



# MCINTOSH COUNTY

## Financial Report

For the fiscal year ended June 30, 2017

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

**McINTOSH COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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.



Cindy Byrd, CPA | State Auditor & Inspector

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October 28, 2019

TO THE CITIZENS OF  
McINTOSH COUNTY, OKLAHOMA

Transmitted herewith is the audit of McIntosh County, Oklahoma for the fiscal year ended June 30, 2017. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first and last names clearly legible.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



**McINTOSH COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**Board of County Commissioners**

District 1 – Bill Phillips  
District 2 – Tim Pendley  
District 3 – Michael Burns

**County Assessor**

Trina Williams

**County Clerk**

Ronda Prince

**County Sheriff**

Kevin Ledbetter

**County Treasurer**

Betty Whisenhunt

**Court Clerk**

Lisa Rodebush

**District Attorney**

Rob Barris

**McINTOSH COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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## **FINANCIAL SECTION**

## Independent Auditor's Report

TO THE OFFICERS OF  
McINTOSH 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 McIntosh County, Oklahoma, as of and for the year ended June 30, 2017, 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 McIntosh 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 McIntosh County as of June 30, 2017, 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 McIntosh County, for the year ended June 30, 2017, in accordance with the basis of accounting described in Note 1.

### ***Other Matters***

#### ***Supplementary and Other 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 other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the financial statement.

The other supplementary information is the responsibility of management and was derived from and related 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 other 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 October 15, 2019, on our consideration of McIntosh 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 McIntosh 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

October 15, 2019

## **REGULATORY BASIS FINANCIAL STATEMENT**

**McINTOSH COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**(WITH COMBINING INFORMATION)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
General Fund	\$ 3,059,660	\$ 4,140,141	\$ -	\$ -	\$ 4,000,981	\$ 3,198,820
Sinking Fund	30	-	-	-	-	30
County Health Department	234,462	300,705	-	-	160,999	374,168
Highway Cash Fund	2,081,995	2,687,476	124,000	240,000	2,700,607	1,952,864
Resale Cash Voucher Fund	417,675	215,976	78,068	-	185,739	525,980
Jail Sales Tax Operations Cash Fund	386,150	996,570	-	-	979,251	403,469
MCPFA Sales Tax Fund	75,141	995,566	-	-	992,489	78,218
County Assessor Fees Cash Fund	18,068	7,361	-	-	1,769	23,660
Mortgage Tax Cash Fund	7,974	3,623	-	-	592	11,005
County Clerk M&M Cash Fund	45,385	13,151	-	2,313	962	55,261
RM&P Cash Fund	25,068	27,315	2,313	-	15,176	39,520
Lake Patrol Cash Fund	21,087	18,881	-	-	9,655	30,313
Sheriff Revolving Narcotics Cash Fund	11,446	750	-	-	965	11,231
Sheriff Board of Prisoners Cash Fund	599,087	173,818	-	-	191,267	581,638
Sheriff Fees Cash Fund	75,826	142,757	-	-	152,797	65,786
Adult Drug Court Revolving Cash Fund	4,445	-	-	-	4,200	245
Jail Use Tax Cash Fund	126,847	50,469	-	-	31,400	145,916
McIntosh County 911	543,891	264,843	-	-	416,278	392,456
LEPC Cash Fund	545	5,495	-	-	30	6,010
Hazard Mitigation Plan Cash Fund	1,822	-	-	-	-	1,822
Sheriff Commissary	118,533	90,123	-	-	117,539	91,117
Emergency Management Cash Fund	7	46	-	-	40	13
MCPFA M&O	30,297	-	-	-	-	30,297
County Use Tax	-	89,749	-	-	-	89,749
<b>Combined Total - All County Funds</b>	<b>\$ 7,885,441</b>	<b>\$ 10,224,815</b>	<b>\$ 204,381</b>	<b>\$ 242,313</b>	<b>\$ 9,962,736</b>	<b>\$ 8,109,588</b>

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

**McINTOSH COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

McIntosh 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, 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:

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

Sinking Fund – accounts for monies collected from ad valorem taxes for payment of bonds or judgments against the County. The County has no long-term debt and this balance will eventually be transferred to the General Fund.

County Health Department – 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.

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

Resale Cash Voucher Fund – accounts for revenues from interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

**McINTOSH COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Jail Sales Tax Operations Cash Fund – accounts for the collection of county sales tax money and disbursed for the purpose of maintenance and operation of the McIntosh County Jail.

MCPFA Sales Tax Fund – accounts for the collection of sales tax revenue used for the retirement of indebtedness incurred on behalf of McIntosh County by the McIntosh County Public Facilities Authority (MCPFA) for the construction of a new detention facility.

County Assessor Fees Cash Fund – accounts for revenues from fees charged by the Assessor and disbursement of funds as restricted by state statute.

Mortgage Tax Cash Fund – accounts for revenues from fees for certifying mortgages. Disbursements are for any lawful expense of the Treasurer’s office.

County Clerk M&M Cash Fund – accounts for revenues from fees charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk’s office.

RM&P Cash Fund – accounts for revenues from fees charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

Lake Patrol Cash Fund – accounts for the collection of monies from the Corp of Engineers for the payroll of a part-time patrol officer.

Sheriff Revolving Narcotics Cash Fund – accounts for the collection of drug money seized in crimes and forfeited to the Sheriff’s office via court order. Disbursements are for enforcement of controlled dangerous substances laws, drug abuse prevention, and drug abuse education.

Sheriff Board of Prisoners Cash Fund – accounts for monies received by the Sheriff’s office for the housing of prisoners for towns, tribes, and other counties. Disbursements are for jail operating expenses.

Sheriff Fees Cash Fund – accounts for revenues from fees collected for serving summons and notices. Disbursements are for any lawful expense of the Sheriff’s office.

Adult Drug Court Revolving Cash Fund – accounts for funds collected and disbursed for the adult drug court.

Jail Use Tax Cash Fund – accounts for the use tax collected by the State of Oklahoma and disbursed to the County with funds to be used toward costs related to the jail.

McIntosh County 911 – accounts for revenues from various telecommunication companies and disbursed for the operation of the Emergency 911 system.

LEPC Cash Fund – accounts for revenues from the State of Oklahoma and disbursements are for the purchase of equipment for Emergency Management.

**McINTOSH COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Hazard Mitigation Plan Cash Fund – accounts for revenues from the State of Oklahoma and disbursed for the completion of a hazard mitigation plan.

Sheriff Commissary – accounts for the collection of fees transferred from the inmate trust account for commissary items and disbursement of funds as restricted by state statute.

Emergency Management Cash Fund – accounts for revenues from state, federal, and miscellaneous donations. Disbursements are for any lawful expense of emergency management.

MCPFA M&O – accounts for revenues from insurance claims for damage to property at the jail. Disbursements are for the maintenance and operation of the McIntosh County Jail.

County Use Tax – accounts for the use tax collected by the State of Oklahoma and disbursed to the County with funds to be used for the maintenance and operation, and improvements for McIntosh County.

**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 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

**McINTOSH COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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."

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.

**McINTOSH COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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; 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.

**McINTOSH COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**D. Sales Tax**

The voters of McIntosh County approved a one percent (1%) sales tax through a special election on June 11, 2002, that went into effect on August 14, 2002. This sales tax has an unlimited duration. The sales tax was established to provide revenue for the following: Senior Citizens Organizations-5%; Rural Fire Departments-10%; Office of Emergency Management-0.5%; OSU Extension Office-3.5%; McIntosh County Fair Board-2%; County Commissioners-M&O of Roads & Bridges-23%; County Clerk-5%; County Assessor-2.5%; County Treasurer-2.5%; Court Clerk-2%; County Sheriff-12% County Government-19%; Maintenance & Repairs to McIntosh County Courthouse-7%; Library-5%; Collection Fee to Oklahoma Tax Commission-1%. These funds are accounted for in the General Fund.

The voters of McIntosh County approved a one-half of one cent (1/2%) sales tax through a special election on May 9, 2006, with proceeds to be designated and used specifically for the acquisition of real property, construction, equipping, operating and maintaining the new McIntosh County Detention Facility and courthouse improvements. A portion of such sales tax, three-eighths of one cent (3/8%) shall have a limited duration of twenty years from the date of commencement, or until principal and interest upon indebtedness incurred on behalf of McIntosh County by the McIntosh County Public Facility Authority in furtherance of the county detention facility and courthouse improvements are paid in full, whichever occurs earlier; while the remaining portion of such sales tax, one-eighth of one cent (1/8%), to continue for operation and maintenance expenses of the county detention facility until repealed by a majority of the electors of McIntosh County in an election called for the purpose of posing said proposition; making provisions separable; and declaring an emergency be approved. These funds are accounted for in the Jail Sales Tax Operations Cash Fund and the MCPFA Sales Tax Fund.

The voters of McIntosh County approved a one-half of one cent (1/2%) sales tax through a special election on August 9, 2011, with proceeds to be used to pay the cost of operating and maintaining the McIntosh County Detention Facilities, provided that a one-eighth cent (1/8%) portion be limited to a duration of fifteen years commencing January 1, 2012 and ending on December 31, 2026, and the remaining three-eighths cent (3/8%) portion to have an unlimited duration, until repealed by a majority of the electors of McIntosh County in an election called for the purpose of posing said proposition; making provisions separable; and declaring an emergency be approved. These funds are accounted for in the Jail Sales Tax Operations Cash Fund and the MCPFA Sales Tax Fund.

**E. Interfund Transfers**

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

- \$124,000 was transferred from the Emergency and Transportation Revolving Fund, a trust and agency fund, to the Highway Cash Fund as a loan used for bridge and road projects in the County.

**McINTOSH COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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- \$240,000 was transferred from the Highway Cash Fund to the Emergency and Transportation Revolving Fund, a trust and agency fund, to repay a loan used for bridge and road projects in the County.
- \$78,068 was transferred from the Excess Resale Fund, a trust and agency fund, to the Resale Cash Voucher Fund in accordance with 68 O.S. § 3131C.
- \$2,313 was transferred from the County Clerk M&M Cash Fund to the RM&P Cash Fund to correct an error made in the previous year.

## **OTHER SUPPLEMENTARY INFORMATION**

**McINTOSH 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, 2017**

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	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 3,059,660	\$ 3,059,660	\$ -
Less: Prior Year Outstanding Warrants	(64,670)	(64,670)	-
Less: Prior Year Encumbrances	(46,466)	(44,938)	1,528
Beginning Cash Balances, Budgetary Basis	<u>2,948,524</u>	<u>2,950,052</u>	<u>1,528</u>
 Total Receipts, Budgetary Basis	 <u>3,490,627</u>	 <u>4,140,141</u>	 <u>649,514</u>
Total Expenditures, Budgetary Basis	<u>6,439,151</u>	<u>4,019,707</u>	<u>2,419,444</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 3,070,486	 <u>\$ 3,070,486</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		80	
Add: Current Year Outstanding Warrants		61,250	
Add: Current Year Encumbrances		<u>67,004</u>	
Ending Cash Balance		<u>\$ 3,198,820</u>	

**McINTOSH 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, 2017**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 234,462	\$ 234,462	\$ -
Less: Prior Year Outstanding Warrants	(2,220)	(2,220)	-
Less: Prior Year Encumbrances	(12,644)	(12,091)	553
Beginning Cash Balances, Budgetary Basis	<u>219,598</u>	<u>220,151</u>	<u>553</u>
 Total Receipts, Budgetary Basis	 <u>271,841</u>	 <u>300,705</u>	 <u>28,864</u>
 Total Expenditures, Budgetary Basis	 <u>491,439</u>	 <u>165,893</u>	 <u>325,546</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 354,963	 <u>\$ 354,963</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		6,380	
Add: Current Year Outstanding Warrants		<u>12,825</u>	
Ending Cash Balance		<u>\$ 374,168</u>	

**McINTOSH COUNTY, OKLAHOMA**  
**NOTE TO OTHER SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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  
MCINTOSH 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 McIntosh County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprises McIntosh County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 15, 2019.

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, 2017, 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 McIntosh 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 McIntosh County's internal control. Accordingly, we do not express an opinion on the effectiveness of McIntosh County's internal control.

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



Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness: 2017-002.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether McIntosh County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

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

October 15, 2019

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

**Finding 2017-002 - Lack of Internal Controls Over Presentation of Financial Statement**

**Condition:** The County has not designed and implemented internal controls for the presentation of the County's financial statement. During the review and reconciliation of the financial statement as initially prepared by the County, the following misstatements were noted:

The receipts apportioned, transfers in, transfers out, disbursements and ending cash balance were reported as \$10,660,033, \$638,069, \$560,000, \$10,207,954, and \$8,415,589, respectively. A review of the records provided by the County Treasurer determined that the actual receipts apportioned, transfers in, transfers out, disbursements and ending cash balance were \$10,224,815, \$204,381, \$242,313, \$9,962,736, and \$8,109,588, respectively. This resulted in an overstatement of receipts apportioned, transfers in, transfers out, disbursements and ending cash balance in the amount of \$435,218, \$433,688, \$317,687, \$245,218, and \$306,001, respectively.

**Cause of Condition:** Internal controls have not been designed and implemented to ensure the County's financial statement is accurately presented.

**Effect of Condition:** This condition resulted in inaccurate reporting of receipts apportioned, transfers, disbursements, and ending cash balances presented on the financial statement.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the County design and implement procedures to ensure amounts are reported accurately on the financial statement.

**Management Response:**

**Chairman of the Board of County Commissioners:** I visited with the County Treasurer and asked that she get with the Board Chairman to go over the financial statement before it is submitted. The ETR Fund accounts were established two or three years ago and it has been a complex issue of deciding which account to deposit into and which one to take funds out of. We are working to correct this.

**County Treasurer:** I have made several notes on transfers from this year's financial statement to gain a better understanding of reporting.

The County has eliminated the transfer of funds to General Fund for payroll expenses, except the 911 stipends, we will continue to encourage 911 to resolve the payment of stipends in a different manner. I will monitor these closely to ensure reporting is done accurately.

It is my desire to implement better communication with the County Clerk regarding ETR and Highway monies in an effort to ensure we are receipting monies to the correct fund. I hope in reviewing the financial statements from 2017 to better understand the operation of reducing revenues and disbursements as needed

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to reflect accurate reporting. I also have a better understanding of trust and agency funds and the reporting of those funds.

I have inquired with OSU/CTP and the Treasurer's Association to encourage them to provide training in the matter of compiling a true and accurate financial statement.

**County Clerk:** I will talk to Commissioners about projects to ensure we have an understanding on money flow. We will follow the new Standard Operating Procedures flowchart that has been provided to us. I will work with the Treasurer on deposits.

**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."

**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 2017-003 - Inadequate Segregation of Duties – Court Clerk (Repeat Finding)**

**Condition:** Upon inquiry and observation of the Court Clerk's office, it was noted that some duties related to the receipting process of the Court Clerk and the expenditure process over the Court Fund held in the official depository are not adequately segregated. The Court Clerk has implemented several mitigating controls; however, the following weaknesses still exist:

**Receipting:**

- One employee issues receipts, balances the cash drawer, and takes the deposit to the County Treasurer.
- A mail log is not maintained.
- All employees operate from the same cash drawer.
- Computer passwords are not kept private.

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**Expenditures:**

- The employee who signs Court Fund vouchers and takes them to the County Treasurer's office to be registered also has the ability to print the vouchers.

**Cause of Condition:** Policies and procedures have not been designed and implemented to adequately segregate the duties of the receipting and expenditure processes within the office of the Court Clerk.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends that procedures be developed to separate key functions of the receipting process and of the expenditure process over the Court Fund. In the event that a 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 separating key processes and/or critical functions of the office and having management review and approve accounting functions.

**Management Response:**

**Court Clerk:** I recognize the findings in receipting and expenditures. I plan to implement some new procedures to resolve and reduce any risk for errors.

**Receipting:**

- I will work toward selecting 4 employees to make receipts and giving them personal cash drawers.
- I will work towards myself and 2nd deputy being assigned to balancing cash drawers and will refrain from writing receipts.
- Employees' passwords will be kept private.
- We will not be keeping a mail log, I have 2 deputies opening the mail and all money orders, cashier's checks and personals checks are copied and scanned.

**Expenditures:**

- I will separate the duties of writing, printing and registering vouchers.

**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 10.03 states, in part, "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."

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**Finding 2017-004 - Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** An audit of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund reflected the following:

- One employee retrieves funds from the kiosk, balances the retrieved funds to the amounts logged in the system by the booking officer, prepares the deposit ticket, and posts deposits to the commissary system.
- The amount of cash and checks encoded by the bank on the deposit receipt is not independently reviewed by someone other than the person making the deposit.
- Bank reconciliations are not properly or timely prepared. Inmate ledger balances are not reconciled to the bank statements and there is a lack of supporting documentation maintained for reconciling items noted as “postdated voids”.
- The Sheriff’s office does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15<sup>th</sup>, of each year.
- Inmate Trust Fund Checking Account debit cards are not kept in a secure location and all deputies have access to the debit cards. Debit cards issued are not reconciled to individual inmate accounts.
- Inmate Trust Fund Checking Account checks are not kept in a secure location.
- The Jail Administrator has control of the Sheriff’s signature stamp. The signature stamp is not registered with the Secretary of State.

**Cause of Condition:** Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes. In addition, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

**Recommendation:** OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- The encoded amount of cash and checks on bank deposit receipt should be reviewed and approved by someone other than the person making the deposit.
- Bank reconciliations should be accurately performed on a monthly basis. Additionally, Inmate Trust Fund Checking Account monies should be maintained in a manner that reflects each inmate’s trust deposits, disbursements, and account balances. The inmate’s ledger balances should be reconciled to the bank statements each month and proper supporting documentation should be maintained for all reconciling items.
- The County Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15<sup>th</sup>, of each year in accordance with 19 O.S. § 180.43 D.

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- Unissued debit cards should be maintained in a controlled environment with limited access. Debit cards listed on the monthly statements received from the debit card company should be reconciled to individual inmate accounts.
- Inmate Trust Fund Checking Account checks should be maintained in a controlled environment with limited access.
- Signature stamps should not be used by anyone other than the owner and should be adequately safeguarded from unauthorized use. Also, signature stamps should be registered with the Oklahoma Office of the Secretary of State in accordance with 62 O.S. § 602.

**Management Response:**

**County Sheriff:**

- The following process is now in place regarding segregation of duties: Two employees retrieve funds from the kiosk. Employee one balances the funds to the system. Employee two prepares the deposit. Employee one verifies the deposit and initials the deposit slip. A third employee takes the deposit to the bank. Employee two verifies and initials the bank deposit receipt. Employee one posts the deposit on the system.
- Employee two verifies and initials the bank deposit receipt. See process noted above.
- Bank reconciliations are now prepared within a few days of their arrival. A banking software representative was consulted for assistance with the reconciliation process. We will attempt to reconcile inmate ledger balances with bank statements and maintain supporting documents for the “postdated voids”.
- The Sheriff’s office will file an annual report for the Commissary Fund with the Board of County Commissioners.
- Debit cards are now secured in a locked drawer. Ten at a time are kept out since all jailers must have access to them. Monthly statements with daily totals of inmate accounts are compared to the bank account but cannot be reconciled to individual inmate accounts in this format.
- A lock has been installed on the desk drawer where the Inmate Trust Fund Checking Account checks are kept.
- One signature stamp has been destroyed. The other is locked in the Sheriff’s office. The signature stamp is now registered with the Secretary of State.

**Criteria:** GAO Standards 10.03 states, in part, “Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records...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.”

Title 19 O.S. § 531 A. states in part, “...the county sheriff may establish a checking account, to be designated the ‘Inmate Trust Fund Checking Account’,” and, “The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made

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by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.”

Title 19 O.S. § 180.43 D. states in part, “The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.”

Title 62 O.S. § 602 requires any authorized officer to file his manual signature, certified by him under oath, with the Oklahoma Secretary of State for his facsimile signature to have the same legal effect as his manual signature.



Cindy Byrd, CPA | State Auditor & Inspector

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