



COTTON COUNTY

Financial Report

For the fiscal year ended June 30, 2024

Cindy Byrd, CPA
State Auditor & Inspector

**COTTON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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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

April 4, 2025

TO THE CITIZENS OF
COTTON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cotton County, Oklahoma for the fiscal year ended June 30, 2024. 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,

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**COTTON COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Board of County Commissioners

District 1 – Vacant
District 2 – Ricky Vardell
District 3 – Milton Honeycutt

County Assessor

Virginia Brasier

County Clerk

Joseph Schappert

County Sheriff

Tim King

County Treasurer

Tammy Simpson

Court Clerk

Terry Kelley

District Attorney

Kyle Cabelka

**COTTON COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
COTTON COUNTY, OKLAHOMA

Report on the Audit of the Financial Statement

Opinion

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Cotton County, Oklahoma, as of and for the year ended June 30, 2024, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the regulatory basis total receipts, disbursements, and changes in cash balances for all county funds of Cotton County, as of and for the year ended June 30, 2024, in accordance with the financial reporting provisions of Title 19 O.S. § 171 of Oklahoma Statutes described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles (U.S. GAAP) section of our report, the financial statement referred to above does not present fairly, in accordance with U.S. GAAP, the financial position of Cotton County as of June 30, 2024, or changes in financial position for the year then ended.

Basis for Opinions

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

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

As described in Note 1, the financial statement is prepared by Cotton County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than U.S. GAAP to meet the requirements of the State of Oklahoma. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and U.S. GAAP, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting prescribed or permitted by Oklahoma state law, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cotton County's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cotton County's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2025, on our consideration of Cotton 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 Cotton County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 24, 2025

REGULATORY BASIS FINANCIAL STATEMENT

COTTON COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Beginning Cash Balances July 1, 2023	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2024
County Funds:				
County General	\$ 577,945	\$ 1,787,100	\$ 1,694,075	\$ 670,970
County Highway Unrestricted	2,260,843	2,187,008	2,113,207	2,334,644
County Bridge and Road Improvement	1,133,950	268,133	229,903	1,172,180
911 Phone Fees	1,910	9,906	11,816	-
Assessor Revolving Fee	7,321	1,880	225	8,976
Computer Assisted Mass Appraisals	89	-	-	89
County Clerk Lien Fee	11,109	5,499	3,399	13,209
County Clerk Records Management and Preservation Fund	47,509	11,678	11,467	47,720
Court Clerk Payroll	4,405	127,583	111,296	20,692
Emergency Management	44,467	56,828	66,940	34,355
Free Fair Board	17,783	10,503	10,160	18,126
Health	168,100	114,976	124,734	158,342
Local Emergency Planning Committee	6,000	-	-	6,000
Resale Property	211,957	80,205	63,901	228,261
Reward Fund	2,038	-	-	2,038
Sheriff Commissary	9,516	20,213	19,599	10,130
Sheriff Forfeiture	71	-	-	71
Sheriff Service Fee	52,519	229,514	213,151	68,882
Treasurer Mortgage Certification	1,675	965	250	2,390
County Donations	62,310	5,049	63,647	3,712
Indigent Care	60,858	10,200	4,956	66,102
American Rescue Plan Act 2021	395,501	315	84,518	311,298
LATCF	50,030	50,087	-	100,117
Free Fair Premium	3,159	350	2,733	776
Total - All County Funds	\$ 5,131,065	\$ 4,977,992	\$ 4,829,977	\$ 5,279,080

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

**COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Cotton 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 service districts, 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 revenue derived mostly from ad valorem tax as directed by the Oklahoma Constitution and state statutes. Other revenue includes fees, in-lieu taxes, and other miscellaneous collections. Disbursements are for general operations of the County.

County Highway Unrestricted – accounts for revenue from motor fuel and motor vehicle taxes and is designated for those activities associated with building and maintaining county roads and bridges.

County Bridge and Road Improvement – accounts for collections from fuel and gas taxes collected by Oklahoma Tax Commission and disbursements are for the purpose of constructing and maintaining county bridges and roads.

911 Phone Fees – accounts for fees collected by phone service providers in accordance with state statute to support 911 emergency operations.

**COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Assessor Revolving Fee – accounts for the collection of fees for copies as restricted by state statute.

Computer Assisted Mass Appraisals – accounts for the collection and disbursement of monies by the Assessor as restricted by state statute for the visual inspection program.

County Clerk Lien Fee – accounts for revenue generated from filing and copy fees. Proceeds to be expended as restricted by state statute.

County Clerk Records Management and Preservation Fund – accounts for fees collected for instruments filed in the County Clerk's office. Expenditures are restricted to activities related to preservation of records in the County Clerk's office.

Court Clerk Payroll – accounts for funds from the Court Fund for compensation of the District Court employees.

Emergency Management – accounts for revenue from state or federal grants for the purpose of providing the County emergency management services.

Free Fair Board – accounts for revenue from advertising, rentals, and concessions during the County free fair, livestock shows, and agricultural demonstrations held at the County fairgrounds. This revenue is used for premiums and other costs of hosting those events.

Health – accounts for ad valorem tax collections and fees for services collected, disbursements are for the operation of the County Health Department.

Local Emergency Planning Committee – accounts for legislative appropriations to assist local emergency planning committees in the development of an emergency plan in accordance with the requirements of Title III of the Federal Superfund Amendments and Reauthorization Act.

Resale Property – accounts for interest and penalties assessed on delinquent ad valorem tax payments as well as proceeds of selling real property in the County which has remained delinquent in ad valorem tax payments for three years. The fund is utilized by the County Treasurer for offsetting the costs associated with the collection of delinquent ad valorem taxes.

Reward Fund – accounts for revenue provided by fines assessed upon persons convicted of illegal dumping of trash, debris, waste, or other substances that may cause fire on public or private property. The Board of County Commissioners may use this fund to offer and pay a reward to individuals offering information that leads to an arrest and conviction. The fund may also be used for special enforcement programs related to investigating and/or preventing littering and illegal dumping.

Sheriff Commissary – accounts for profits on commissary sales in the County jail. Disbursements are for jail operations as defined by state statute.

**COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Sheriff Forfeiture – accounts for proceeds from the sale of property seized by law enforcement as ordered by the court. The fund is used for law enforcement purposes and/or drug prevention and eradication.

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.

Treasurer Mortgage Certification – accounts for fees collected by the County Treasurer for evaluating mortgages or other liens upon real property filed with the county for the purpose of collateralizing debt. The fund is used for lawful operation of the County Treasurer's office.

County Donations – accounts for donations to the county from private donors to be disbursed for a specified purpose and approved Board of County Commissioners' resolution.

Indigent Care – accounts for the collection of rental revenue of farms donated to the County and disbursements for the needy of the County as determined by the Board of County Commissioners.

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

LATCF – Local Assistance and Tribal Consistency Fund (LATCF) – accounts for federal funding made available through the American Rescue Plan Act of 2021 to be used in the same manner as other locally generated revenue.

Free Fair Premium – accounts for monies collected from donations for the payment of premiums to livestock and 4H projects participants.

C. Basis of Accounting

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

Title 19 O.S. § 171 allows Oklahoma counties to present their financial statement in accordance with U.S. GAAP or on a regulatory basis. The County has elected to present their financial

**COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

D. Budget

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

E. Cash and Investments

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

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

**COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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.

**COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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 March 1, 1984

The voters of Cotton County approved a one percent sales tax for general operations and county roads on February 7, 1984. The sales tax is for an unlimited duration and became effective March 1, 1984. These funds are accounted for within the County General fund.

Sales Tax of July 1, 2015

The voters of Cotton County approved a permanent county sales tax of three-fourths (3/4) of one cent through a special election on March 3, 2015, in addition to any and all existing sales tax, provided that the revenues from such tax be allocated and used for the purpose of support in maintaining, continuing, equipping and purchasing of Cotton County, Oklahoma operations. These operations include, but are not limited to, maintenance and/or construction of buildings or facilities, equipment purchases, personnel salaries, property maintenance and upkeep, road and bridge maintenance, and daily operations of Cotton County, Oklahoma. These funds are accounted for within the County General fund.

Sales Tax of July 1, 2018

The voters of Cotton County approved a one-quarter (1/4) of one cent sales tax to conduct the educational services of the Cotton County Cooperative Extension Program and one-eighth (1/8) of the one-quarter (1/4) of one cent sales tax to be used to maintain the Cotton County Free Fair Board, Ag Arena and Expo Center on June 26, 2018, and became effective July 1, 2018, for an unlimited duration. These funds are accounted for within the County General fund.

SUPPLEMENTARY INFORMATION

COTTON COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	General Fund		
	Budget	Actual	Variance
Sheriff	\$ 141,786	\$ 137,577	\$ 4,209
Treasurer	98,059	91,578	6,481
County Clerk	122,290	118,509	3,781
Court Clerk	88,425	88,222	203
Assessor	93,959	92,431	1,528
Visual Inspection	114,293	98,605	15,688
General Government	250,062	190,394	59,668
Excise Equalization	6,250	4,843	1,407
Election Board	69,813	68,096	1,717
Emergency Management	40,316	40,026	290
County Audit Budget	1	-	1
Sheriff-ST	257,314	255,921	1,393
OSU Extension-ST	126,270	83,121	43,149
General Government-ST	186,634	141,495	45,139
Insurance/Benefits-ST	328,590	308,128	20,462
County Audit Budget-ST	12,829	-	12,829
Free Fair Board-ST	21,030	13,657	7,373
Total Expenditures, Budgetary Basis	<u>\$ 1,957,921</u>	<u>\$ 1,732,603</u>	<u>\$ 225,318</u>

COTTON COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 247,512	\$ 119,816	\$ 127,696
Total Expenditures, Budgetary Basis	\$ 247,512	\$ 119,816	\$ 127,696

**COTTON COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

1. Budgetary Schedules

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

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

INTERNAL CONTROL AND COMPLIANCE SECTION



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

TO THE OFFICERS OF
COTTON COUNTY, OKLAHOMA

We have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Cotton County, Oklahoma, as of and for the year ended June 30, 2024, and the related notes to the financial statement, which collectively comprise Cotton County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 24, 2025.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County as of and for the year ended June 30, 2024, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Cotton 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 Cotton County's internal control. Accordingly, we do not express an opinion on the effectiveness of Cotton 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: 2024-001 and 2024-004.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cotton 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2024-004.

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

Cotton County's Response to Findings

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

Purpose of this Report

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 24, 2025

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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 2024-001 – Lack of County-Wide Internal Controls (Repeat Finding – 2023-001)

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

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

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement policies and procedures to document their internal control framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps taken to properly communicate pertinent information in a timely manner and the methodology to monitor 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 Board of County Commissioners (BOCC) will work towards assessing and identifying risks to design written county-wide 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.

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.

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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 2024-004 – Lack of Internal Controls and Noncompliance Over the Disbursement and Payroll Processes (Repeat Finding – 2023-004)

Condition: Upon inquiry and observation of the payroll process, we noted the following:

- The County Clerk does not have adequate segregation of duties over payroll 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 processing a transaction.

Further, in the testing of sixty-one (61) disbursements, we noted the following:

- Eight (8) disbursements totaling \$106,494 were not properly encumbered in accordance with state statute.
- One (1) disbursement totaling \$10,972 did not have adequate documentation to support the amount disbursed.
- One (1) disbursement totaling \$3,054 was not signed by the requisitioning officer.
- One (1) disbursement totaling \$733 did not include the signature of the County Clerk or the Deputy approving the encumbrance against the appropriation account.
- One (1) timesheet was not signed by both the employee and supervisor for the office of the County Sheriff.

Cause of Condition: Policies and procedures have not been designed and implemented to strengthen internal controls and ensure compliance with state statute.

Effect of Condition: These conditions resulted in noncompliance with state statute which could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**COTTON COUNTY, OKLAHOMA
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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. OSAI further recommends the County implement a system of internal controls over the disbursement and payroll processes. Such controls should include ensuring funds are encumbered prior to the receipt of goods and/or services in accordance with 19 O.S. § 1505 and implementing a review process with adequate documentation to support the review.

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners will express to fellow County officials the importance of County funds being encumbered prior to the receipt of goods and/or services. We will also ensure that all purchase orders have adequate documentation attached and are signed by the requisitioning officer prior to approval.

County Clerk: We will work to segregate duties over the payroll process as well as ensure that purchase orders are properly completed and signed.

County Sheriff: I will ensure that all timesheets are signed by the employee and myself.

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

**COTTON COUNTY, OKLAHOMA
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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.

The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Further, effective internal controls require that management properly implement procedures to ensure that purchases comply 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 2024-012 – Lack of Internal Controls Over the Inmate Trust Fund Checking Account (Repeat Finding)

Condition: Upon inquiry and observation of the Inmate Trust Fund Checking Account, the County Sheriff Commissary Fund and the Board of Prisoners report, it was noted that the County Sheriff 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 processing a transaction.

Further, an examination of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund reflected the following:

- One individual is responsible for preparing the deposit slip, depositing funds, and reconciling the account with no review by a second individual.
- Deposits are not made daily into the Inmate Trust Fund Checking Account.
- Inmate resident balances are not reconciled to the Inmate Trust Fund Checking Account.
- The County Sheriff did not prepare or file an annual Sheriff Commissary report with the Board of County Commissioners by January 15th.
- The County Sheriff did not prepare or file an annual Sheriff Board of Prisoners report with the Board of County Commissioners by January 15th.
- The County Sheriff did not prepare or file an annual Sheriff Commissary report with the Board of County Commissioners by January 15th.

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Cause of Condition: Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and the required annual reporting for the Sheriff Commissary fund and the Board of Prisoners.

Effect of Condition: These conditions resulted in noncompliance with state statutes, laws, and regulations. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of undetected errors and possible misappropriation of funds. These conditions could also result in a liability to the County.

Recommendation: OSAI recommends the following:

- Management be aware of these conditions and realize that a concentration of duties and responsibilities is not desired from a control point of view. Management should provide segregation of duties so that no one employee is able to perform all accounting functions.
- Receipts should be deposited daily and reconciled to the deposit by someone other than the preparer in the Inmate Trust Fund Checking Account.
- Inmate balances be reconciled to the Inmate Trust Fund Checking Account monthly.
- An annual report of Sheriff Board of Prisoners should be prepared and filed with the BOCC by January 15 in accordance with 19 O.S. § 180.43A.
- An annual report of Sheriff Commissary should be prepared and filed with the BOCC by January 15 in accordance with 19 O.S. § 180.43D.

Management Response:

County Sheriff: We will work towards implementing review processes to document the segregation of duties and to make daily deposits of all monies collected as well as reconcile the inmate balances to the Inmate Trust Fund Checking Account. We now preparing and submit yearly reports to the Board of County Commissioners by January 15 each year and ensure the yearly Commissary Report reconciles to the County Treasurer general ledgers.

Criteria: The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

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.

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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.

Title 19 O.S. § 180.43A states in part, “Each county sheriff may contract with any public or private entity engaged in the business of transportation of prisoners, the Department of Justice of the United States of America, the Department of Corrections, or any municipality of this state for the feeding, care, housing, and upkeep of federal, state, or municipal prisoners, or alien detainees incarcerated in the county jail... The sheriff shall file an annual report with the board of county commissioners no later than January 15 of each year. The State Auditor and Inspector shall conduct an audit of the report as on other public records of the county.

Title 19 O.S. § 180.43D states in part, “Each county sheriff may operate...a commissary for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year...”

Title 19 O.S. § 531 states in part, “A. Notwithstanding any other provisions of law, the county sheriff may establish a checking account, to be designated the “Inmate Trust Fund Checking Account”, to be managed by the county sheriff and maintained separately from regular county funds. The checking account shall be subject to audit by the State Auditor and Inspector. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge...”

Title 19 O.S. § 682 states in part, “It shall be the duty of each and every county officer...to deposit daily...all monies...of every kind received or collected by virtue or under color of office...”



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