



# PONTOTOC COUNTY

## Financial Audit

For the fiscal year ended June 30, 2020

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

**PONTOTOC 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

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November 15, 2021

TO THE CITIZENS OF  
PONTOTOC COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pontotoc 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



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

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**Board of County Commissioners**

District 1 – Gary Starns  
District 2 – Danny Davis  
District 3 – Justin Roberts

**County Assessor**

Debbie Byrd

**County Clerk**

Tammy Brown

**County Sheriff**

John Christian

**County Treasurer**

Paula Hall

**Court Clerk**

Karen Dunnigan

**District Attorney**

Paul Smith

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

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## **FINANCIAL SECTION**

## Independent Auditor's Report

TO THE OFFICERS OF  
PONTOTOC 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 Pontotoc 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 Pontotoc 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 Pontotoc 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 Pontotoc 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 19, 2021, on our consideration of Pontotoc 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 Pontotoc 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 19, 2021

## **REGULATORY BASIS FINANCIAL STATEMENT**

**PONTOTOC 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	\$ 1,152,328	\$ 3,730,453	\$ 375,000	\$ 375,000	\$ 3,368,269	\$ 1,514,512
County Highway Unrestricted	1,670,383	3,499,168	-	210,000	3,778,846	1,180,705
County Bridge and Road Improvement	1,053,238	531,793	-	-	363,959	1,221,072
911 Phone Fees	1,093	-	-	-	1,044	49
Assessor Revolving Fee	67,768	2,454	-	-	3,376	66,846
Assessor Visual Inspection	1,684	-	-	-	1,684	-
County Clerk Lien Fee	17,594	16,836	-	-	5,207	29,223
RM&P	152,319	62,020	-	-	61,468	152,871
Emergency Management	37,963	31,250	-	-	37,482	31,731
Flood Plain	5,187	2,500	-	-	-	7,687
Free Fair Board	71,801	127,030	-	-	152,493	46,338
Health	1,571,026	1,014,772	-	-	890,097	1,695,701
LEPC	11,806	-	-	-	-	11,806
Resale Property	513,266	260,525	-	-	178,468	595,323
Reward Fund	1,371	98	-	-	-	1,469
Sheriff Commissary	109,953	101,754	-	-	167,446	44,261
CSSP	1,762	-	-	-	-	1,762
Sheriff Forfeiture	-	3,802	-	-	-	3,802
Sheriff Service Fee	444,644	525,953	158,777	-	634,058	495,316
Sheriff Training	-	6,640	-	-	-	6,640
Treasurer Mortgage Certification	26,402	8,404	-	-	18,274	16,532
County Donations	189,633	7,353	-	158,777	25,856	12,353
Use Tax-ST	756,263	594,875	375,000	375,000	135,556	1,215,582
Lodging Tax-ST	808,077	369,961	-	-	449,635	728,403
Ambulance Service District-ST	208,177	475,308	-	-	300,000	383,485
Highway-ST	758,630	1,282,282	-	-	1,024,028	1,016,884
Jail-ST-Old	239,002	638,961	-	-	571,501	306,462
Rural Fire-ST	2,015,707	941,042	-	-	848,951	2,107,798
911-ST	317,932	402,814	-	-	609,500	111,246
Jail-ST-New	355,433	719,492	-	-	816,950	257,975
County Sinking	-	22,613	-	-	22,193	420
Juvenile Drug Court	48,750	22,250	-	-	71,000	-
<b>Combined Total - All County Funds</b>	<b>\$ 12,609,192</b>	<b>\$ 15,402,403</b>	<b>\$ 908,777</b>	<b>\$ 1,118,777</b>	<b>\$ 14,537,341</b>	<b>\$ 13,264,254</b>

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

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

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Pontotoc 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 – accounts for the general operations of the government.

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

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.

911 Phone Fees – accounts for monies received from private telephone companies and disbursed for maintenance and support of the 911 infrastructure.

Assessor Revolving Fee – accounts for the collection of fees for copies and sale of plat books and disbursed as restricted by state statute.

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

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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.

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

RM&P – accounts for fees charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records as restricted by state statute.

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

Flood Plain – accounts for fees collected for notice of intent for development and flood zone permits and disbursed for floodplain travel, maintenance, and operation.

Free Fair Board – accounts for fees and donations collected for rentals and events held at the Agri-Plex for the general operations of the facility.

Health – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

LEPC – accounts for grant monies received from the State of Oklahoma and disbursed for the maintenance and operation of the Emergency Management office, as voted on by the Local Emergency Planning Committee (LEPC) and restricted by the grant requirements.

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

Reward Fund – accounts for monies collected by the Court Clerk from fees for the destruction of county road signs and littering offenses/illegal dumping. Disbursed to offer and pay a reward to individuals offering information that leads to an arrest and conviction and offset the cost of any special enforcement programs related preventing littering and illegal dumping.

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

CSSP – accounts for monies received and disbursed for community sentencing planning travel claims. This account was inactive for fiscal year 2020.

Sheriff Forfeiture – accounts for proceeds from the sale of property seized by law enforcement as ordered by the court and to be used for law enforcement purposes in accordance with state statute.

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

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

Sheriff Training – accounts for revenues from unclaimed property and disbursed for purchase of equipment, materials or supplies that may be used in crime prevention, education, training or programming.

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

County Donations – accounts for revenues received as a result of gift, pledge, or grant or bequest from private sources to be disbursed for a specific purpose.

Use Tax-ST – accounts for monies collected from the Oklahoma Tax Commission and disbursed for the use of Pontotoc County.

Lodging Tax-ST – accounts for a hotel/motel tax remitted to the County by the Oklahoma Tax Commission and disbursed for Agri-Plex use and county marketing and tourism.

Ambulance Service District-ST – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot for ambulance services in Pontotoc County.

Highway-ST – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot for transportation services including the design, construction, financing, improvements, and maintenance and operation expenses for county roadways and bridges located in Pontotoc County.

Jail-ST-Old – accounts for the collection of sales tax revenue and the disbursement of funds is for the operation and maintenance expenses of the County Detention Facility.

Rural Fire-ST – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot for Call-A-Ride public transit, Pontotoc County owned nutrition centers, the volunteer fire departments, Pontotoc County Emergency Management, and Pontotoc County General fund for administrative fees.

911-ST – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot for the maintenance and operation expenses of the 911 emergency services located in Pontotoc County.

Jail-ST-New – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot for the maintenance and operation expenses of the Pontotoc County Jail.

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

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County Sinking – accounts for 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.

Juvenile Drug Court – accounts for monies received from the State of Oklahoma and disbursed for the Juvenile Drug Court.

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

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

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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.

**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



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

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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. Long Term Obligations**

**1. Judgments**

The County has a judgment which is being retired by a tax levy. The County is obligated to pay the judgment over a three-year period.

<u>Case Number</u>	<u>Original Judgment</u>
CJ-2016-34	\$52,643

A payment in the amount of \$22,193 was made during the fiscal year ended June 30, 2020. Of this payment amount \$17,548 was for principal and \$4,645 was for interest.

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

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Future principal and interest payments that will become due on the existing judgment are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 17,548	\$ 3,161	\$ 20,709
2022	<u>17,547</u>	<u>921</u>	<u>18,468</u>
Total	<u>\$ 35,095</u>	<u>\$ 4,082</u>	<u>\$ 39,177</u>

**E. Sales Tax**

The voters of Pontotoc County approved an eleven-sixteenth (11/16th) of one cent sales tax effective April 1, 2007, the proceeds of which to be deposited to a sales tax depository account with the Pontotoc County Treasurer, pledged toward the retirement of indebtedness incurred therefore; payment of operation and maintenance expenses related thereto and to be designated and used specifically as follows: Acquisition of real property, constructing, equipping, operating and maintaining a new Pontotoc County Detention Facility and Courthouse Improvements. A portion of the sales tax, nine-sixteenth (9/16th) of one cent, shall have a limited duration of twenty years from the date of commencement or until the principal and interest upon indebtedness is paid in full. The remaining portion of the sales tax, one-eighth (1/8th) of one cent, shall continue for operation and maintenance expenses of the County Detention Facility until repealed by a majority of electors of Pontotoc County. In October 2017, the indebtedness was paid in full and therefore a portion of the sales tax, (9/16<sup>th</sup>) of one cent, was discontinued. These funds are accounted for in the Jail-ST-Old fund.

The voters of Pontotoc County approved a permanent three-sixteenth (3/16th) of one cent sales tax effective April 1, 2013. The proceeds of which are to be appropriated by the Board of County Commissioners for the purpose of providing funding for Call-A-Ride public transit, Pontotoc County owned nutrition centers, Pontotoc County Emergency Management, and the Fire Departments in the following communities: Allen, Byng, Fittstown, Fitzhugh, Francis, Happyland, Homer, Lula, Oil Center, Pickett, Roff, Stonewall, Union Valley, Vanoss, or others hereinafter established, so long as they are certified and in good standing with the State of Oklahoma and Pontotoc County. The funding is for the purchase of equipment and supplies, general operation and maintenance, communications, training, construction of new buildings or improvements made to existing buildings, emergency services, and fire protection. The distribution of the three-sixteenth (3/16th) of one cent sales tax is as follows: Ninety-two percent (92%) of the three-sixteenths (3/16th) total revenue generated by the sales tax shall be divided equally between Call-A-Ride public transit, Pontotoc County owned nutrition centers, and the above-named Fire Departments, three percent (3%) shall be distributed to Pontotoc County Emergency Management, with five percent (5%) of said total revenue to be dispersed into the Pontotoc County General Fund for administrative fees. These funds are accounted for in the Rural Fire-ST fund and the County General Fund.

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

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The voters of Pontotoc County approved a permanent nine-sixteenth (9/16th) of one cent sales tax effective April 1, 2018, for the funding of the following county public safety services: 44.5% for transportation services in Pontotoc County including the design, construction, financing, improvements, and maintenance and operation expenses for county roadways and bridges located in Pontotoc County; 16.5% for the Pontotoc County ambulance service including the acquisition, maintenance and operation expenses of emergency vehicles and the equipping, maintaining and housing of the same; 14% for the maintenance and operation expenses of 911 emergency services located in Pontotoc County; and 25% for the maintenance and operation expenses of the Pontotoc County Jail. These funds are accounted for in the Highway-ST, Ambulance Service District-ST, 911-ST, and Jail-ST-New funds.

**F. Interfund Transfers**

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

- \$375,000 was transferred from the Use Tax-ST fund to the County General fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$375,000 was transferred from the County General fund to the Use Tax-ST fund for the repayment of a loan in accordance with 68 O.S. § 3021.
- \$210,000 was transferred from the County Highway Unrestricted fund to the Emergency Transportation Revolving fund, a trust and agency fund, for a loan repayment for bridge and road projects in the County.
- \$158,777 was transferred from the County Donations fund to the Sheriff Service Fee fund to correct an error made in the prior fiscal year.

## **SUPPLEMENTARY INFORMATION**

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

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	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 5,000	\$ 4,076	\$ 924
County Sheriff	1,000,000	972,491	27,509
County Treasurer	295,259	257,362	37,897
County Commissioners	270,952	266,930	4,022
County Commissioners O.S.U. Extension	135,808	83,699	52,109
County Clerk	354,685	341,649	13,036
Court Clerk	204,000	201,305	2,695
County Assessor	257,239	251,147	6,092
Assessor's Visual Inspection	247,570	235,427	12,143
General Government	1,156,002	577,727	578,275
Excise - Equalization Board	11,500	9,688	1,812
County Election Expense	182,408	155,602	26,806
Civil Defense	65,000	58,739	6,261
County Audit Budget Account	30,522	1,675	28,847
Free Fair Budget Account	12,000	11,838	162
Total Expenditures, Budgetary Basis	<u>\$ 4,227,945</u>	<u>\$ 3,429,355</u>	<u>\$ 798,590</u>

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

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	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 2,402,947	\$ 878,052	\$ 1,524,895
Total Expenditures, Budgetary Basis	\$ 2,402,947	\$ 878,052	\$ 1,524,895

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

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**1. Budgetary Schedules**

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances (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  
PONTOTOC 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 Pontotoc County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprises Pontotoc County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 19, 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 Pontotoc County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Pontotoc County's internal control. Accordingly, we do not express an opinion on the effectiveness of Pontotoc County's internal control.

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



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

### **Compliance and Other Matters**

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

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

### **Purpose of this Report**

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

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



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

October 19, 2021

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

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

No matters were reported.

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

**Finding 2020-001 – Segregation of Duties Over Court Fund (Repeat Finding)**

**Condition:** Upon inquiry and observation, we noted the following weaknesses regarding internal controls related to the Court Clerk’s receipting and disbursement process over the Court Fund.

**Receipting Process:**

- One employee has the ability to issue receipts, reconcile daily reports, prepare deposits, and take deposits to the County Treasurer.
- All employees have the ability to void receipts with no independent review/approval.

**Disbursement Process:**

- One employee prepares claims, issues, signs, has custody of vouchers, and prepares vouchers for mailing.

In addition, the Court Clerk has a signature stamp that is kept in an unlocked drawer and may be utilized by the First Deputy.

**Cause of Condition:** Policies and procedures have not been designed and implemented to adequately segregate the duties of the receipting and disbursement processes within the office of the Court Clerk and to ensure that the signature stamp is safeguarded against unauthorized use.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends that management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approve accounting functions. In addition, OSAI recommends

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

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signature stamps be used only by the official to whom it belongs. Officials who utilize signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use.

**Management Response:**

**Court Clerk:** To address segregation of duties, the following has been implemented:

- Receipting process: One employee has the ability to prepare the daily deposit, another employee checks over the deposit, and another takes the deposit to the County Treasurer.
- Disbursement process: All employees have the ability to issue vouchers, sign vouchers, register vouchers with the County Treasurer, and prepare voucher for mail; however, another employee must acknowledge and verify that vouchers are correct before taking them to the County Treasurer to be registered. Additionally, as of June 2021, the signature stamp has been destroyed and will no longer be utilized.

**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 transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, 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.

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

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**Finding 2020-002 - Lack of Internal Controls Over the Inmate Trust Fund Checking Account (Repeat Finding)**

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

- Inmate ledger balances are not reconciled to the bank statements.
- Bank reconciliations are not reviewed and approved by someone other than the preparer.
- Deposits to the Inmate Trust Fund Checking Account are not made daily.

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

**Effect of Condition:** Without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of undetected errors and possible misappropriation of funds.

**Recommendation:** OSAI recommends the following:

- Inmate Trust Fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's ledger balances should be reconciled to the bank statements each month and proper supporting documentation should be maintained for all reconciling items.
- Bank reconciliations should be reviewed and approved by someone other than the preparer and evidenced with a signature.
- All funds received should be deposited to the Inmate Trust Fund Checking Account daily.

**Management Response:**

**County Sheriff:**

- Staff has been instructed by the Sheriff to reconcile ledger balances to the bank statement as directed. Staff stated they understood and will make sure ledger balances are reconciled with the bank statements as directed.
- Staff handling bank reconciliations have received instruction from the Sheriff to always have someone other than the preparer to review and upon review to approve, if acceptable, and indicate the approval by date/time and signature of the approval. Staff stated they understood the instructions and would have someone other than the person conducting the reconciliation to review and if the reconciliation is approved, will have the reconciliation approval indicated by signing with the date and time of signature indicated.
- Staff has been reminded by the Sheriff that all deposits are to be done daily. Staff received instruction on depositing monies daily and advised of the reasons and importance of depositing monies daily. Staff indicated they understood and would make deposits in a timely manner daily.

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

*Establishment of review of performance measures and indicators*

Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities,

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

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inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.



Cindy Byrd, CPA | State Auditor & Inspector

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