



MCINTOSH COUNTY

Financial Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

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

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) 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.

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, 2018. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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, 2018**

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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, 2018, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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



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

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

As described in Note 1, the financial statement is prepared by 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, 2018, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

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

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:						
General Fund	\$ 3,198,820	\$ 4,150,993	\$ -	\$ -	\$ 4,152,357	\$ 3,197,456
Sinking Fund	30	-	-	-	-	30
County Health Department	374,168	327,727	-	-	197,557	504,338
Highway Cash Fund	1,952,864	3,301,201	456,000	200,000	3,432,165	2,077,900
Resale Cash Voucher Fund	525,980	269,068	51,203	-	267,725	578,526
Jail Sales Tax Operations Cash Fund	403,469	953,686	147,882	-	1,037,935	467,102
MCPFA Sales Tax Fund	78,218	953,834	-	-	961,365	70,687
County Assessor Fees Cash Fund	23,660	5,541	-	-	2,108	27,093
Mortgage Tax Cash Fund	11,005	3,620	-	-	1,519	13,106
County Clerk M&M Cash Fund	55,261	22,266	-	-	9,976	67,551
RM&P Cash Fund	39,520	34,975	-	-	27,330	47,165
Lake Patrol Cash Fund	30,313	22,697	-	16,300	-	36,710
Sheriff Revolving Narcotics Cash Fund	11,231	44,731	-	-	29,579	26,383
Sheriff Board of Prisoners Cash Fund	581,638	208,209	-	-	183,501	606,346
Sheriff Fees Cash Fund	65,786	148,793	16,300	-	167,549	63,330
Adult Drug Court Revolving Cash Fund	245	-	-	-	-	245
Jail Use Tax Cash Fund	145,916	-	-	117,585	24,256	4,075
McIntosh County 911	392,456	300,059	-	-	170,055	522,460
LEPC Cash Fund	6,010	1,000	-	-	4,350	2,660
Hazard Mitigation Plan Cash Fund	1,822	-	-	1,822	-	-
Sheriff Commissary	91,117	111,573	-	-	178,752	23,938
Emergency Management Cash Fund	13	-	1,822	-	-	1,835
MCPFA M&O	30,297	-	-	30,297	-	-
County Use Tax	89,749	258,036	-	-	63,466	284,319
Court Clerk Payroll	-	24,718	-	-	-	24,718
Combined Total - All County Funds	\$ 8,109,588	\$ 11,142,727	\$ 673,207	\$ 366,004	\$ 10,911,545	\$ 8,647,973

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, 2018**

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, 2018

Jail Sales Tax Operations Cash Fund – accounts for the collection of county sales tax money and is 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, 2018**

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.

Court Clerk Payroll – accounts for monies received from the Court Clerk Revolving Fund to be used for payroll for the Court Clerk's office.

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

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

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."

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

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

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; 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, 2018

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.

- \$456,000 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, 2018

- \$200,000 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.
- \$51,203 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.
- \$16,300 was transferred from the Lake Patrol Cash Fund to the Sheriff Fees Cash Fund to be used for grant expenditures reimbursed by the Oklahoma Highway Safety Office.

The following funds were consolidated as part of the County's conversion to a new framework for the systematic reporting and accounting of county government transactions (Chart of Accounts):

- \$117,585 was transferred from the Jail Use Tax Cash Fund to the Jail Sales Tax Operations Cash Fund.
- \$30,297 was transferred from the MCPFA M&O fund to the Jail Sales Tax Operations Cash Fund.
- \$1,822 was transferred from the Hazard Mitigation Plan Cash Fund to the Emergency Management Cash Fund.

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, 2018

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 3,198,820	\$ 3,198,820	\$ -
Less: Prior Year Outstanding Warrants	(61,250)	(61,250)	-
Less: Prior Year Encumbrances	(67,004)	(68,832)	(1,828)
Beginning Cash Balances, Budgetary Basis	<u>3,070,566</u>	<u>3,068,738</u>	<u>(1,828)</u>
 Total Receipts, Budgetary Basis	 <u>3,862,537</u>	 <u>4,150,993</u>	 <u>288,456</u>
Total Expenditures, Budgetary Basis	<u>6,933,103</u>	<u>4,195,393</u>	<u>2,737,710</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 3,024,338	 <u>\$ 3,024,338</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		313	
Add: Current Year Outstanding Warrants		70,389	
Add: Current Year Encumbrances		<u>102,416</u>	
Ending Cash Balance		<u>\$ 3,197,456</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, 2018

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 374,168	\$ 374,168	\$ -
Less: Prior Year Outstanding Warrants	(12,825)	(12,825)	-
Less: Prior Year Encumbrances	(6,380)	(2,838)	3,542
Beginning Cash Balances, Budgetary Basis	<u>354,963</u>	<u>358,505</u>	<u>3,542</u>
 Total Receipts, Budgetary Basis	 <u>293,950</u>	 <u>327,727</u>	 <u>33,777</u>
 Total Expenditures, Budgetary Basis	 <u>648,913</u>	 <u>221,245</u>	 <u>427,668</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 464,987	 <u>\$ 464,987</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		16,404	
Add: Current Year Outstanding Warrants		<u>22,947</u>	
Ending Cash Balance		<u>\$ 504,338</u>	

McINTOSH COUNTY, OKLAHOMA
NOTE TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018, 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, 2018, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered 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 opinion 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention of those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

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

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

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

No matters were reported.

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 2018-002 - 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.

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: The Oklahoma State Auditor & Inspector’s Office (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

**McINTOSH COUNTY, OKLAHOMA
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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.
- Individual 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."

Finding 2018-003 - 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:

- 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 inmate ledger as of June 30, 2018, printed from the County Sheriff's Commissary software system reflected negative balances for two (2) inmates due to medical costs owed by the inmate. The negative balances are recorded in an effort to collect outstanding medical costs should the inmate be incarcerated again in the future.

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- The Sheriff's office does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th, of each year.
- Inmate Trust Fund Checking Account debit cards issued are not reconciled to individual inmate accounts.

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:

- 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.
- Procedures as set forth in 19 O.S. § 531 B. should be followed regarding the collection of inmates' medical costs.
- The County Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15th, of each year in accordance with 19 O.S. § 180.43 D.
- Debit cards listed on the monthly statements received from the debit card company should be reconciled to individual inmate accounts.

Management Response:

County Sheriff:

- 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".
- We are working to change our process in the way we collect outstanding medical costs owed by the inmate.
- The Jail Administrator took over this responsibility and filed the report sometime after January 15th, 2018. We will plan to submit it on or before January 15th in the future.
- We have requested that the vendor make available to us daily withdrawal amounts associated with individual inmates instead of daily totals of all inmates together.

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."

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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 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. § 531 B. states in part, "...If the funds collected from the inmate's jail account are insufficient to satisfy the actual or minimal payment on account for medical costs, the sheriff shall collect the remaining balance of the medical care and treatment as provided in Section 979a of Title 22 of the Oklahoma Statutes."

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."



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