	105,560	99,243	6,317
General Government	468,024	184,640	283,384
Excise - Equalization Board	4,000	2,840	1,160
County Election Expense	60,298	56,454	3,844
Insurance - Benefits	293,312	255,757	37,555
County Audit Budget Account	234,980	123,979	111,001
Total Expenditures, Budgetary Basis	\$ 2,104,799	\$ 1,652,191	\$ 452,608

COAL COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 838,208	\$ 257,258	\$ 580,950
Total Expenditures, Budgetary Basis	\$ 838,208	\$ 257,258	\$ 580,950

**COAL COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. Budgetary Schedules

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

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

INTERNAL CONTROL AND COMPLIANCE SECTION



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

TO THE OFFICERS OF
COAL 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 Coal County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Coal County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 15, 2023.

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, 2021, 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 Coal 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 Coal County's internal control. Accordingly, we do not express an opinion on the effectiveness of Coal County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the

deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2021-001, 2021-002, 2021-003, and 2021-004.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiency: 2021-005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coal 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*.

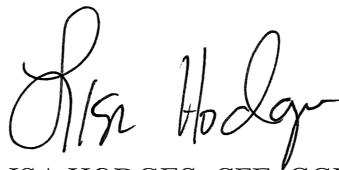
We noted certain matters regarding statutory compliance that we reported to the management of Coal County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Coal County's Response to Findings

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



LISA HODGES, CFE, CGFM
OKLAHOMA DEPUTY STATE AUDITOR & INSPECTOR

November 15, 2023

**COAL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 2021-001 – Lack of County-Wide Internal Controls (Repeat Finding – 2012-001, 2013-001, 2018-001, 2019-001, 2020-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed and implemented to address Control Environment, Risk Assessment, Information and Communication, and Monitoring.

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 address the importance of internal controls, 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: The County will work to develop policies and procedures and implement county-wide internal controls in order to monitor and protect the County from risks.

County Clerk: Internal controls will be addressed with all departments and we will work to develop adequate policies and procedures. Quarterly meetings will be held.

County Treasurer: We will work towards developing policies and procedures to implement for county-wide internal controls.

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

**COAL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Finding 2021-002 – Disaster Recovery Plan (Repeat Finding – 2010-002, 2012-002, 2013-002, 2018-002, 2019-002, 2020-002)

Condition: The following county offices do not have an up-to-date Disaster Recovery Plan:

- County Sheriff
- County Clerk
- County Assessor
- Court Clerk

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all officials properly update their Disaster Recovery Plan.

Effect of Condition: The failure to have a current, formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of an updated formal plan for each area could cause significant problems in ensuring that county business could continue uninterrupted.

Recommendation: OSAI recommends that each of the County offices continue to update and develop a Disaster Recovery Plan that addresses how critical information and systems within the office would be restored in the event of a disaster. The Disaster Recovery Plan should include the following:

**COAL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals, and program/system/user/documentation.
- Alternative work locations once IT resources are available.

In addition, OSAI recommends that all Disaster Recovery Plans be updated yearly and distributed to key personnel. To safeguard the document in times of disaster, a copy should be stored in a secure off-site location.

Management Response:

County Sheriff: I will work to develop/update our Disaster Recovery Plan and update it yearly. It will be distributed to key personnel and stored in a secure off-site location.

County Clerk: A Disaster Recovery Plan will be updated annually for the County Clerk's office.

County Assessor: I did not have a current, up-to-date, Disaster Recovery Plan for FY2021. To try and keep up with this better in the future, I now have myself and my 1st Deputy a list of things like this to do throughout the year. Prior to adding these same tasks to the 1st Deputy, only I kept up making sure these tasks were completed. With only 1 person keeping track, things can get easily missed. With two of us double checking each other we hope to be more diligent in making sure these tasks are completed.

Court Clerk: We will update our Disaster Recovery Plan every May.

Criteria: An important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a County being unable to function in the event of a disaster.

According to the standards of the Information Systems Audit and Control Association (CobiT Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains the following:

- Guidelines on how to use the recovery plan;
- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step by step execution;
- Training and/or awareness of individual and group roles in continuing plan;

**COAL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

- Listing of contracted service providers;
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals, and program/system/user documentation;
- Current names, addresses, telephone numbers of key personnel;
- Business resumption alternatives for all users for establishing alternative work locations once IT services are available.

Finding 2021-003 – Lack of Internal Controls Over the Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding - 2010-010, 2012-008, 2013-008, 2018-003, 2019-003, 2020-003)

Condition: All funds on the County Clerk’s appropriation ledger are not reconciled to the County Treasurer’s general ledger on a monthly basis.

Cause of Condition: Policies and procedures have not been designed and implemented regarding a monthly reconciliation of the County Clerk’s appropriation ledger to the County Treasurer’s general ledger for all county funds.

Effect of Condition: This condition resulted in undetected errors. During the audit period, there were errors in fund balances due to miscommunication or no communication between the County Clerk and the County Treasurer. These errors could have been detected in a timely manner if the County Clerk’s appropriation ledger was reconciled to the County Treasurer’s general ledger on a monthly basis for all cash funds. In addition, this condition could result in unrecorded transactions, misstated financial reports, and misappropriation of funds.

Recommendation: OSAI recommends management take steps to ensure reconciliations are performed between all funds presented on the County Clerk’s appropriation ledger and the County Treasurer’s general ledger on a monthly basis. Reconciliations should be reviewed and approved by someone other than the preparer and documentation of reconciliations should be maintained.

Management Response:

County Treasurer: The County Clerk and I are completing monthly balancing sheets. We do balance most accounts but some we do not. We will continue to work on those accounts.

County Clerk: I am working with the Treasurer to reconcile our accounts so we can balance monthly going forward.

Criteria: The GAO Standards – Principle 16 – Perform Monitoring Activities: 16.05 states in part:

Internal Control System Monitoring

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

**COAL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Finding 2021-004 – Lack of Segregation of Duties Over the Payroll Process (Repeat Finding - 2010-006, 2012-007, 2013-007, 2018-005, 2019-005, 2020-004)

Condition: The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregation of duties and/or compensating internal controls over the payroll process.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends management be aware of this condition and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions.

Management Response:

County Clerk: I will strive to enact a segregation of duties regarding the payroll process.

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

Segregation of Duties

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

Additionally, Principle 10 - Segregation of Duties states:

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

10.13 - Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely

**COAL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

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

Finding 2021-005 – Lack of Internal Controls Over Information Technology – County Clerk and County Treasurer (Repeat Finding – 2010-003, 2012-003, 2013-003, 2018-006, 2019-006, 2020-005)

Condition: Upon review of the computer systems within the office of the County Clerk and County Treasurer, it was noted that there does not appear to be adequate internal controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Cause of Condition: Policies and procedures have not been designed and implemented to prevent unauthorized access to data.

Effect of Condition: This condition could result in compromised security for computers, computer programs, and data.

Recommendation: OSAI recommends the County comply with best practices presented in the criteria. The specifics of the recommendation have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

County Clerk: Our office will strive to ensure adequate internal controls over IT.

County Treasurer: I have corrected this issue. (The specifics of the management response have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.)

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support Ds5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

**COAL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 2021-015 – Lack of Internal Controls and Noncompliance Over Bids and the Public Competitive Bidding Act of 1974 (PCBA)

Condition: Public construction contracts should be let according to the Public Competitive Bidding Act of 1974 (PCBA). During our review of purchase orders and bid files, the following exceptions were noted:

- The County awarded a bridge project to Circuit Engineering District #4 (CED-4) without following PCBA.
- CED-4 was allowed to utilize the six-month bid list for materials.
- There is no bid on file and the total project costs exceeded \$50,000.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure bids for public construction are made in compliance with the PCBA.

Effect of Condition: These conditions resulted in noncompliance with state statute, and could result in inaccurate records, incomplete information, or a misappropriation of assets.

Recommendation: OSAI recommends the County comply with state statute 61 O.S. § 103 by implementing procedures to ensure that all applicable construction projects are awarded under the PCBA and that all requirements of the PCBA have been met.

Management Response:

Chairman of the Board of County Commissioners: Coal County will work harder to ensure the proper bidding requirements are followed for PCBA projects.

County Clerk: Procedures will be implemented to ensure the County complies with proper PCBA requirements.

Criteria: The GAO Standards – Section 2 – Establishing an Effective Internal Control System – 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.

**COAL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Title 61 O.S. § 103 (A) states, “Unless otherwise provided by law, all public construction contracts exceeding Fifty Thousand Dollars (\$50,000.00) shall be let and awarded to the lowest responsible bidder, by open competitive bidding after solicitation for sealed bids, in accordance with the provisions of the Public Competitive Bidding Act of 1974. No work shall be commenced until a written contract is executed and all required bonds and insurance have been provided by the contractor to the awarding public agency.”

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



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