



MARSHALL COUNTY

Financial Audit

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**MARSHALL 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

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

October 26, 2020

TO THE CITIZENS OF
MARSHALL COUNTY, OKLAHOMA

Transmitted herewith is the audit of Marshall 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".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

Board of County Commissioners

District 1 – Don “Salty” Melton
District 2 – Joshua Cantrell
District 3 – Chris Duroy

County Assessor

Debbie Croasdale

County Clerk

Ann Hartin

County Sheriff

Danny Cryer

County Treasurer

Laura Larkin

Court Clerk

Wanda Pearce

District Attorney

Craig Ladd

**MARSHALL COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
MARSHALL 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 Marshall 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 Marshall 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 Marshall 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 Marshall 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 September 21, 2020, on our consideration of Marshall 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 Marshall 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

September 21, 2020

REGULATORY BASIS FINANCIAL STATEMENT

MARSHALL 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 Cash Balances July 1, 2018	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2019
Combining Information:						
County General	\$ 1,003,271	\$ 2,260,855	\$ 6,887	\$ -	\$ 2,275,123	\$ 995,890
County Highway Unrestricted	1,482,412	2,193,369	500,000	454,927	2,163,047	1,557,807
Sheriff Prisoner	470	91,919	7,884	598	99,675	-
Health	396,576	348,755	-	-	244,708	500,623
Resale Property	868,246	152,989	48,115	-	153,053	916,297
Sheriff Service Fee	17,805	167,296	12,698	-	138,971	58,828
Community Service Program	191	-	-	191	-	-
Reward Fund	10,000	-	-	-	-	10,000
911 Phone Fees	51,288	188,786	-	-	156,459	83,615
County Clerk Lien Fee	49,427	10,151	-	-	16,437	43,141
Treasurer Mortgage Certification Fee	22,477	3,005	-	-	2,311	23,171
County Clerk Records Management Preservation	18,348	19,617	-	-	18,621	19,344
Assessor Visual Inspection	63,115	2,976	-	-	-	66,091
Lake Patrol	5,813	27,840	-	-	27,463	6,190
Flood Plain	2,946	-	-	2,946	-	-
Juvenile Attendant	140	-	-	140	-	-
Law Enforcement Grant	1,392	-	-	1,392	-	-
Lodging Tax	25,265	32,078	-	-	34,000	23,343
County General Revolving Fund	523,928	128,313	-	-	346,629	305,612
Sheriff Dispatch Grant	14	-	-	14	-	-
Sheriff Commissary	3,991	32,174	-	-	36,148	17
Sheriff Jail Fund	974	6,900	-	4,021	3,853	-
Community Sentencing/Service	17,203	3,886	-	7,884	1,705	11,500
Sheriff Sales Tax	116,840	804,508	-	-	765,657	155,691
Cardinal Cove Volunteer Fire Department Grant	9	-	-	9	-	-
Enos Volunteer Fire Department Grant	25	-	-	25	-	-
Free Fair Board	5,341	2,400	-	-	100	7,641
Rural Fire Sales Tax	-	419,125	504,866	-	334,834	589,157
Hauani Creek Volunteer Fire Department	20,868	-	-	20,868	-	-
Tri City Volunteer Fire Department	26,548	-	-	26,548	-	-
Lebanon Volunteer Fire Department	14,974	-	-	14,974	-	-
Soldier/Caney Creek Fire Department	15,012	-	-	15,012	-	-
Willis/Powell Volunteer Fire Department	49,668	-	-	49,668	-	-
Madill Fire Department	45,802	-	-	45,802	-	-
Kingston Fire Department	14,121	-	-	14,121	-	-
Enos/Cardinal Cove Volunteer Fire Department	111,790	-	-	111,790	-	-
Buncombe Creek Volunteer Fire Department	38,244	-	-	38,244	-	-

Continued on next page

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

MARSHALL 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 Cash Balances July 1, 2018	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2019
Continued from previous page						
Combining Information (Continued):						
Texoma Volunteer Fire Department	128,244	-	-	128,244	-	-
Marshall County Fire & Safety Fund	39,595	-	-	39,595	-	-
Marshall County Expo	744	-	-	-	-	744
XCDBG - Water Grant	70,290	86,960	-	-	99,173	58,077
County Bridge and Road Improvement	503,137	264,158	-	-	-	767,295
Sheriff City Reimbursement	10,369	82,625	-	8,079	84,180	735
INCA Home Grant	1,900	-	-	1,900	-	-
Southern Oklahoma Development Authority Grant	270	-	-	270	-	-
Local Emergency Planning Commission (LEPC)	2,624	4,812	-	-	2,477	4,959
1/4 Cent Jail - Building	30,416	402,254	-	-	390,562	42,108
Hospital Sales Tax	121,659	1,609,017	-	-	1,562,248	168,428
Court Clerk Payroll	105,466	99,465	-	-	99,576	105,355
Emergency Management Performance Grant	5,242	9,197	-	-	12,842	1,597
Community Grants	-	1,000	-	-	892	108
Safe Room Grant	-	8,546	-	-	-	8,546
Combined Total - All County Funds	\$ 6,044,490	\$ 9,464,976	\$1,080,450	\$ 987,262	\$ 9,070,744	\$ 6,531,910

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Marshall 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 – accounts for the general operations of the government.

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

Sheriff Prisoner – accounts for monies collected from contracts for housing prisoners and disbursements 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. Disbursements are for the operation of the county health department.

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

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

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

Community Service Program – accounts for collection of funding through the State Department of Correction for administrative expenses and supervision of offenders.

Reward Fund – accounts for monies received from donations and disbursements are for information that leads to the arrest or capture of people who illegally dump trash.

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

County Clerk Lien Fee – accounts for lien collections and disbursements 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 Records Management Preservation – accounts for fees collected for instruments filed with the County Clerk as restricted by state statute to be used for preservation of records.

Assessor Visual Inspection – accounts for the receipt and disbursement of funds by the Assessor as restricted by state statute for the visual inspection program.

Lake Patrol – accounts for monies received from the Corps of Engineers for patrolling services.

Flood Plain – accounts for monies received from the United States Department of Defense for flood plain management.

Juvenile Attendant – accounts for all grants to support the programs and services provided at the juvenile detention facility.

Law Enforcement Grant – accounts for grant monies received from the United States Department of Justice Local Law Enforcement Block Grant Program and disbursed in accordance with grant agreement.

Lodging Tax – accounts for 20% of the lodging sales tax to be used for the promotion of tourism in Marshall County.

County General Revolving Fund – accounts for 80% of the lodging sales tax to be used for the maintenance and operation of Marshall County.

Sheriff Dispatch Grant – accounts for state funds to be used for the incorporation of 911 dispatch for Marshall County.

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

Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements as restricted by state statute.

Sheriff Jail Fund – accounts for the collection of revenues for the housing of Department of Corrections' inmates and disbursements as restricted by state statute.

Community Sentencing/Service – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

Sheriff Sales Tax – accounts for sales tax collections designated for the maintenance and operation of the Marshall County jail.

Cardinal Cove Volunteer Fire Department Grant – accounts for collections of grant funds and disbursed in accordance with grant agreements.

Enos Volunteer Fire Department Grant – accounts for collections of grant funds and disbursed in accordance with grant agreements.

Free Fair Board – accounts for the donations and fund-raising activities to be used toward the purchase of furniture, fixtures, supplies, etc. for the new Marshall County Expo facility.

Rural Fire Sales Tax – accounts for sales tax collection and disbursements for the operation of the rural fire departments.

Hauani Creek Volunteer Fire Department – accounts for sales tax collection and disbursements for the operation of the fire department.

Tri City Volunteer Fire Department – accounts for sales tax collections and disbursements for the operation of the fire department.

Lebanon Volunteer Fire Department – accounts for sales tax collections and disbursements for the operation of the fire department.

Soldier/Caney Creek Fire Department – accounts for sales tax collections and disbursements for the operation of the fire department.

Willis/Powell Volunteer Fire Department – accounts for sales tax collections and disbursements for the operation of the fire department.

Madill Fire Department – accounts for sales tax collection and disbursements for the operation of the fire department.

Kingston Fire Department – accounts for sales tax collection and disbursements for the operation of the fire department.

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

Enos/Cardinal Cove Volunteer Fire Department – accounts for sales tax collection and disbursements for the operation of the fire department.

Buncombe Creek Volunteer Fire Department – accounts for sales tax collection and disbursements for the operation of the fire department.

Texoma Volunteer Fire Department – accounts for sales tax collection and disbursements for the operation of the fire department.

Marshall County Fire & Safety Fund – accounts for sales tax collection and disbursements for the operation of the fire departments.

Marshall County Expo – accounts for collection of grant funds and disbursed in accordance with grant agreements.

XCDBG Water Grant – accounts for collections received through grant funding from a Community Development Block Grant to be disbursed for water infrastructure in accordance with the grant agreement.

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

Sheriff City Reimbursement – accounts for collections from the cities of Madill and Kingston for housing city prisoners and disbursements are for operation of County Jail.

INCA Home Grant – accounts for collections of grant funds and disbursed in accordance with grant agreements.

Southern Oklahoma Development Authority Grant – accounts for collections of grant funds and disbursed in accordance with grant agreements.

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

1/4 Cent Jail – Building – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

Hospital Sales Tax – accounts for sales tax collections and disbursed to the County Hospital for capital expenditures and indigent care as restricted by the sales tax ballot.

Court Clerk Payroll – accounts for funds collected by the Court Clerk and disbursed for payroll of the Court Fund employees.

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

Emergency Management Performance Grant – accounts for federal grant collections and disbursements in accordance with the grant agreement.

Community Grants – accounts for collections of grant money to be disbursed in accordance with grant agreements.

Safe Room Grant – accounts for collections of grant money to be disbursed in accordance with grant agreements.

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 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 May 31 of each year, each officer or department head submits an estimate of needs (budget) to the governing body. The budget is approved for the respective fund by office, or department and object. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or department and object.

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

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

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."

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

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

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; 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 on Lodging August 27, 2002

The voters of Marshall County approved a five percent (5%) lodging tax to be collected for an unlimited duration. The proceeds from such tax shall be used for the promotion of tourism in Marshall County (20%) and the maintenance and operation of Marshall County (80%). These funds are accounted for in cash funds as reported on the County's financial statement as County General Revolving and Tourism Revolving.

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

Sales Tax of November 2, 2004

The voters of Marshall County approved a continuation of a 1/2 percent (.50%) sales tax on November 2, 2004 to be collected for an unlimited duration. This sales tax was established to provide revenue for the County Sheriff for the general operational expenses of the Marshall County jail. These funds are accounted for in a cash fund as reported on the County's financial statement as Sheriff Sales Tax.

Sales Tax of December 12, 2006

The voters of Marshall County approved a one percent (1%) sales tax on December 12, 2006 commencing April 1, 2009 for ten (10) years, expiring on March 30, 2019. The voters of Marshall County approved a continuation of the one percent (1%) sales tax on January 8, 2019 commencing April 1, 2019 for ten (10) years, expiring on March 30, 2029. This sales tax was established to provide revenue for the County Hospital for capital expenditures and indigent care. These funds are accounted for in a cash fund as reported on the County's financial statement as Hospital Sales Tax.

Sales Tax of June 24, 2014

The voters of Marshall County approved a permanent one quarter percent (.25%) sales tax on June 24, 2014. This sales tax was established to provide revenue for the Marshall County Fire Departments and the Marshall County Fire and Safety Association. These funds are now accounted for in a cash fund as reported on the County's financial statement as Rural Fire Sales Tax.

Sales Tax of October 13, 2015

The voters of Marshall County approved a one quarter percent (.25%) sales tax on October 13, 2015 to be used for the design, construction, financing, furnishing and equipping, capital facilities and improvements, equipment, fixtures, site preparation, street improvements and continuing maintenance and operations expenses for a detention facility located in Marshall County, Oklahoma. One quarter (.25%) of the one quarter cent (.25%) will terminate at 20 years from the effective date of the tax (January 1, 2016) or at the date of retirement of all debt related thereto, whichever occurs earlier; three-sixteenths (3/16) of one cent to remain for an unlimited duration for operations and maintenance of the detention facility. These funds are accounted for in a cash fund as reported on the County's financial statement as 1/4 Cent Jail-Building.

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

E. Interfund Transfers

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

- \$6,887 was transferred to the County General fund to close the following funds: \$191 from Community Service Program, \$140 from Juvenile Attendant, \$270 from Southern Oklahoma Development Authority Grant, \$1,392 from Law Enforcement Grant, \$9 from Cardinal Cove Volunteer Fire Department Grant, \$25 from Enos Volunteer Fire Department Grant, \$14 from Sheriff Dispatch Grant, \$1,900 from INCA Home Grant, and \$2,946 from Flood Plain, all by resolution of the BOCC.
- \$500,000 was transferred to County Highway Unrestricted from the Emergency Transportation Revolving fund (a Trust and Agency fund) for the purpose of borrowing funds for bridge and road projects in the County.
- \$454,927 was transferred from County Highway Unrestricted to the Emergency Transportation Revolving fund (a trust and agency fund) for the reimbursement of borrowed funds for bridge and road projects in the County.
- \$7,884 was transferred from Community Sentencing/Service to the Sheriff Prisoner fund to correct a prior year error in apportionments by resolution of the BOCC.
- \$48,115 was transferred from Excess Resale (a Trust and Agency fund) to Resale Property in accordance with O.S. § 3131(C).
- \$12,698 was transferred to the Sheriff Service Fee to close the following funds: \$598 from Sheriff Prisoner, \$4,021 from the Sheriff Jail Fund, and \$8,079 from Sheriff City Reimbursement, all in accordance with 19 O.S. § 180.43 to close the funds and by resolution of the BOCC.
- \$504,866 was transferred to the Rural Fire Sales Tax fund to combine the following funds: \$20,868 from Hauani Creek Volunteer Fire Department, \$26,548 from Tri City Volunteer Fire Department, \$14,974 from Lebanon Volunteer Fire Department, \$15,012 from Soldier/Caney Creek Fire Department, \$49,668 from Willis/Powell Volunteer Fire Department, \$45,802 from Madill Fire Department, \$14,121 from Kingston Fire Department, \$111,790 from Enos/Cardinal Cove Volunteer Fire Department, \$38,244 from Buncombe Creek Volunteer Fire Department, \$128,244 from Texoma Volunteer Fire Department, and \$39,595 from the Marshall County Fire & Safety Fund, all by resolution of the BOCC.

SUPPLEMENTARY INFORMATION

MARSHALL COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,008,784	\$ 1,003,271	\$ (5,513)
Less: Prior Year Outstanding Warrants	(95,170)	(95,170)	-
Less: Prior Year Encumbrances	(135,653)	(129,613)	6,040
Beginning Cash Balances, Budgetary Basis	<u>777,961</u>	<u>778,488</u>	<u>527</u>
Net Residual Transfer	-	6,887	6,888
Total Receipts, Budgetary Basis	<u>2,000,761</u>	<u>2,260,855</u>	<u>260,094</u>
Total Expenditures, Budgetary Basis	<u>2,754,722</u>	<u>2,185,746</u>	<u>568,976</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ 24,000</u>	860,484	<u>\$ 829,597</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		86,777	
Add: Current Year Encumbrances		<u>48,629</u>	
Ending Cash Balance		<u>\$ 995,890</u>	

MARSHALL COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 405,021	\$ 396,576	\$ (8,445)
Less: Prior Year Outstanding Warrants	(13,303)	(13,303)	-
Less: Prior Year Encumbrances	(46,702)	(27,833)	18,869
Beginning Cash Balances, Budgetary Basis	<u>345,016</u>	<u>355,440</u>	<u>10,424</u>
 Total Receipts, Budgetary Basis	 <u>332,533</u>	 <u>348,755</u>	 <u>16,222</u>
 Total Expenditures, Budgetary Basis	 <u>677,549</u>	 <u>243,046</u>	 <u>434,503</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 461,149	 <u>\$ 461,149</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		39,320	
Add: Current Year Outstanding Warrants		<u>154</u>	
Ending Cash Balance		<u>\$ 500,623</u>	

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

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department 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
MARSHALL 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 Marshall County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprises Marshall County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated September 21, 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 Marshall 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 Marshall County's internal control. Accordingly, we do not express an opinion on the effectiveness of Marshall 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: 2019-001, 2019-002, and 2019-006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2019-006.

Marshall County's Response to Findings

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

September 21, 2020

**MARSHALL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 Internal Controls Over Information Systems (Repeat Finding 2018-001)

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

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

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

Effect of Condition: These conditions could result in compromised security for the computers, computer programs, and data. 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 internal controls.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the County comply with the best practices presented in the criteria. The specifics of the recommendation have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28. Additionally, OSAI recommends that the County design and implement policies and procedures to document their internal control framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps taken to properly communicate pertinent information in a timely manner and the methodology to monitor the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners will work towards assessing and identifying risks to design written county-wide controls.

County Treasurer: We are working to correct the condition over the information system used in our office.

County Clerk: The condition over the information system used in our office has been corrected.

**MARSHALL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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.

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

Finding 2019-002 – Lack of Internal Controls Over the County Financial Statement

Condition: Marshall County has not designed and implemented internal controls to accurately present the County Financial Statement.

**MARSHALL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

- During the review and reconciliation of the financial statement as prepared by the County, we determined that cash receipts were understated \$1,023,650, and cash disbursements were understated \$1,077,868. The misstatements were due to the County reflecting Excess Resale, Court Clerk Revolving, and Jail Building Audit trust and agency funds on the County financial statement and excluding the Hospital Sales Tax, as well as apportioning the Emergency Transportation funding received from Circuit Engineering to the County Highway Unrestricted fund instead of establishing a separate cash fund (a trust and agency fund).
- The effect of the previous noted misstatements caused the beginning balance to be overstated by \$3,280 and the ending balance understated by \$34,966.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the County's Financial Statement is accurately presented.

Effect of Condition: This condition resulted in the County Financial Statement being materially misstated.

Recommendation: OSAI recommend the County design and implement policies and procedures to ensure the Financial Statement is accurately presented.

Management Response:

Chairman of the Board of County Commissioners: We will review the County financial statement to ensure county funds are accurately reported. Further, we have established a separate fund for Emergency Transportation funding.

County Treasurer: The County financial statement will only report County Funds.

Criteria: The County is required to present a financial statement for each fiscal year ended June 30. Title 19 O.S. § 171 states, in part, "Unless the county elects to prepare its financial statement in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board, the county shall present their financial statements in a regulatory basis of accounting."

The limitations of the auditor are described in the American Institute of Certified Public Accountants Clarified Statements on Auditing Standards AU-C § 210, which states, in part: "The concept of an independent audit requires that the auditor's role does not involve assuming management's responsibility for the preparation and fair presentation of the financial statements or assuming responsibility for the entity's related internal control and that the auditor has a reasonable expectation of obtaining the information necessary for the audit insofar as management is able to provide or procure it. Accordingly, the premise is fundamental to the conduct of an independent audit."

**MARSHALL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Finding 2019-006 – Lack of Internal Controls and Noncompliance Over the Disbursement Process
(Repeat Finding 2018-006)**

Condition: The audit of forty-two (42) disbursements reflected the following:

- Four (4) instances were noted in which disbursements were not properly encumbered.

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

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

Recommendation: OSAI recommends the County implement a system of internal controls over the disbursement process. Such controls should include ensuring that funds are encumbered prior to the receipt of goods and/or services in accordance with 19 O.S. § 1505.

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners will express to fellow County officials the importance of County funds being encumbered prior to the receipt of goods and/or services.

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

Compliance Objectives

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

Further, GAO Standards – Principle 6 – Define Objectives and Risk Tolerances - 6.05 states:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity's objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment.

Further, effective internal controls require that management properly implement procedures to ensure that purchases comply with 19 O.S. § 1505.

**MARSHALL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 noted.



Cindy Byrd, CPA | State Auditor & Inspector

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