



# JOHNSTON COUNTY

## Financial Report

For the fiscal year ended June 30, 2019

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

**JOHNSTON COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Cindy Byrd, CPA | State Auditor & Inspector

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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, 2019. 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 and prominent.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



**JOHNSTON COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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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, 2019**

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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, 2019, 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, 2019, 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, 2019, 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, 2019**

|   | Beginning<br>Cash Balances<br>July 1, 2018 | Receipts<br>Apportioned | Transfers<br>In   | Transfers<br>Out  | Disbursements       | Ending<br>Cash Balances<br>June 30, 2019 |
|---|--|-------------------------|-------------------|-------------------|---------------------|--|
| Combining Information:                        |  |                         |                   |                   |                     |  |
| County General                                | \$ 2,084,041                               | \$ 3,004,770            | \$ 148,703        | \$ -              | \$ 2,119,188        | \$ 3,118,326                             |
| County Highway                                | 1,782,036                                  | 1,971,827               | -                 | 54,035            | 1,998,616           | 1,701,212                                |
| Resale Property                               | 92,865                                     | 91,800                  | -                 | -                 | 95,023              | 89,642                                   |
| Health  | 646,075                                    | 419,830                 | -                 | -                 | 345,449             | 720,456                                  |
| Sheriff Service Fee                           | 105,805                                    | 192,754                 | -                 | -                 | 160,089             | 138,470                                  |
| Phone Fees                                    | 485,085                                    | 128,961                 | 150,000           | -                 | 392,828             | 371,218                                  |
| Jail Sales Tax                                | 101,864                                    | 244,474                 | -                 | -                 | 204,522             | 141,816                                  |
| Rural Fire Sales Tax                          | 497,805                                    | 244,696                 | -                 | -                 | 262,361             | 480,140                                  |
| County Sinking                                | 811  | 70                      | -                 | -                 | -                   | 881                                      |
| Sheriff Training Fund                         | 7,337                                      | 23,273                  | -                 | -                 | -                   | 30,610                                   |
| Treasurer Mortgage Certification Fee          | 7,120                                      | 1,425                   | -                 | -                 | 3,108               | 5,437                                    |
| County Clerk Lien Fee                         | 4,605                                      | 9,899                   | -                 | -                 | 8,477               | 6,027                                    |
| Assessor Revolving Fee                        | 3,617                                      | 1,732                   | -                 | -                 | 3,000               | 2,349                                    |
| Sheriff Forfeiture                            | 5,606                                      | 1,020                   | -                 | -                 | -                   | 6,626                                    |
| Waste Grant                                   | 4,405                                      | -                       | -                 | 4,405             | -                   | -  |
| Fair Barn Grant 2001                          | 685  | -                       | -                 | -                 | -                   | 685                                      |
| Reward Fund                                   | 500  | -                       | -                 | -                 | -                   | 500                                      |
| County Clerk Records Management Preservation  | 28,619                                     | 11,200                  | -                 | -                 | 15,802              | 24,017                                   |
| Jail  | 2,087                                      | 341                     | -                 | -                 | 74                  | 2,354                                    |
| Free Fair Cash Voucher Fund                   | 466  | -                       | -                 | 466               | -                   | -  |
| Sheriff Commissary                            | 14,430                                     | 14,742                  | -                 | -                 | 14,922              | 14,250                                   |
| County Bridge and Road Improvement 105        | 1,412,959                                  | 275,129                 | 54,035            | -                 | 101,444             | 1,640,679                                |
| Lodging Tax                                   | 541  | 6,063                   | -                 | -                 | 5,606               | 998                                      |
| Court Clerk Payroll                           | 4,208                                      | 115,349                 | -                 | -                 | 113,051             | 6,506                                    |
| Drug Court                                    | 16,537                                     | 38,271                  | -                 | -                 | 45,676              | 9,132                                    |
| Emergency Communications Department Sales Tax | 49,369                                     | 493,537                 | -                 | -                 | 205,620             | 337,286                                  |
| Community Development Block Grant             | -  | 335,782                 | -                 | 292,994           | 42,788              | -  |
| Local Emergency Planning Commission           | 10,239                                     | 1,000                   | -                 | -                 | -                   | 11,239                                   |
| <b>Combined Total - All County Funds</b>      | <b>\$ 7,369,717</b>                        | <b>\$ 7,627,945</b>     | <b>\$ 352,738</b> | <b>\$ 351,900</b> | <b>\$ 6,137,644</b> | <b>\$ 8,860,856</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, 2019**

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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; therefore, several fund names and descriptions change. However, these 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 as combining information within the financial statement:

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

County Highway – 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 sales 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 and disbursements for the operation of the county health department.

**JOHNSTON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

Jail Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the state statute.

Rural Fire Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the state statute.

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 Fund – 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 statute.

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

Assessor Revolving – accounts for the collection of fees for copies 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.

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 Records Management Preservation – accounts for fees collected for instruments filed in the County Clerk's office and disbursements 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, 2019**

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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 – 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.

Lodging 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.

Drug Court – 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 ballot.

Community Development Block Grant – accounts for federal grant funds for the EMS, a community system, water treatment facility, and capital improvement planning.

Local Emergency Planning Commission – accounts for grant money received to be disbursed according to 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, 2019**

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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 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, 2019**

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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, 2019**

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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 renewal of the 0.25% sales tax with an unlimited duration on July 11, 2017, beginning January 1, 2018. 75% of the sales tax proceeds are to be used solely for the purpose or 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 collections 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 2013 to April 2023. The sales tax collections are accounted for in the Jail 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, 2019**

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**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 Lodging Tax fund.

**Interfund Transfers**

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

Residual Transfers:

- \$4,405 was transferred from Waste Grant fund to County General fund by Board of County Commissioner (BOCC) resolution to close the fund.
- \$466 was transferred from Free Fair Cash Voucher Fund to County General fund by BOCC resolution to close the fund.
- \$594 was transferred from Multi-County Library fund (a trust and agency fund) to County General fund by BOCC resolution to close the fund.

Operating Transfers:

- \$142,994 was transferred to County General fund from the Community Development Block Grant fund for the purpose of reimbursement to County General fund for grant project completion.
- \$150,000 was transferred to the Phone Fees fund from the Community Development Block Grant fund for the purpose of reimbursement to Phone Fees fund for grant project completion.
- \$244 was transferred to County General fund from Sheriff Estray Cattle fund (a trust and agency fund) in accordance with 4 O.S. § 85.6.d.
- \$54,035 was transferred to County Bridge and Road Improvement 105 fund from County Highway fund for the purpose of reimbursement of funds used for bridge and road projects.

## **SUPPLEMENTARY INFORMATION**

**JOHNSTON COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—COUNTY GENERAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

|                                     | County General      |                     |                     |
|-------------------------------------|---------------------|---------------------|---------------------|
|                                     | Budget              | Actual              | Variance            |
| District Attorney - County          | \$ 13,000           | \$ 10,684           | \$ 2,316            |
| County Sheriff                      | 402,481             | 328,571             | 73,910              |
| 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        | 279,827             | 129,290             | 150,537             |
| General Government                  | 516,420             | 352,857             | 163,563             |
| Excise - Equalization Board         | 4,000               | 2,100               | 1,900               |
| County Election Board               | 47,169              | 48,118              | (949)               |
| Insurance - Benefits                | 444,919             | 371,200             | 73,719              |
| Sales Tax Accounts                  |                     |                     |                     |
| Fire                                | 223,463             | 59,989              | 163,474             |
| EMS                                 | 81,254              | 81,254              | -                   |
| General Emergency Services          | 30,281              | -                   | 30,281              |
| Civil Defense                       | 121,533             | 28,274              | 93,259              |
| Sheriff                             | 53,155              | 1,610               | 51,545              |
| 4-H                                 | 71,622              | 31,640              | 39,982              |
| Counseling                          | 225,189             | -                   | 225,189             |
| Free Fair                           | 43,735              | 13,020              | 30,715              |
| General Community Services          | 252,727             | 34,945              | 217,782             |
| Senior Citizens                     | 225,803             | 19,912              | 205,891             |
| Courthouse R & M                    | 179,495             | 162,925             | 16,570              |
| County Offices                      | 406,917             | 173,493             | 233,424             |
| General County Government           | 74,537              | 46,209              | 28,328              |
| County Audit Budget Account         | 10,000              | 1,365               | 8,635               |
| Total Expenditures, Budgetary Basis | <u>\$ 4,143,611</u> | <u>\$ 2,333,536</u> | <u>\$ 1,810,075</u> |

**JOHNSTONCOUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—HEALTH**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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|                                     | Health  |         |          |
|-------------------------------------|---------|---------|----------|
|                                     | Budget  | Actual  | Variance |
| Health and Welfare                  | 988,425 | 361,302 | 627,123  |
| Total Expenditures, Budgetary Basis | 988,425 | 361,302 | 627,123  |

**JOHNSTON COUNTY, OKLAHOMA  
NOTE TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**1. Budgetary Schedules**

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the County 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 (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, 2019, 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, 2019, 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: 2019-001.

### **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, 2019**

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

**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 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, 2019**

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*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 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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