



PAWNEE COUNTY

Financial Audit

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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

December 21, 2021

TO THE CITIZENS OF
PAWNEE COUNTY, OKLAHOMA

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

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

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

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

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



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

Board of County Commissioners

District 1 – Charles Brown
District 2 – Jim McCormick
District 3 – Dale Carter

County Assessor

Melissa Waters

County Clerk

Kristie Moles

County Sheriff

Mike Waters

County Treasurer

Carrie Tatum

Court Clerk

Janet Dallas

District Attorney

Mike Fisher

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

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
PAWNEE 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 Pawnee County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

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

Unmodified Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, on our consideration of Pawnee 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 Pawnee 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

November 15, 2021

REGULATORY BASIS FINANCIAL STATEMENT

PAWNEE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Beginning Cash Balances July 1, 2019	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
Combining Information:						
County General Fund	\$ 764,693	\$ 1,610,929	\$ -	\$ -	\$ 1,471,927	\$ 903,695
Sales Tax	58	-	-	58	-	-
Courthouse Maintenance-ST	96,564	90,649	81,864	-	94,874	174,203
Emergency Management-ST	195,871	45,359	40,932	-	85,200	196,962
Extension-ST	98,191	56,632	51,165	-	38,615	167,373
Fair-St	1,606	34,115	30,699	-	16,763	49,657
General Government-ST	1,235,853	1,246,872	58	736,779	1,407,436	338,568
Road and Bridges-ST	89,937	113,231	102,331	-	22,876	282,623
Jail-ST	250,095	226,373	-	-	197,418	279,050
Juvenile Detention-ST	87,743	11,358	10,233	-	13,395	95,939
Sheriff-ST	219,205	339,511	306,992	-	552,679	313,029
Rural Fire-ST	226,384	56,692	51,165	-	45,312	288,929
Senior Citizens-ST	15,790	22,642	20,466	-	17,334	41,564
Economic Development-ST	246,870	45,347	40,932	-	162,678	170,471
County Health	523,098	205,175	-	-	171,897	556,376
Highway Cash Fund	1,237,135	2,101,855	-	-	2,192,217	1,146,773
Sheriff Service Fee	519,781	170,774	-	-	379,775	310,780
County Bridge and Road Improvement	524,729	495,520	-	-	559,053	461,196
Resale Property	292,170	188,893	-	-	156,555	324,508
County Sheriff Commissary	129,560	-	-	-	14,585	114,975
County Sheriff Training	299	-	-	-	-	299
County Clerk Lien Fee	87,507	6,564	-	-	4,973	89,098
County Treasurer Certification Fee	14,876	2,345	-	-	1,578	15,643
Lake Patrol OG&E	4,015	-	-	-	100	3,915
Lake Patrol COE	34,640	-	-	-	-	34,640
County Clerk Records Management and Preservation Fee	24,897	24,709	-	-	25,569	24,037
County Sheriff Assets and Forfeiture	80,777	6,612	-	-	8,643	78,746
County Assessor Visual Inspection	19,405	3,384	-	-	838	21,951
County Sheriff Courthouse Security	38,930	-	-	-	-	38,930
Use Tax-ST	356,907	168,160	-	-	13,564	511,503
LEPC Grant Hazards	16,425	1,000	-	-	-	17,425
911 Phone Fees	4,616	24,445	-	-	24,432	4,629
Highway Use Tax	30,470	-	-	-	-	30,470
Sheriff Community Service Sentencing Program	7,075	-	-	-	-	7,075
Court Clerk Payroll	78,660	140,796	-	-	150,535	68,921
Free Fair	5,290	7,493	-	-	9,145	3,638
County Donations	1,314	1,833	-	-	1,752	1,395
Combined Total - All County Funds	\$ 7,561,436	\$ 7,449,268	\$ 736,837	\$ 736,837	\$ 7,841,718	\$ 7,168,986

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Pawnee 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 school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included as combining information within the financial statement:

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

Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Courthouse Maintenance-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Emergency Management-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Extension-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Fair-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

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

General Government-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Road and Bridges-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Jail-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Juvenile Detention-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Sheriff-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Rural Fire-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Senior Citizens-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Economic Development-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

County Health – accounts for revenues from ad valorem taxes, miscellaneous fees charged by the health department, and state and federal funds. 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.

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

County Bridge and Road Improvement – accounts for the collections from the State of Oklahoma and disbursements are for road and bridge improvements.

Resale Property – accounts for revenue from interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

County Sheriff Commissary – accounts for monies received from the commissary sales and disbursement of funds as restricted by state statute.

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

County Sheriff Training – accounts for monies collected from a grant and disbursed to the sheriff's office for the training of Sheriff officers.

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

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

Lake Patrol OG&E – accounts for monies received from OG&E for the patrol of the property around Sooner Lake.

Lake Patrol COE – accounts for monies collected from the Corp of Engineers for the payment of a part-time patrol officer.

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

County Sheriff Asset and Forfeiture – accounts for monies received from the sale of asset seizures and disbursements are for drug enforcement expenses of the Sheriff's office.

County Assessor Visual Inspection – accounts for the collection of fees for copies, as restricted by state statute.

County Sheriff Courthouse Security – accounts for monies from Court Clerk fees paid to the Sheriff's office for courthouse security.

Use Tax-ST – accounts for revenues for the use tax funds collected by the Oklahoma Tax Commission and disbursements are for the general operation of the County.

LEPC Grant Hazards – accounts for monies received from the State of Oklahoma for the purchase of Emergency Management equipment.

911 Phone Fees – accounts for the collection of fees charged on cellular telephone bills for the County's wireless emergency 911 system. Disbursements are for expenditures related to providing these services.

Highway Use Tax – accounts for use tax collections to be distributed equally between Districts 1, 2, and 3 for road and bridge projects per BOCC resolution.

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

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

Court Clerk Payroll – accounts for collections from the state to pay for Court Clerk employees' salaries.

Free Fair – accounts for the collections of rental income and donations and disbursements are for the maintenance and operation of the Free Fair.

County Donations – accounts for donations to the County for specified projects, as restricted by resolutions approved by the BOCC.

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 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

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

identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

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

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

2. Ad Valorem Tax

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

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

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

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

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.

D. Sales Tax

Sales Tax of October 13, 2009

The voters of Pawnee County approved a one percent (1%) sales tax on gross receipts of certain sales; providing that the purpose of such sales tax shall be solely to pay for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining the County jail facilities for the

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

County of Pawnee, Oklahoma and to support law enforcement within the County of Pawnee, Oklahoma; and to pay the principal of and interest on indebtedness incurred on behalf of said County by the Pawnee County Public Programs Authority for such purposes; providing that the aforesaid sales tax shall be levied beginning January 1, 2010, and three-fourths of one percent (3/4%) sales tax shall cease to be collected when sufficient funds from said levy shall be deposited to retire such indebtedness or on January 1, 2030, whichever shall be earlier: and the remaining one-fourth of one percent (1/4%) shall be levied until repealed by a majority of the electors of Pawnee County. These funds are accounted for in the Jail-ST fund.

Sales Tax of February 13, 2018

The voters of Pawnee County approved a one (1) cent sales tax effective February 2019. The sales tax has a duration of five (5) years. The sales tax was established to provide revenue for the following: County Sheriff's office 30%, City and Rural Fire Protection 5% (equal shares between Basin, Blackburn, Cleveland, Jennings, Maramec, N48 Sunrise, Pawnee, Peninsula, Ralston, Terlton, Westport, and Skedee), County 911 2%, Senior Citizens Center 2%, County Juvenile Detention 1%, County Emergency Management 2%, County OSU Extension 5%, County Roads and Bridges 10%, County Free Fair 3%, County Buildings 8%, County Economic Development 4%, and County General 28%. These funds are accounted for in the General Government-ST fund.

E. Interfund Transfers

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

- \$58 was transferred from the Sales Tax fund to the General Government-ST fund to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- To correct prior year apportionment errors, a total of \$736,779 was transferred from the General Government-ST fund to:
 - \$81,864 to the Courthouse Maintenance-ST fund
 - \$40,932 to the Emergency Management-ST fund
 - \$51,165 to the Extension-ST fund
 - \$30,699 to the Fair-ST fund
 - \$102,331 to the Road & Bridge-ST fund
 - \$10,233 to the Juvenile Detention-ST fund
 - \$306,992 to the Sheriff-ST fund
 - \$51,165 to the Rural Fire-ST fund
 - \$20,466 to the Senior Citizens-ST fund
 - \$40,932 to the Economic Development-ST fund

SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
District Attorney	\$ 10,000	\$ 10,000	\$ -
County Sheriff	376,690	365,658	11,032
County Treasurer	88,250	88,250	-
County Clerk	170,326	166,033	4,293
Court Clerk	88,250	88,250	-
County Assessor	88,300	83,164	5,136
Revaluation of Real Property	219,489	202,837	16,652
General Government	459,029	381,521	77,508
Excise-Equalization Board	5,000	2,389	2,611
County Election Expense	67,036	66,539	497
Charity	3,000	2,500	500
County Audit Budget	36,904	27,364	9,540
Total Expenditures, Budgetary Basis	<u>\$ 1,612,274</u>	<u>\$ 1,484,505</u>	<u>\$ 127,769</u>

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

	Health Fund		
	Budget	Actual	Variance
County Health and Welfare	\$ 691,103	\$ 214,335	\$ 476,768
Total Expenditures, Budgetary Basis	<u>\$ 691,103</u>	<u>\$ 214,335</u>	<u>\$ 476,768</u>

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

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances (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
PAWNEE 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 Pawnee County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprises Pawnee County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 15, 2021.

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, 2020, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Pawnee 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 Pawnee County's internal control. Accordingly, we do not express an opinion on the effectiveness of Pawnee 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: 2020-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pawnee County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-002.

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

Pawnee County's Response to Findings

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

November 15, 2021

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

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

Finding 2020-002- Lack of Internal Controls and Noncompliance Over the Discrete Presentation of the Sales Tax Activity (Repeat Finding - 2017-003, 2018-003, 2019-003)

Condition: While gaining an understanding of internal controls and observation of the recordkeeping process of expending the county sales tax, the following was noted:

- Sales tax revenue in the amount of \$904,993 was apportioned directly to the Public Building Authority fund, a trust and agency fund, causing the apportionments and disbursements to be understated by this same amount.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with state statutes 19 O.S. § 1505, 68 O.S. § 1370(E) and Attorney General (AG) Opinion 2014 OK AG 15.

Effect of Condition: These conditions resulted in noncompliance with state statutes and AG Opinion. Further these conditions resulted in materially misstated financial reports, and could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor and Inspector's office (OSAI) recommends the County appropriate sales tax funds in accordance with the sales tax ballot into the appropriate funds to discretely present the revenue and expenditures. In addition, the sales tax should be expended in such a manner to provide assurance that expenditures are made in accordance with the purposes specified by the ballot and as outlined in state statutes 19 O.S. § 1505, 68 O.S. § 1370(E), and AG Opinion 2014 OK AG 15.

Management Response:

County Treasurer: This has been corrected and the money is now being receipted into the correct sales tax fund according to the new chart of accounts. All sales tax disbursements will follow the purchasing procedure and will be disbursed on a purchase order. This was changed per the Bond Attorney's request.

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.

**PAWNEE COUNTY, OKLAHOMA
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The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

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

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

Definitions of Objectives

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

Title 19 O.S. § 1505 requires disbursements to be issued by purchase order approved by the BOCC.

Title 68 O.S. § 1370(E), states in part... “requires the sales tax collections to be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.”

Further, AG opinion 2014 OK AG 15 dated 10/31/2014 states:

“4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; *Cavin v. Bd. of County Comm'rs*, 1934 OK 245 11, 33 P.2d 477, 479.”

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

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

Finding 2020-008 - Lack of Internal Controls and Noncompliance Over the 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 person is responsible for accessing and balancing the drop box, preparing deposit slips, taking deposits to the bank, maintaining the inmate records, issuing checks, signing checks, and performing bank reconciliations.
- Inmate Trust Fund Checking Account is not reconciled to the bank.
- Inmate ledger balances are not reconciled to the bank statement resulting in a \$1,442 unknown reconciling item.
- Commissary and phone profits in the amount of \$28,939 are not being timely deposited to the County Sheriff Commissary Fund and the Sheriff Service Fee fund.
- Deposits are not made daily.
- An annual commissary report was not filed with the Board of County Commissioners by January 15th of each year.
- There is no policy or procedure regarding unclaimed funds.

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. Also, without proper accounting and safeguarding of the Inmate Trust Fund, 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.
- Inmate Trust Fund Checking Account monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The total of inmate's trust fund balances should be reconciled to the bank statements each month with someone other than the preparer reviewing it.
- Commissary and phone profits should be deposited timely in the County Sheriff Commissary Fund and Sheriff Service Fee Fund.
- All collections should be deposited daily.

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- The Sheriff should file an annual commissary report with the County Commissioners by January 15th, of the fiscal year.
- Unclaimed inmate monies should follow unclaimed property in accordance with state statute.

Management Response:

County Sheriff: While this has been a repeat finding, all prior years were under a previous administration. The Sheriff's Office will put into place internal controls and segregation of duties and ensure the inmate ledger is reconciled to the bank statements. We will strive to make daily deposits and file the Commissary report by January 15th of each year. We will implement policies and procedures to ensure that all unclaimed funds are sent to the District Attorney's office for review and suggestions.

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

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transaction, 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.

The GAO Standards – Principle 10 – Segregation of Duties states:

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

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

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

The GAO Standards – Principle 16 – Perform Monitoring Activities – 16.05 states:

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing Monitoring includes regular management and supervisory activities, comparisons, reconciliations, and

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other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.

Title 19 O.S. § 180.43 D. states in part, "...Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no compensation for the operation of said commissary. 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 22 O.S. § 1325(F, H) prescribes the procedures for handling unclaimed property.



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