



# MCCURTAIN COUNTY

## Financial Report

For the fiscal year ended June 30, 2020

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

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

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



July 18, 2023

TO THE CITIZENS OF  
McCURTAIN COUNTY, OKLAHOMA

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

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

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

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

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

Sincerely,

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

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

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**Board of County Commissioners**

District 1 – Chris White  
District 2 – Joe Coffman  
District 3 – Jimmy Westbrook

**County Assessor**

Stan Lyles

**County Clerk**

Karen Bryan

**County Sheriff**

Kevin Clardy

**County Treasurer**

Brad Box

**Court Clerk**

Vicki Justus

**District Attorney**

Mark Matloff

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

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## **FINANCIAL SECTION**



## **Independent Auditor's Report**

TO THE OFFICERS OF  
McCURTAIN COUNTY, OKLAHOMA

### ***Report on the Financial Statement***

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of McCurtain County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

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

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

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

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

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

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

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

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

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

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

### ***Other Matters***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2023, on our consideration of McCurtain 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 McCurtain 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

July 14, 2023

## **REGULATORY BASIS FINANCIAL STATEMENT**

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

	Beginning Cash Balances July 1, 2019	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
County Funds:						
County General	\$ 808,387	\$ 3,343,460	\$ 325,000	\$ 367,000	\$ 2,983,469	\$ 1,126,378
County Highway Unrestricted	1,442,373	4,018,609	-	572,480	4,145,600	742,902
Assessor Revolving Fee	2,262	1,236	-	-	-	3,498
County Clerk Lien Fee	880	22,038	-	-	13,698	9,220
County Clerk Records Management and Preservation	36,733	79,744	-	-	37,000	79,477
Federal Forest Title III	134,177	670	-	-	-	134,847
Health	1,037,927	858,342	-	-	624,899	1,271,370
Hospital-ST	80,945	1,060,532	-	-	1,040,763	100,714
Lodging Tax-ST	1,515,325	1,663,213	-	-	1,244,993	1,933,545
Rural Fire-ST	1,860,701	1,083,821	-	-	706,438	2,238,084
Sheriff Drug Buy	996	-	-	-	500	496
Sheriff-ST	94,963	1,062,935	-	-	995,769	162,129
Lake Patrol	873	17,234	-	-	15,422	2,685
Sheriff Service Fee	87,261	229,855	42,000	6,281	256,151	96,684
Solid Waste Management-ST	701,244	2,123,880	-	-	2,009,905	815,219
Treasurer Mortgage Certification	11,467	9,135	-	-	10,881	9,721
Resale Property	357,934	198,618	325,000	325,000	165,351	391,201
Use Tax-ST	190,631	837,477	-	-	511,092	517,016
Jail-ST	1,754,590	2,138,642	-	-	2,214,152	1,679,080
Court Clerk Payroll	13,855	227,344	-	-	209,135	32,064
Local Emergency Planning Committee	3,217	1,000	-	-	-	4,217
Rural Economic Action Plan Revolving Fund	-	180,804	-	-	131,507	49,297
County Donations	24,400	48,550	6,281	-	26,050	53,181
County Bridge and Road Improvement	-	576,433	563,698	-	638,929	501,202
S.T.O.P. VAWA	-	13,669	-	-	9,855	3,814
<b>Total - All County Funds</b>	<b>\$ 10,161,141</b>	<b>\$ 19,797,241</b>	<b>\$ 1,261,979</b>	<b>\$ 1,270,761</b>	<b>\$ 17,991,559</b>	<b>\$ 11,958,041</b>

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

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

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

McCurtain 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, 2020, 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 within the financial statement:

County General – accounts for ad valorem, sales tax, officer's fees, interest earnings and miscellaneous collections of the County. Disbursements are for the general operations of the County.

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

Assessor Revolving Fee – accounts for the collection of fees for copies as restricted by state statute. Disbursements are for any lawful expense of the Assessor's office.

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

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

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

Federal Forest Title III – accounts for schools and roads program Title III funds held, a federal grant program for the purpose of performing activities under the Firewise Communities program and to reimburse for emergency services performed on national forests.

Health – accounts for monies collected on behalf of the county health department from ad valorem taxes, miscellaneous fees charged by the health department, and state and local revenues. Disbursements are for the operation of the county health department.

Hospital-ST – accounts for the collection of sales tax to be used for the purchase of equipment and to maintain the property of McCurtain County Hospital Authority.

Lodging Tax-ST – accounts for the excise tax collected on lodging to be used for the promotion and development of tourism and recreational activities for McCurtain County.

Rural Fire-ST – accounts for sales tax funds to be used for the operation of the McCurtain County Volunteer Fire Departments.

Sheriff Drug Buy – accounts for proceeds from forfeited drug cases. These funds are used for the intervention and prevention of narcotics use.

Sheriff-ST – accounts for sales tax monies received for the operation of the McCurtain County Sheriff’s Office.

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

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

Solid Waste Management-ST – accounts for the sales tax and fee monies collected for the maintenance and operation of a solid waste system.

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

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

Use Tax-ST – accounts for the use tax funds collected by the Oklahoma Tax Commission and remitted to the County. The BOCC has designated these funds to be used to help the County develop comprehensive emergency management and for the operation of the County.

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

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Jail-ST – accounts for sales tax funds to be used for the operating, equipping, staffing, and maintaining the McCurtain County Jail.

Court Clerk Payroll – accounts for funds deposited by the Court Clerk to be used for payroll for the office.

Local Emergency Planning Committee – accounts for funds from the Oklahoma Department of Environmental Quality for the operation of the volunteer fire departments.

Rural Economic Action Plan Revolving Fund – accounts for state funds received to be expended for the purpose of REAP Grant projects.

County Donations – accounts for revenues from private donors to be dispersed for specific purposes.

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

S.T.O.P. VAWA – accounts for federal funds received from Oklahoma District Attorney's Council for Violence Against Women grant and the disbursement of funds as restricted by federal guidelines.

**C. Basis of Accounting**

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

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

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

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**D. Budget**

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

**E. Cash and Investments**

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

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

**2. Ad Valorem Tax**

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

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

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Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

Unpaid delinquent personal property taxes are usually published in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

**3. Other Information**

**A. Pension Plan**

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

**B. Other Post Employment Benefits (OPEB)**

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

**C. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; however, the County expects such amounts, if any, to be immaterial.



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

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

**D. Sales Tax**

On August 27, 1991, the voters of McCurtain County approved a permanent one-half percent (1/2%) sales tax becoming effective immediately. This sales tax was established to provide revenue for the maintenance and operation of a solid waste system. These funds are accounted for in the Solid Waste Management-ST fund.

On November 9, 1999, the voters of McCurtain County approved a permanent one-half percent (1/2%) sales tax effective January 1, 2000. This sales tax was established to provide revenue to operate, equip, staff, and maintain the McCurtain County Jail. These funds are accounted for in the Jail-ST fund.

On November 9, 1999, the voters of McCurtain County approved a permanent one-quarter percent (1/4%) sales tax effective January 1, 2000. This sales tax was established to provide revenue to staff and maintain the McCurtain County Sheriff's Department. These funds are accounted for in the Sheriff-ST fund.

On June 26, 2012, the voters of McCurtain County approved a permanent one-quarter percent (1/4%) sales tax effective January 1, 2007. This sales tax was established to provide revenue for the fire protection of the county fire departments located in the following communities: Battiest, Bethel, Broken Bow, Eagletown, Garvin, Haworth, Hochatown, Holly Creek, Idabel, Millerton, Pickens, Pine Creek, Ringold, Rufe, Sherwood, Shinewell, Smithville, Tom, Valliant, Watson, and Wright City. These funds are accounted for in the Rural Fire-ST fund.

The voters of McCurtain County approved a permanent renewal of a three percent (3%) excise tax upon public lodging receipts effective June 26, 2012. In addition to all other city, county, and state excise taxes upon the gross proceeds or gross receipts derived from the services of furnishing of rooms hotel, apartment hotel, rental cabin or motel, for the furnishing of public lodging, except campsites; said tax beginning to be collected on the first day of the calendar quarter following this election, and permanent, provided that the proceeds of such additional 3% excise tax shall be distributed as follows:

- 5% - To the McCurtain County General Fund for the McCurtain County Fair Board;
- 10% - To the McCurtain County General Fund for administrative cost;
- 85% - To the McCurtain County Tourism Authority to be named by the McCurtain County Commissioners.

The purpose of said additional 3% excise tax to be to promote, encourage, and develop tourism and recreational activities beneficial to McCurtain County. These funds are accounted for in the County General and Lodging Tax-ST funds.

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

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On June 28, 2016, the voters of McCurtain County approved a permanent renewal of a County sales tax of one-fourth of one percent (1/4%) presently being levied and assessed until rescinded by a vote of the qualified of the registered voters of McCurtain County; said tax continuing to be collected from April 1, 2017, all as set out in a resolution of the Board of County Commissioners of McCurtain County adopted March 28, 2016, providing that the one-fourth of one percent (1/4%) sales tax shall be used by the McCurtain County Hospital Authority, in its discretion, to purchase equipment and/or other capital improvements for the Hospital Authority, pay the principal and interest incurred to finance the purchase of equipment and/or capital improvements for the Hospital Authority, including supplies, capital equipment and labor, pay the cost of the annual independent audit of the accounting records of the Hospital Authority, and maintain the property of the McCurtain County Hospital Authority, and to support McCurtain Memorial Medical Management, Inc., with operating expenses, however, these funds may not be used for salaries, employee benefits, bonuses, employee travel, payroll taxes and expenses, or vehicles. These funds are accounted for in the Hospital-ST fund.

**E. Tax Abatements**

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$271,643 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2020.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

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

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**F. Interfund Transfers**

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

- \$325,000 was transferred from the Resale Property fund to the County General fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$325,000 was transferred from the County General fund to the Resale Property fund to repay a loan per 68 O.S. § 3021.
- \$42,000 was transferred from the County General fund to the Sheriff Service Fee fund to meet requirements of appropriations in accordance with 68 O.S. § 3021. The interfund loan was not repaid to the County General fund by the end of the fiscal year.
- \$563,698 was transferred from the County Highway Unrestricted fund to the County Bridge and Road Improvement fund approved by the Board of County Commissioners' resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$6,281 was transferred from the Sheriff Service Fee fund to the County Donations fund approved by the Board of County Commissioners' resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$8,782 was transferred from the County Highway Unrestricted fund to the Special Projects fund (a trust and agency fund) to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.

**G. Restatement of Fund Balance**

The McCurtain County Tourism Authority fund balance of \$1,488,539 and the McCurtain County Fair Board fund balance of \$26,786 were combined into the Lodging Tax-ST fund for a consolidated beginning fund balance of \$1,515,325 in order to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.

The Resale Payroll fund balance of \$51,030 was consolidated with the Resale Property fund balance of \$306,904 for a consolidated beginning balance of \$357,934 in order to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.

The Sheriff-ST fund and Sheriff Service Fee fund balances on June 30, 2019, were inaccurately reported and corrected on the July 1, 2019, beginning balance. This increased the Sheriff-ST fund beginning balance to \$87,261 and decreased the Sheriff Service Fee fund balance to \$94,963.

## **SUPPLEMENTARY INFORMATION**

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

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	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 33,205	\$ 33,106	\$ 99
County Sheriff	556,717	556,028	689
County Treasurer	223,165	215,367	7,798
County Commissioners	593,757	589,318	4,439
County Commissioners O.S.U. Extension	137,477	68,041	69,436
County Clerk	338,721	336,692	2,029
Court Clerk	220,289	209,298	10,991
County Assessor	344,702	332,277	12,425
Revaluation of Real Property	282,533	247,089	35,444
Juvenile Shelter	45,700	15,220	30,480
General Government	732,970	441,640	291,330
Excise - Equalization Board	18,005	11,795	6,210
County Election Expense	181,565	158,314	23,251
Insurance - Benefits	78,368	61,039	17,329
Charity	6,000	2,109	3,891
County Audit Budget Account	47,365	47,311	54
Free Fair Budget Account	10,005	9,983	22
Total Expenditures, Budgetary Basis	<u>\$ 3,850,544</u>	<u>\$ 3,334,627</u>	<u>\$ 515,917</u>

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

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	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 1,775,146	\$ 759,567	\$ 1,015,579
Total Expenditures, Budgetary Basis	<u>\$ 1,775,146</u>	<u>\$ 759,567</u>	<u>\$ 1,015,579</u>

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

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**1. Budgetary Schedules**

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

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

## **INTERNAL CONTROL AND COMPLIANCE SECTION**





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

TO THE OFFICERS OF  
McCURTAIN COUNTY, OKLAHOMA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of McCurtain County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprise McCurtain County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated July 14, 2023.

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

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered McCurtain County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of McCurtain County's internal control. Accordingly, we do not express an opinion on the effectiveness of McCurtain County's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2020-001.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether McCurtain County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2020-001.

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

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

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

## **Purpose of this Report**

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



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

July 14, 2023

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

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

**Finding 2020-001 – Segregation of Duties and Noncompliance Over Disbursements (Repeat Finding – 2008-005, 2009-005, 2010-010, 2011-011, 2012-012, 2013-005, 2013-012, 2014-005, 2014-010, 2015-005, 2015-010, 2016-004, 2016-009, 2017-004, 2017-009, 2018-002, 2019-002, and 2019-005)**

**Condition:** Upon inquiry and observation of the County’s purchasing process, it was noted that the County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.

The purchasing deputy prepares purchase orders, certifies the encumbrance, reviews the purchase order for accuracy, prepares the warrants, takes warrants to be registered with the treasurer’s office, distributes the warrants, maintains ledgers, and can make changes in the system.

Additionally, the Purchasing Deputy has limited knowledge over allowable disbursements for restricted funds.

After performing testwork of a sample of sixty-three (63) disbursements, the following was noted:

- One (1) issued for \$22,605 was not made for the appropriate amount due to the invoice amount indicating \$117,120.
- Five (5) were not supported by adequate documentation due to lack of timesheet, or itemized invoice.
- Two (2) were not charged to the proper period due to invoices dated for the prior year.
- Seven (7) were not encumbered prior to conducting purchasing transactions.
- One (1) was not supported by adequate documentation (Payroll Affidavit) to support the review or authorization of the County Clerk’s office and the Board of County Commissioners (BOCC).

**Cause of Condition:** Policies and procedures have not been designed and implemented to strengthen internal controls with regard to the segregation of duties of the disbursement process. Additionally, policies and procedures have not been designed and implemented over the disbursement process to ensure expenditures are appropriate for the designated funds and ensure compliance with state statutes.

**Effect of Condition:** This condition resulted in noncompliance with state statutes and could result in unrecorded transactions, misstated financial records, undetected errors, incomplete information, and misappropriation of funds.

**Recommendation:** The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends management be aware of this condition and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include

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

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separating key processes and/or critical functions of the office and having management review and approve accounting functions.

OSAI recommends management take steps to adequately segregate the following key accounting functions:

- Preparing purchase orders.
- Encumbering purchase orders.
- Printing warrants.
- Distributing warrants.

Further, OSAI recommends designing and implementing internal controls to ensure expenditures are allowable for restricted funds.

Additionally, OSAI recommends the County adhere to state purchasing guidelines to ensure disbursements are for the appropriate amount, encumbered before goods or services are ordered, supported by adequate documentation, and charged to the proper period.

**Management Response:**

**Chairman of the Board of County Commissioners:** McCurtain County will work to address the concerns regarding segregation of duties and compliance with state purchasing statutes.

**County Clerk:** The County Clerk's office will continue to implement recommendations to limit risk associated with a concentration of duties. Further, the County Clerk's office will emphasize strict adherence to the state purchasing guidelines and improve communication within the County offices regarding compliance.

**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 quasigovernmental entities.

The GAO Standards – Principal 10 – Design Control Activities – 10.03 states in part:

*Segregation of duties*

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions and handling any related assets so that no one individual controls all key aspects of a transaction or event.

*Proper execution of transactions*

Transactions are authorized and executed only by persons acting within the scope of their authority. This is the principal means of assuring that only valid transactions to exchange,

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

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transfer, use, or commit resources are initiated or entered into. Management clearly communicates authorizations to personnel.

*Appropriate documentation of transactions and internal control*

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Additionally, Principle 10 – Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, design alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud waste and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste or abuse in the operational process.

Further, 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.

Finally, Title 19 O.S. § 1505 prescribes the procedures for the encumbrance funds.

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

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**SECTION 2—**This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

**Finding 2020-002 – Indebtedness of the County**

**Condition:** The Board of County Commissioners (BOCC) entered into a loan agreement with financial institutions creating debt for the County. The BOCC is authorized by statutes to purchase property for the County; however, they lack the authority to indebted the county beyond the fiscal year without a vote of the people. Executing the real estate loan agreements described below, exceed the authority of the BOCC established by state statutes and violated the State Constitution regarding indebtedness.

Office Building located at 103 NE Avenue A, Idabel, Oklahoma:

- On September 16, 2019, the County entered into a balloon real estate loan for \$85,041 with a local financial institution for the purchase of an existing office building with an interest rate of 3.75% and maturity date September 14, 2020.

**Cause of Condition:** The BOCC did not comply with state laws regarding the incurrence of debt. The BOCC exceeded their authority and incurred debt to the County beyond the fiscal year without the vote of the people.

**Effect of Condition:** This condition resulted in a violation of state law. The County going into debt without the vote of the people could result in a tax roll levy if the County defaults on loan payments.

**Recommendation:** OSAI recommends the Board of County Commissioners ensure agreements entered on behalf of the County are in compliance with applicable state laws, and the required approval by a vote of the people would be obtained prior to incurrence of debt beyond the fiscal year.

**Management Response:**

**Chairman of the Board of County Commissioners:** McCurtain County will review current and future financial agreements to verify compliance with state indebtedness laws.

**Criteria:** Article 10 § 26 Oklahoma Constitution states:

Indebtedness of political subdivisions - Assent of voters - Limitation of amount - Annual tax  
- Computation of amount of indebtedness.

(a) Except as herein otherwise provided, no county, city, town, township, school district, or other political corporation, or subdivision of the state, shall be allowed to become indebted, in any manner, or for any purpose, to an amount exceeding, in any year, the income and revenue provided for such year without the assent of three-fifths of the voters thereof, voting at an election, to be held for that purpose, nor, in cases requiring such assent, shall any indebtedness be allowed to be incurred to an amount, including existing indebtedness, in the aggregate exceeding five percent (5%) of the valuation of the taxable property therein, to be

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

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ascertained from the last assessment for state and county purposes previous to the incurring of such indebtedness...



Cindy Byrd, CPA | State Auditor & Inspector

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