



JOHNSTON COUNTY

Financial Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**JOHNSTON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

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

January 11, 2021

TO THE CITIZENS OF
JOHNSTON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Johnston County, Oklahoma for the fiscal year ended June 30, 2018. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first letters of the first and last names being capitalized.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**JOHNSTON COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Board of County Commissioners

District 1 – Roy Wayne Blevins
District 2 – Mike Thompson
District 3 – Melvin Farmer

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, 2018**

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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 combined 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, 2018, 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, 2018, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Johnston County, for the year ended June 30, 2018, 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 combined 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 December 14, 2020, 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

December 14, 2020

REGULATORY BASIS FINANCIAL STATEMENT

JOHNSTON COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:						
County General Fund	\$ 1,822,774	\$ 2,441,503	\$ -	\$ 6,940	\$ 2,173,296	\$ 2,084,041
County Highway Fund	1,422,583	2,378,231	6,940	-	2,025,718	1,782,036
Resale Property	74,314	89,439	-	-	70,888	92,865
County Health	442,532	449,387	-	-	245,844	646,075
Sheriff Cash Fund	93,759	193,566	-	-	181,520	105,805
Emergency 911	442,258	135,214	-	-	92,387	485,085
Jail 1/4 Cent Sales Tax	83,297	215,453	-	-	196,886	101,864
Fire 1/4 Cent Sales Tax	462,830	215,689	-	-	180,714	497,805
Community Development Block Grant	-	110,812	-	-	110,812	-
Sinking Fund	783	28	-	-	-	811
Sheriff Unclaimed Property	5,148	3,165	-	-	976	7,337
Treasurer Mortgage Tax Certification Fee	7,074	1,166	-	-	1,120	7,120
County Clerk Fee Fund	2,696	10,632	-	-	8,723	4,605
Assessor Revolving	2,199	1,772	-	-	354	3,617
Sheriff Drug Fund	5,248	358	-	-	-	5,606
Waste Grant	4,405	-	-	-	-	4,405
Fair Barn Grant 2001	685	-	-	-	-	685
Reward Fund	500	-	-	-	-	500
County Clerk Preservation (RMP)	25,001	10,420	-	-	6,802	28,619
Sheriff BOJ Fund	2,104	617	-	-	634	2,087
Free Fair Cash Voucher Fund	466	-	-	-	-	466
Sheriff Commissary Cash Fund	15,873	16,089	-	-	17,532	14,430
County Bridge and Road Improvement 105	1,365,219	181,241	-	-	133,501	1,412,959
JCIA Lodging Tax	430	7,000	-	-	6,889	541
Court Fund Payroll	4,304	115,178	-	-	115,274	4,208
Drug Court Revolving	6,287	47,250	-	-	37,000	16,537
Emergency Communications Department Sales Tax	-	49,369	-	-	-	49,369
Local Emergency Planning Commission	9,295	1,000	-	-	56	10,239
Combined Total - All County Funds as restated	\$ 6,302,064	\$ 6,674,579	\$ 6,940	\$ 6,940	\$ 5,606,926	\$ 7,369,717

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, 2018**

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.

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

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

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

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

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

Sheriff Cash Fund – accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

**JOHNSTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Emergency 911 – accounts for monies received from private telephone companies for the operations of emergency 911 services.

Jail ¼ Cent Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Fire ¼ Cent Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Community Development Block Grant – accounts for federal grant funds and the disbursement of funds in accordance with grant agreements.

Sinking Fund – accounts for debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments. Currently, the county has no outstanding debt.

Sheriff Unclaimed Property – 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 Tax 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 Fee Fund – accounts for lien collections and disbursements as restricted by state statute.

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

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

Waste Grant – accounts for federal grant monies received for the maintenance of solid waste stations across the County.

Fair Barn Grant 2001 – accounts for monies received and disbursed for the construction of a new fair barn.

Reward Fund – accounts for donations to be used as a reward for information leading to the arrest of vandals.

County Clerk Preservation (RMP) – accounts for fees collected for instruments filed in the County Clerk's office and disbursements as restricted by state statute for preservation of records.

**JOHNSTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Free Fair Cash Voucher Fund – accounts for the collection of revenues generated from building rent, booth rent, and other fees, and the disbursement of funds as restricted by state statute.

Sheriff Commissary Cash Fund – accounts for the collections of the sale of items to inmates and disbursement of funds as restricted by state statute.

County Bridge and Road Improvement 105 – accounts for collections from the Oklahoma Department of Transportation and the disbursements are for roadway and bridge construction within the County.

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

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

Drug Court Revolving – accounts for money received from the State of Oklahoma and disbursed for Drug Court.

Emergency Communications Department Sales Tax – accounts for the collection of a half-cent sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Local Emergency Planning Commission – accounts for the collections of grant funding to be disbursed in accordance with the grant agreement.

C. Basis of Accounting

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

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

**JOHNSTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 not 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

**JOHNSTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

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

**JOHNSTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

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

D. Sales Tax

Sales Tax of November 6, 2012

The voters of Johnston County approved a 0.25% sales tax on November 6, 2012. 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. The sales tax is for a period of five (5) years beginning January 1, 2013 and ending December 31, 2017. The voters approved the renewal of the sales tax with an unlimited duration on July 11, 2017. The sales tax collections are accounted for in the Fire ¼ Cent 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 2013 to April 2023. The sales tax collections are accounted for in the Jail ¼ Cent Sales Tax fund.

Sales Tax of August 26, 2014

The voters of Johnston County approved a 1% sales tax on August 26, 2014. 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. The sales tax is for a period of five (5) years beginning January 1, 2015 and ending December 31, 2019. The sales tax collections are accounted for in the County General Fund.

**JOHNSTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Sales Tax of January 9, 2018

The voters of Johnston County approved a .50% sales tax on January 9, 2018. 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. The sales tax is for a period of five (5) years beginning February 1, 2018 and ending January 31, 2023. The sales tax collections are accounted for in the Emergency Communications Department Sales Tax 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. The lodging tax collections are accounted for in the JCIA Lodging Tax fund.

Interfund Transfers

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

- \$6,940 was transferred by a Board of County Commissioner Resolution from the County General Fund to the County Highway Fund to correct an apportionment error from fiscal year 2016.

E. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Local Emergency Planning Commission was reclassified as a county fund and represents grant expenditures.

Prior year ending balance, as reported	\$6,292,769
Funds reclassified to County Funds:	
Local Emergency Planning Commission	
reclassified from a Trust and Agency Fund	
to a County Fund	<u>9,295</u>
Prior year ending balance, as restated	<u>\$6,302,064</u>

SUPPLEMENTARY INFORMATION

JOHNSTON COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	County General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 12,000	\$ 10,415	\$ 1,585
County Sheriff	386,622	380,858	5,764
County Treasurer	68,881	68,880	1
County Commissioners	134,160	134,160	-
County Clerk	94,081	94,080	1
Court Clerk	68,881	68,880	1
County Assessor	70,081	70,080	1
Revaluation of Real Property	216,953	103,681	113,272
General Government	345,555	38,975	306,580
Excise - Equalization Board	4,000	2,450	1,550
County Election Board	47,986	45,983	2,003
Insurance - Benefits	429,030	351,989	77,041
Sales Tax Accounts			
Fire	221,696	59,173	162,523
EMS	58,371	58,371	-
General Emergency Services	20,124	-	20,124
Civil Defense	95,257	29,351	65,906
Sheriff	42,998	-	42,998
4-H	71,622	61,625	9,997
Counseling	215,032	-	215,032
Free Fair	35,692	12,270	23,422
General Community Services	242,271	29,486	212,785
Senior Citizens	199,612	64,436	135,176
Courthouse R & M	213,772	196,784	16,988
County Offices	257,722	257,074	648
General County Government	45,757	42,317	3,440
County Audit Budget Account	19,010	19,010	-
Total Expenditures, Budgetary Basis	<u>\$ 3,617,166</u>	<u>\$ 2,200,328</u>	<u>\$ 1,416,838</u>

JOHNSTON COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—COUNTY HEALTH
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	County Health		
	Budget	Actual	Variance
Health and Welfare	\$ 635,468	\$ 247,857	\$ 387,611
Total Expenditures, Budgetary Basis	<u>\$ 635,468</u>	<u>\$ 247,857</u>	<u>\$ 387,611</u>

**JOHNSTON COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. Budgetary Schedules

The Comparative Schedules Expenditures—Budget and Actual—Budgetary Basis for the County General Fund and the County 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 (with Combining Information) because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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

INTERNAL CONTROL AND COMPLIANCE SECTION

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

TO THE OFFICERS OF
JOHNSTON COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Johnston County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprises Johnston County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated December 14, 2020.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2018, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of 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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness: 2018-001.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 findings identified in our audit are 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 the response.

Purpose of this Report

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

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

December 14, 2020

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

- County-wide controls regarding Risk Management and Monitoring have not been designed and implemented.
- The County Commissioner Districts 1, 2, 3, County Court Clerk 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 to address risks of the County.

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds. 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 procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook. Each Office should prepare a Disaster Recovery Plan in order to maintain operations in the event of a disaster.

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:

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

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

Management Response:

Chairman of the Board of County Commissioners: We 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.

County Commissioner District #1: We will work to design a written Disaster Recovery Plan and file it with the County Clerk.

County Commissioner District #2: We will work to design a written Disaster Recovery Plan and file it with the County Clerk.

County Commissioner District #3: We will work to design a written Disaster Recovery Plan and file it with the County Clerk.

County Court Clerk: I have contacted Administrative Office of the Courts concerning backup and a Disaster Recovery Plan will be written.

County Sheriff: We will work to design a written Disaster Recovery Plan and file it with the County Clerk. Information systems are backed up by the Oklahoma Bureau of Investigation, and OLETS DRS.

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.

No matters were reported.



Cindy Byrd, CPA | State Auditor & Inspector

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