



# JOHNSTON COUNTY

## Financial Report

For the fiscal year ended June 30, 2020

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

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

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**OKLAHOMA**  
Office of the State Auditor & Inspector

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

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June 30, 2022

TO THE CITIZENS OF  
JOHNSTON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Johnston County, Oklahoma for the fiscal year ended June 30, 2020. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

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

Sincerely,

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

**JOHNSTON COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**Board of County Commissioners**

District 1 – Jacky Hallmark  
District 2 – Mike Thompson  
District 3 – T. J. Clements

**County Assessor**

Guyla Hart

**County Clerk**

Kathy Ross

**County Sheriff**

Jon Smith

**County Treasurer**

Rana Smith

**Court Clerk**

Cassandra Slover

**District Attorney**

Craig Ladd

**JOHNSTON COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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## **FINANCIAL SECTION**



## **Independent Auditor's Report**

TO THE OFFICERS OF  
JOHNSTON 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 Johnston County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described in Note 1, the financial statement is prepared by Johnston 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 Johnston County as of June 30, 2020, or changes in financial position for the year then ended.

### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the total receipts, disbursements, and changes in cash balances for all county funds of Johnston County, as of and for the year ended June 30, 2020, in accordance with the basis of accounting described in Note 1.

### ***Other Matters***

#### ***Supplementary Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2022, on our consideration of Johnston 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 Johnston County's internal control over financial reporting and compliance.

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

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

June 13, 2022

## **REGULATORY BASIS FINANCIAL STATEMENT**

**JOHNSTON COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Beginning Cash Balances July 1, 2019	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
County Funds:						
County General	\$ 3,118,326	\$ 3,350,581	\$ -	\$ 28,976	\$ 2,751,821	\$ 3,688,110
County Highway Unrestricted	1,701,212	2,586,439	-	-	2,183,692	2,103,959
Resale Property	89,642	120,715	14,986	-	117,323	108,020
Health	720,456	436,178	-	-	314,897	841,737
Sheriff Service Fee	138,470	114,823	-	-	159,506	93,787
911 Phone Fees	371,218	130,300	-	-	123,927	377,591
Jail Sales Tax	141,816	259,336	-	-	224,708	176,444
Rural Fire Sales Tax	480,140	259,782	-	-	228,565	511,357
County Sinking	881	1	-	-	-	882
Sheriff Training	30,610	-	-	-	2,243	28,367
Treasurer Mortgage Certification Fee	5,437	1,360	-	-	4,540	2,257
County Clerk Lien Fee	6,027	3,953	-	-	5,077	4,903
Assessor Revolving Fee	2,349	1,606	-	-	413	3,542
Sheriff Forfeiture	6,626	-	-	-	-	6,626
Free Fair Building	685	-	-	-	679	6
County Donations	500	21,450	-	-	-	21,950
County Clerk Records Management	24,017	15,990	-	-	9,747	30,260
Jail	2,354	339	-	-	181	2,512
Sheriff Commissary	14,250	12,123	-	-	14,224	12,149
County Bridge and Road Improvement	1,640,679	274,451	-	-	100,901	1,814,229
Lodging Sales Tax	998	8,406	-	-	8,855	549
Court Clerk Payroll	6,506	119,869	13,990	-	134,729	5,636
1/2 Cent Sales Tax Emergency Committee	337,286	519,015	-	-	282,573	573,728
Community Development Block Grant	-	443,929	-	-	443,929	-
Local Emergency Planning Committee	11,239	1,000	-	-	4,617	7,622
State Criminal Alien Assistance Program	-	998	-	-	220	778
<b>Total - All County Funds - As Restated</b>	<b>\$ 8,851,724</b>	<b>\$ 8,682,644</b>	<b>\$ 28,976</b>	<b>\$ 28,976</b>	<b>\$ 7,117,367</b>	<b>\$ 10,417,001</b>

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

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

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

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

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

**B. Fund Accounting**

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

During the fiscal year ended June 30, 2019, the County converted to a new chart of accounts which changed several fund names and descriptions, the County continued to change fund names during fiscal year ended June 30, 2020. However, these further changes do not reflect a change in the sources and uses of revenues over the prior fiscal year.

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

County General – accounts for the general operations of the government.

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

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

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

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

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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 telephone cards and disbursements as restricted by state statute.

911 Phone Fees – accounts for the collection of fees imposed on users within the County and disbursed for the operations of the emergency 911 services.

Jail Sales Tax – accounts for sales tax collections and the disbursement of funds as restricted by the sales tax ballot approved by the voters of Johnston County.

Rural Fire Sales Tax – accounts for sales tax collections to be disbursed specifically for operations of rural fire departments in accordance with the sales tax ballot approved by the voters of Johnston County.

County Sinking – 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. Currently, the County has no outstanding debt.

Sheriff Training – accounts for monies generated as a result of the sale of unclaimed property and the disbursement of the funds as restricted by state statute.

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

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

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

Sheriff Forfeiture – accounts for the collection of monies of the Sheriff's percentage of drug forfeitures and disbursements are used for drug prevention, education, and awareness.

Free Fair Building – accounts for grant money received and disbursed for the construction of a new fair barn.

County Donations – accounts for funds donated to Johnston County to be disbursed specifically for which the donations were made.

County Clerk Records Management – accounts for fees collected for instruments filed in the County Clerk's office as restricted by state statute for preservation of records.

Jail – accounts for bond fees collected by the Sheriff's office and the disbursement of funds as restricted by state statute.

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

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

County Bridge and Road Improvement – accounts for funds received from the Oklahoma Department of Transportation and disbursements are restricted by state statutes for the purpose of constructing and maintaining county roads and bridges.

Lodging Sales Tax – accounts for the collection of lodging tax revenue and the disbursement of funds as restricted by the sales tax ballot.

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

1/2 Cent Sales Tax Emergency Committee – accounts for the collection of a half-cent sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

Community Development Block Grant – accounts for federal grant funds received and disbursed as restricted by grant requirements.

Local Emergency Planning Committee – accounts for state grant funds received and disbursed as restricted by grant requirements.

State Criminal Alien Assistance Program – accounts for federal grant funds received and disbursed as restricted by grant requirements.

**C. Basis of Accounting**

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

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

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

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**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 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."

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

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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.

**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.



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

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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**

The voters of Johnston County approved a renewal of the 0.25% sales tax with an unlimited duration on July 11, 2017, beginning January 1, 2018. Seventy-five percent (75%) of the sales tax proceeds are to be used solely for the purpose of purchasing and/or leasing of equipment and supplies, general operations including fuel, utilities, insurance, maintenance, training, construction of new buildings or improvements made to existing buildings, purchase and/or leasing vehicles, personal protective equipment, and communication equipment; said proceeds to be divided equally between the fire departments of Johnston County; with 12.5% of the proceeds of said tax to be deposited in an account designated for the fire chiefs for emergency use; and 12.5% of the proceeds of said tax going into the general account for the commissioners of said county to be used at their discretion for the benefit of Johnston County fire departments. These funds are accounted for in the Rural Fire Sales Tax fund.

**Sales Tax of January 8, 2013**

The voters of Johnston County approved a .25% sales tax on January 8, 2013. The sales tax was established to provide revenue for the maintenance and operation of the facility to house prisoners in Johnston County, Oklahoma. The sales tax is for a period of ten (10) years beginning April 1, 2013 and expiring March 31, 2023. These funds are accounted for in the Jail Sales Tax fund.

**Sales Tax of August 26, 2014 Renewed April 2, 2019**

The voters of Johnston County approved a 1% sales tax on August 26, 2014. The sales tax is for a period of five (5) years beginning January 1, 2015 and ending December 31, 2019. The sales tax was established to provide revenue for: 6% Emergency Services City & Rural Fire Protection; 8% Ambulance Service; 4% Civil Defense; 1% Sheriff's Reserves; 1% General to Emergency Services; 8% Community Services OSU Extension and 4-H; 1% Counseling, Inc.; 2% County Free Fair; 4% Senior Citizens; 2% General to Community Services; 16% County Government Courthouse Maintenance and Operation; 40% Support to County Offices; and 7% General to County Government. These funds are accounted for in the County General fund.

**Sales Tax of April 2, 2019**

The voters of Johnston County approved a continuation of the 1% sales tax on April 2, 2019. The sales tax is for a period of seven (7) years beginning January 1, 2020 and ending December 31, 2026. The sales tax was established to provide revenue for: 6% Emergency Services City & Rural Fire Protection; 8% Ambulance Service; 4% Civil Defense; 1% Sheriff's Reserves; 1% General to

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

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Emergency Services; 8% Community Services OSU Extension and 4-H; 1% Counseling, Inc.; 2% County Free Fair; 4% Senior Citizens; 2% General to Community Services; 16% County Government Courthouse Maintenance and Operation; 40% Support to County Offices; and 7% General to County Government. These funds are accounted for in the County General fund.

**Sales Tax of January 9, 2018**

The voters of Johnston County approved a .50% sales tax on January 9, 2018. The sales tax is for a period of five (5) years beginning February 1, 2018 and ending January 31, 2023. The sales tax was implemented in Johnston County, for the purpose of paying salaries and benefits for employees and operations of a County Wide Emergency Communications Department for all law enforcement, fire, medical, rescue, and all other necessary emergency agencies associated with Johnston County Emergency dispatching services for the citizens of Johnston County. These funds are accounted for in the 1/2 Cent Sales Tax Emergency Committee fund.

**Lodging Tax of January 13, 2015**

The voters of Johnston County passed a lodging tax on January 13, 2015, of 5% per room, per night derived from the occupancy of hotel, motel, and lodge rooms to be used for the purpose of economic development. The revenue is remitted directly to the Johnston County Industrial Authority. These funds are accounted for in the Lodging Sales Tax fund.

**E. Interfund Transfers**

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

- \$28,976 was transferred from the County General fund, by the Board of County Commissioners' (BOCC) resolution for the purpose of funding payroll increases, to the following:
  - \$14,986 to the Resale Property fund, and
  - \$13,990 to the Court Clerk Payroll fund.

**F. Restatement of Fund Balance**

During the fiscal year, the County had a reclassification of funds. Drug Court was reclassified as a Trust and Agency fund.

Prior year ending balance, as reported	\$8,860,856
Funds reclassified as Trust and Agency Fund:	
Drug Court reclassified from a	
County Fund to a Trust and Agency fund	<u>(9,132)</u>
Prior year ending balance, as restated	<u>\$8,851,724</u>

## **SUPPLEMENTARY INFORMATION**

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

	General Fund		
	Budget	Actual	Variance
District Attorney County	\$ 13,000	\$ 10,980	\$ 2,020
County Sheriff	390,321	360,610	29,711
County Treasurer	82,881	82,880	1
County Commissioners	242,320	238,201	4,119
County Clerk	112,881	112,880	1
Court Clerk	82,881	82,880	1
County Assessor	84,081	84,080	1
Revaluation of Real Property	338,430	203,354	135,076
General Government	714,098	98,853	615,245
Excise-Equalization Board	4,000	2,150	1,850
County Election Board	54,061	56,506	(2,445)
Insurance Benefits	272,228	269,995	2,233
Sales Tax:			
Fire	228,399	61,953	166,446
EMS	86,566	86,566	-
General Emergency Services	41,102	11,017	30,085
Civil	144,119	46,104	98,015
Sheriff	62,366	46,351	16,015
4-H	72,077	15,234	56,843
Counseling	236,009	-	236,009
Free Fair	52,357	11,715	40,642
General Community Services	294,300	31,007	263,293
Senior Citizens	249,174	15,516	233,658
Courthouse R&M	189,819	148,419	41,400
County Offices	665,809	391,103	274,706
General County Government	104,073	79,659	24,414
County Audit Budget Account	19,228	1,029	18,199
Total Expenditures, Budgetary Basis	<u>\$ 4,836,580</u>	<u>\$ 2,549,042</u>	<u>\$ 2,287,538</u>

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

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	Health Fund		
	Budget	Actual	Variance
Health and Welfare	921,495	376,926	\$ 544,569
Total Expenditures, Budgetary Basis	<u>\$ 921,495</u>	<u>\$ 376,926</u>	<u>\$ 544,569</u>

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

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**1. Budgetary Schedules**

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

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

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



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

TO THE OFFICERS OF  
JOHNSTON 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 Johnston County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprise Johnston County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 13, 2022.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County as of and for the year ended June 30, 2020, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered Johnston 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 Johnston County's internal control. Accordingly, we do not express an opinion on the effectiveness of Johnston 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: 2020-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Johnston 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*.

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

Johnston County's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Johnston County's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

June 13, 2022

**JOHNSTON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

**Finding 2020-001 – Lack of County-Wide Internal Controls and Disaster Recovery Plan (Repeat Finding - 2008-003, 2013-001, 2018-001, 2019-001)**

**Condition:** While assessing the county-wide internal controls the following weaknesses were noted:

- County-wide internal controls regarding Risk Assessment and Monitoring have not been designed and implemented.
- The County Assessor and County Sheriff have not designed a Disaster Recovery Plan over information systems operating within each office.

**Cause of Condition:** Policies and procedures have not been designed and implemented to address Risk Assessment and Monitoring in the County or to ensure that all offices have an updated Disaster Recovery Plan.

**Effect of Condition:** These conditions do not allow the County to function in the most effective manner possible. Additionally, without written documentation of the county-wide controls it is more difficult to retain organizational knowledge, communicate that knowledge to personnel, indicate what internal controls are present, and monitor those controls. Further, these conditions could also result in the loss of data, the unreliability of data, and increase the risk that the County may not recover from an emergency and/or disaster.

**Recommendation:** The Oklahoma State Auditor and 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.

OSAI further recommends all officials have a formal Disaster Recovery Plan for their office in order to maintain operations in the event of a disaster.

**Management Response:**

**Chairman of the Board of County Commissioners:** We are aware of the condition and will work toward assessing and identifying risks to design written county-wide controls. The Board of County Commissioners will set up quarterly meetings with all elected officials to discuss and take action regarding Risk Assessment and Monitoring.

**JOHNSTON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**County Assessor:** This has been corrected and the 2021-2022 plan is on file with the County Clerk.

**County Sheriff:** We will work to design a written Disaster Recovery Plan and file it with the County Clerk.

**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.

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.

**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.**

None reported.



Cindy Byrd, CPA | State Auditor & Inspector

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