



PITTSBURG COUNTY

Financial Audit

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**PITTSBURG 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

November 15, 2021

TO THE CITIZENS OF
PITTSBURG COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pittsburg 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



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

Board of County Commissioners

District 1 – Charlie Rogers
District 2 – Kevin Smith
District 3 – Ross Selman

County Assessor

Michelle Fields

County Clerk

Hope Trammell

County Sheriff

Chris Morris

County Treasurer

Jennifer Lenox-Hackler

Court Clerk

Cindy Ledford

District Attorney

Chuck Sullivan

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

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
PITTSBURG 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 Pittsburg 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 Pittsburg 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 Pittsburg 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 Pittsburg 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 October 25, 2021, on our consideration of Pittsburg 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 Pittsburg 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

October 25, 2021

REGULATORY BASIS FINANCIAL STATEMENT

PITTSBURG 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:						
General	\$ 1,346,850	\$ 5,589,315	\$ 2,030	\$ -	\$ 5,466,174	\$ 1,472,021
County Sinking	18,884	12	-	-	-	18,896
County Highway	3,022,577	6,008,142	-	1,093,144	6,273,616	1,663,959
County Health Department	1,221,727	1,316,205	-	-	1,050,797	1,487,135
Treasurer Mortgage Tax Certification Fee	68,031	9,661	-	-	-	77,692
Resale Property	987,752	364,952	-	-	303,273	1,049,431
County Clerk Lien Fee	216,535	24,996	-	-	50,928	190,603
Assessor Visual Inspection	25,961	3,164	-	-	6,442	22,683
Civil Defense	72,834	130,366	-	-	129,632	73,568
DHS Attendant Care	1,793	-	-	1,793	-	-
County Clerk Records Preservation	247,960	86,356	-	-	13,264	321,052
Sheriff Service Fee	76,032	971,911	-	10,111	954,750	83,082
CEL - Corps of Engineers	637	16,462	-	-	12,489	4,610
Youth Services Transport	7	-	-	7	-	-
Juvenile Detention Building and Maintenance	21,663	332	-	-	7,815	14,180
REAP	-	103,955	-	-	103,955	-
Local Emergency Planning Program	8,514	-	-	-	700	7,814
Jail Maintenance and Operation	1,152,102	1,405,825	-	-	1,312,825	1,245,102
Animal Shelter Maintenance and Operation	714,013	539,601	-	-	597,731	655,883
Emergency Disaster Relief Donation	30,669	1,652	-	1,389	30,474	458
E-911	46,518	85,326	-	-	88,050	43,794
Animal Shelter Donations	19,333	3,940	-	20,005	2,837	431
County Fire Tax	3,899,036	1,896,996	-	-	1,389,479	4,406,553
Sheriff Training	28	-	-	-	-	28
Sheriff Commissary	29,377	176,431	-	-	157,776	48,032
Local Emergency Preparedness Grant	7,567	1,000	-	-	1,847	6,720
Litter Reward Revolving Fund	1,910	200	-	-	-	2,110
Oklahoma Bar Association	7,200	-	-	-	7,200	-
Highway Sales Tax	3,673,626	7,660,147	-	-	8,815,631	2,518,142
Court Fund Personal Service	5	248,632	-	-	248,593	44
Court Clerk Revolving Personal Service	1,309	1,000	-	86	2,223	-
Choctaw Nation Donation	10,000	21,600	-	22,178	-	9,422
County Bridge and Road Improvement	-	-	938,383	-	-	938,383
County Donations	-	-	177,972	-	-	177,972
Equitable Sharing - DOJ	-	-	3,456	-	-	3,456
Safe Oklahoma - AG	-	-	8,983	-	-	8,983
Combined Total - All County Funds	\$ 16,930,450	\$ 26,668,179	\$ 1,130,824	\$ 1,148,713	\$ 27,028,501	\$ 16,552,239

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Pittsburg 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 – accounts for revenue from ad valorem taxes, officers' fees, interest earnings and miscellaneous collections of the County. Disbursements are for the general operations of the government.

County Sinking – accounts for the payment of interest and principal on the matured portion of long-term bonded debt and civil judgements. Debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

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

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.

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

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

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

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

Assessor Visual Inspection – accounts for the collection and expenditure of monies by the County Assessor as restricted by state statute for the visual inspection program.

Civil Defense – accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

DHS Attendant Care – accounts for the state contract funds for juvenile care.

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

Sheriff Service Fee – accounts for the collection and disbursement of sheriff process service fees, Court Clerk fees, and contract revenues related to the boarding of prisoner. Disbursements are restricted by state statute.

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

Youth Services Transport – accounts for state reimbursements for the transportation of juveniles.

Juvenile Detention Building and Maintenance – accounts for state funds held for the maintenance and operation of the juvenile detention building.

REAP – accounts for state grant funds received for specific projects as identified by the grant agreement.

Local Emergency Planning Program – accounts for the federal funds from the Department of Emergency Management for the operation of the emergency management office.

Jail Maintenance and Operation – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

Animal Shelter Maintenance and Operation – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

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

Emergency Disaster Relief Donation – accounts for donations to the County for emergency disaster relief.

E-911 – accounts for a fee collected by local telephone service providers for the operation of the enhanced emergency telephone system.

Animal Shelter Donations – accounts for the monies received from donations and the disbursement of funds for the boarding of stray and abandoned animals in the care of the County animal shelter.

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

Sheriff Training – accounts for monies collected from other law enforcement agencies for attendance of training classes for law enforcement certifications and the disbursement of funds are for expenses of conducting classes.

Sheriff Commissary – accounts for the monies received from the sale of commissary items and disbursement of funds are for commissary and jail operating expenses.

Local Emergency Preparedness Grant – accounts for monies received from the Department of Homeland Security passed through the Oklahoma Department of Emergency Management to be used for grant program.

Litter Reward Revolving Fund – accounts for collections of fines from littering and the disbursements are restricted to be used for the prevention of littering.

Oklahoma Bar Association – accounts for funds received from the Oklahoma Bar Association for the purpose of recording equipment to be used in the courtrooms.

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

Court Fund Personal Service – accounts for funds deposited by the Court Clerk and disbursed for payroll for the Court Clerk's office.

Court Clerk Revolving Personal Service – accounts for funds deposited by the Court Clerk and disbursed for payroll for the Court Clerk's office.

Choctaw Nation Donation – accounts for donations received from Choctaw Nation to be used for purposes designated in the Board of County Commissioners resolution.

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

County Bridge and Road Improvement – accounts for revenue derived from gasoline and natural gas taxes to be used for costs associated with bridge inspections, improvements, and construction, as well as the construction of a bituminous surface treatment or gravel roadway.

County Donations – accounts for the donations received and acknowledged by resolutions by the Board of County Commissioners and to be disbursed for the purpose for which they are donated.

Equitable Sharing – DOJ – accounts for federal forfeiture proceeds received by the County to be used for law enforcement purposes in accordance with grant agreement.

Safe Oklahoma – AG – accounts for state grants received to be used for local law enforcement purposes in accordance with grant agreement.

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.

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

E. Cash

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

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

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

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

2. Ad Valorem Tax

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

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

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.

**PITTSBURG 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

The voters of Pittsburg County approved three-quarters of one (1) cent sales tax on October 11, 2015 to be pledged toward the retirement of indebtedness incurred therefore and to be designated and used specifically as follows:

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

- 48% constructing, renovating, expanding, equipping, which includes three-sixteenths of one (1) cent for operating and maintaining the Pittsburg County Jail;
- 47% acquisition of real property, constructing, renovating, expanding, and furnishing the Pittsburg County Courthouse;
- 5% acquisition of real property, constructing, equipping, which includes one-sixteenth of one (1) cent primarily for operating and maintaining a new Pittsburg County Animal Shelter.

A portion of this sales tax, one-half of one (1) cent, expires October 11, 2024, or until principal and interest upon indebtedness is paid in full, whichever occurs earlier. On July 23, 2015, the Economic Development Authority, (the “Authority”), defeased all outstanding sales tax revenue bonds associated with one-half cent (1/2) for the capital improvements. Therefore, one-half cent (1/2) county sales tax was terminated effective October 1, 2015. The remaining one-quarter sales tax is permanent. These funds are accounted for in Jail Maintenance and Operation and Animal Shelter Maintenance and Operation funds.

The voters of Pittsburg County approved a permanent one-quarter of one percent (1/4%) sales tax effective July 29, 2008. This sales tax was designated for fire protection. The sales tax will be distributed to the fire departments in the following communities; Alderson, Arrowhead Estates, Ashland, Blanco, Blue, Bugtussle, Canadian, Canadian Shores, Crowder, Elm Point, Gaines Creek, Haileyville, Hartshorne, Haywood-Arpear, High Hill, Highway 9, Indianola, Kiowa, Krebs, McAlester, Pittsburg, Quinton, Sam’s Point, Savanna, Shady Grove, Tannehill, and Union Chappell, or others hereinafter established. These funds are accounted for in the County Fire Tax fund.

The voters of Pittsburg County approved a permanent one percent (1%) sales tax effective January 1, 2016. The sales tax proceeds of which to be deposited to a sales tax depository account with the Pittsburg County Treasurer, pledged toward the retirement of any indebtedness incurred therefore; and to be designated and used specifically as follows: construction and repair of county roads and bridges; acquisition of equipment and materials; contractor services as necessary; and not for salaries of county employees; making provisions separable; and declaring an emergency. These funds are accounted for in the Highway Sales Tax fund.

E. Tax Abatements

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

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of

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

a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$2,538 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2020.

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

F. Interfund Transfers

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

- \$22,000 from the County Highway fund to the Emergency & Transportation Fund ETR (a trust and agency fund) for loan repayment for bridge and road projects in the County.
- \$938,383 from the County Highway fund to the County Bridge and Road Improvement Fund for Chart of Accounts conversion.
- \$132,761 from the County Highway fund to the County Donations fund for Chart of Accounts conversion.
- \$1,793 from the DHS Attendant Care fund to the General fund to close out fund for Chart of Accounts conversion.
- \$8,983 from the Sheriff Service Fee fund to the Safe Oklahoma - AG fund for Chart of Accounts conversion.
- \$1,128 from the Sheriff Service Fee fund to the County Donations fund for Chart of Accounts conversion.
- \$7 from the Youth Service Transport fund to the General fund to close out for Chart of Accounts conversion.
- \$1,389 from the Emergency Management Disaster Relief fund to the County Donations fund to close out fund for Chart of Accounts conversion.
- \$20,005 from the Animal Shelter Donations fund to the County Donations fund to close out fund for Chart of Accounts conversion.
- \$86 from the Court Clerk Revolving Personal Service fund to the Court Clerk Revolving Official Depository (a trust and agency fund) to close out fund for Chart of Accounts conversion.
- \$22,178 from the Choctaw Nation Donation fund to the County Donations fund to close out fund for Chart of Accounts conversion.
- \$229 from the Community Service CSSP (a trust and agency fund) to the General fund to close out fund for Chart of Accounts conversion.

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

- \$1 from the VOCA (a trust and agency fund) to the General fund to close out fund for Chart of Accounts conversion.
- \$511 from the Drug Court (a trust and agency fund) to the County Donations fund for Chart of Accounts conversion.
- \$3,456 from the Forfeiture (a trust and agency fund) to the Equitable Sharing-DOJ fund for Chart of Accounts conversion.

SUPPLEMENTARY INFORMATION

PITTSBURG 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 - County	\$ 46,000	\$ 45,938	\$ 62
County Sheriff	1,122,163	1,061,925	60,238
County Treasurer	223,157	214,755	8,402
County Commissioners	316,828	308,125	8,703
County Commissioners O.S.U. Extension	271,646	213,077	58,569
County Clerk	420,708	414,103	6,605
Court Clerk	263,400	260,871	2,529
County Assessor	326,640	319,790	6,850
Revaluation of Real Property	500,437	478,051	22,386
General Government	2,258,275	1,655,834	602,441
Excise - Equalization Board	11,000	5,674	5,326
County Election Board	199,619	193,654	5,965
Charity	1,000	-	1,000
Civil Defense	180,185	177,497	2,688
Juvenile Detention	34,000	33,352	648
Senior Citizens	3,000	2,000	1,000
KEDDO	1,596	1,596	-
Expo	10,293	10,293	-
Flood Plain	11,372	8,338	3,034
County Audit Budget Account	118,520	77,619	40,901
Free Fair Budget Account	18,000	18,000	-
Total Expenditures, Budgetary Basis	<u>\$ 6,337,839</u>	<u>\$ 5,500,492</u>	<u>\$ 837,347</u>

PITTSBURG 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
Health and Welfare	\$ 2,282,025	\$ 1,311,940	\$ 970,085
Total Expenditures, Budgetary Basis	\$ 2,282,025	\$ 1,311,940	\$ 970,085

**PITTSBURG 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
PITTSBURG 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 Pittsburg County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprises Pittsburg County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 25, 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 Pittsburg 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 Pittsburg County's internal control. Accordingly, we do not express an opinion on the effectiveness of Pittsburg County's internal control.

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



Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2020-001 and 2020-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pittsburg 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 a certain matter regarding statutory compliance that we reported to the management of Pittsburg County, which is included in Section 2 of the schedule of findings and responses contained in this report.

Pittsburg County's Response to Findings

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

Purpose of this Report

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

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 25, 2021

**PITTSBURG 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 2020-001 — Internal Controls Over Signature Stamp – County Treasurer (Repeat Finding 2011-004, 2012-004, 2013-004, 2016-003, 2017-003, 2018-003, and 2019-001)

Condition: Upon inquiry, observation, and review of documents, we noted the following internal control weakness:

- The employees of the County Treasurer’s office have access to the Treasurer’s two (2) signature stamps. The signature stamps are not under the physical control of the County Treasurer and are retained in an unsecure location.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure control of the signature stamps due to the official being unaware of the risk involved with someone other than herself having access to her signature stamps.

Effect of Condition: This condition could result in unauthorized transactions or misappropriation of funds.

Recommendation: The Oklahoma State Auditor and Inspector (OSAI) recommends signature stamps be adequately safeguarded from unauthorized use and are to be used only by the official to whom it belongs.

Management Response:

County Treasurer: I will take physical control of my two (2) signature stamps and retain them in a secure location. My 1st Deputy and School Deputy will be allowed to use them under my authorization for school warrants and vouchers.

Auditor Response: The signature stamps should only be used by the official to whom it belongs.

Criteria: The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities

The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.03 states:

Definition of Internal Control

Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity. Internal control serves as the first line of defense in safeguarding assets. In short, internal control helps managers achieve desired results through effective stewardship of public resources.

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

The GAO Standards – Section 2 – Objectives of an Entity - OV2.24 states in part:

Safeguarding of Assets

Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.

Finding 2020-002 – Internal Controls and Noncompliance Over Disbursements

Condition: While performing disbursement testwork of a sample of seventy (70) purchase orders selected from county funds, the following was noted:

- One (1) was not supported by adequate documentation.
- Four (4) were not encumbered prior to receiving goods or services.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County is in compliance with state statutes regarding the purchasing process and all disbursements are supported by adequate documentation, such as detailed timesheets reflecting hours worked.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in unrecorded transactions, undetected errors, inaccurate records, incomplete information, and misappropriation of funds.

Recommendation: OSAI recommends the County implement internal control procedures to ensure compliance with purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered and supported by adequate documentation.

Management Response:

Chairman of the Board of County Commissioners: Pittsburg County will ensure that all requisitioning officers have knowledge of the purchasing laws and follow the statutes accordingly.

County Clerk: Pittsburg County will ensure that all requisitioning officers have knowledge of the purchasing laws and follow the statutes accordingly.

County Sheriff: We will start encumbering funds before making purchases.

County Assessor: Timesheets have been corrected to show hours worked.

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

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

Design of Appropriate Types of Control Activities

Appropriate documentation of transactions and internal control

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

Additionally, Objectives of an Entity – Compliance Objectives – OV 2.25 states:

Safeguarding of Assets

Management can develop from objectives more specific subobjectives throughout the organizational structure. Management defines subobjectives in specific and measurable terms that can be communicated to the personnel who are assigned responsibility to achieve these subobjectives. Both management and personnel require an understanding of an objective, its subobjectives and defined levels of performance for accountability in an internal control system.

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

SECTION 2—This section contains a certain matter 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 this matter and take appropriate corrective action.

Finding 2020-003 – Internal Controls and Noncompliance Over Fixed Assets Inventory

Condition: While gaining an understanding of internal controls by inquiry of County personnel, observation, review of documents, and performing testwork, regarding fixed assets, the following was noted:

- The County has not set forth procedures to perform and document an annual physical inventory to ensure compliance with 19 O.S. § 178.1 and 19 O.S. § 178.3.
 - A completed fixed assets inventory was not on file with the County Clerk for the following offices: County Clerk, County Commissioner District 1, County Commissioner District 2, County Commissioner's Office, Sheriff, Emergency Management, Oklahoma Cooperative Extension Service, County Health Department, Animal Shelter, and the following Fire Departments: Alderson, Arrowhead, Ashland, Blanco, Blue, Bugtussle, Canadian, Carlton Landing, Crowder, Elm Point, Haileyville, Hartshorne, Haywood/Arpelar, High Hill,

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

Highway 9, Indianola, Kiowa, Krebs, McAlester, Pittsburg, Quinton, Russellville, Sams Point, Savanna, Shady Grove, Tannehill, and Union Chapel.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory count and maintaining the fixed asset inventory records with the County Clerk.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in inaccurate, incorrect information or loss of assets.

Recommendation: OSAI recommends the County adopt policies and procedures to implement a system of internal controls over the fixed assets inventory records. These controls would include that all offices:

- Perform an annual inventory count.
- Retain documentation to verify the physical inventory counts were performed.
- File an inventory list with the County Clerk annually.

Management Response:

County Commissioner District 1: The Board of County Commissioners will stress the importance of verifying and updating the inventory annually.

County Commissioner District 2: The Board of County Commissioners will stress the importance of verifying and updating the inventory annually.

County Commissioner District 3: The Board of County Commissioners will stress the importance of verifying and updating the inventory annually.

County Clerk: Pittsburg County will stress the importance of verifying and updating the inventory annually.

County Sheriff: I know how important inventories are and I will make sure we improve in this area.

Criteria: The GAO Standards – Section 2 – Objective 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.

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

Additionally, The GAO Standards – Section 2 – Objective of an Entity - OV2.24 states:

Safeguarding of Assets

A subset of the three categories of objectives is the safeguarding of assets. Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.

Furthermore, GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Physical Control over Vulnerable Assets

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.

Title 19 O.S. § 178.1 states in part, “The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and annually thereafter...”

Title 19 O.S. § 178.3.A states, “The county clerk shall be custodian and repository of all inventory records, files and reports.”



Cindy Byrd, CPA | State Auditor & Inspector

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