



POTTAWATOMIE COUNTY

Financial Report

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**POTTAWATOMIE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Cindy Byrd, CPA | State Auditor & Inspector

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

October 26, 2020

TO THE CITIZENS OF
POTTAWATOMIE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pottawatomie County, Oklahoma for the fiscal year ended June 30, 2019. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**POTTAWATOMIE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Board of County Commissioners

District 1 – Melissa Dennis
District 2 – Randy Thomas
District 3 – Eddie Stackhouse

County Assessor

Troyce King

County Clerk

Raeshel Flewallen

County Sheriff

Michael Booth

County Treasurer

Wendy Magnus

Court Clerk

Valerie Ueltzen

District Attorney

Allen Grubb

**POTTAWATOMIE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

TABLE OF CONTENTS

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information).....	4
Notes to the Financial Statement.....	6

SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	16
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	17
Note to Supplementary Information.....	18

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	19
Schedule of Findings and Responses	21

FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
POTTAWATOMIE 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 Pottawatomie County, Oklahoma, as of and for the year ended June 30, 2019, 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 Pottawatomie 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 Pottawatomie County as of June 30, 2019, 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 Pottawatomie County, for the year ended June 30, 2019, 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 5, 2020, on our consideration of Pottawatomie 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 Pottawatomie County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 5, 2020

REGULATORY BASIS FINANCIAL STATEMENT

POTTAWATOMIE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Beginning Cash Balances July 1, 2018	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2019
Combining Information:						
County General Fund	\$ 1,583,959	\$ 4,898,809	\$ 400,383	\$ 400,000	\$ 4,943,336	\$ 1,539,815
County Highway	1,648,714	3,720,613	407,325	400,000	3,655,061	1,721,591
County Health	973,786	1,040,771	-	-	955,969	1,058,588
Resale Property	647,102	388,487	-	-	372,917	662,672
Sheriff Service Fee	80,414	228,182	6,547	-	237,207	77,936
Sales Tax Maintenance/Repair/Improvements	3,970,193	4,871,019	-	-	5,571,085	3,270,127
Sales Tax Pottawatomie County Fire Department	1,261,889	565,395	-	-	398,337	1,428,947
Sales Tax Emergency Services	605,596	338,605	-	-	522,916	421,285
Sales Tax Economic Development	646,818	164,208	-	-	29,169	781,857
Sales Tax OSU Extension Center	532,352	221,266	-	-	224,857	528,761
Sales Tax Soil Conservation	39,639	78,963	-	-	72,705	45,897
Sales Tax Pottawatomie County Free Fair	108,762	79,674	-	-	76,093	112,343
Sales Tax Senior Citizens	265,020	159,955	-	-	164,516	260,459
Sales Tax Pottawatomie County Public Safety	125,256	1,572,670	-	-	1,563,244	134,682
Use Tax Capital Improvements (Courthouse						
Capital Improvements)	6,940,573	2,409,015	454,990	-	841,069	8,963,509
County Sinking	46,764	-	-	-	-	46,764
County Bridge and Road Improvement Fund	1,157,727	594,796	-	-	542,953	1,209,570
Restricted Highway	3,914	-	-	3,914	-	-
County Assessor Fees	22,034	6,257	-	-	14,782	13,509
County Clerk Lien Fee	187,087	70,891	-	-	36,772	221,206
County Treasurer Mortgage Tax	20,320	11,266	-	-	13,699	17,887
Child Abuse Prevention	15,165	926	-	-	-	16,091
Birdie Lane Road Improvement District	3,380	31	-	3,411	-	-
County Clerk Preservation Fee	206,076	72,343	-	-	27,981	250,438
Community Development Block Grant (97-73)	90	-	-	90	-	-
Pottawatomie County Drug Court	63,683	197,905	-	-	201,294	60,294
Town of Johnson	293	-	-	293	-	-
Acme Road Building Maintenance	39,624	-	-	-	-	39,624
Sheriff Courthouse Security	17,051	51,516	-	-	56,548	12,019
Pottawatomie County 911 System	20,315	137,701	-	-	149,178	8,838
Pottawatomie County Wireless 911 System	55,104	294,376	-	-	324,516	24,964
County Rewards Revolving Fund	2,689	1,075	-	-	-	3,764
Sheriff Reserve Officers Program	16,284	31,250	-	-	45,364	2,170
Carter Hall Building Maintenance	63,419	18,000	-	-	12,656	68,763
Sheriff Part Time	6,547	-	-	6,547	-	-
VAWA Recovery Act	3,145	41,667	-	-	40,111	4,701
District Attorney Use Tax	66,326	-	-	53,718	12,608	-
Court Fund Payroll	5,071	133,907	-	-	134,918	4,060
McCloud SD Sales Tax	619,832	548,702	-	-	366,191	802,343
Dale SD Sales Tax	387,703	264,283	-	-	342,707	309,279
Bethel SD Sales Tax	366,177	399,968	-	-	379,445	386,700
Macomb SD Sales Tax	73,841	86,132	-	-	106,936	53,037
Earlsboro SD Sales Tax	93,560	88,306	-	-	32,819	149,047
North Rock Creek SD Sales Tax	94,903	197,236	-	-	36,221	255,918

Continued to next page

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

POTTAWATOMIE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Beginning Cash Balances July 1, 2018	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2019
Continued from previous page						
Combining Information:						
Grove SD Sales Tax	187,238	165,699	-	-	61,475	291,462
Pleasant Grove SD Sales Tax	80,108	73,765	-	-	-	153,873
South Rock Creek SD Sales Tax	221,452	130,091	-	-	-	351,543
Tecumseh SD Sales Tax	853,380	676,214	-	-	783,221	746,373
Shawnee SD Sales Tax	1,487,008	1,223,933	-	-	1,324,036	1,386,905
Asher SD Sales Tax	91,271	93,387	-	-	109,708	74,950
Wannette SD Sales Tax	44,199	47,273	-	-	62,672	28,800
Maud SD Sales Tax	85,687	101,159	-	-	-	186,846
District Attorney Family Justice Center Sales Tax	76,890	41,885	-	-	-	118,775
Flood Plain Management	2,704	128	-	-	-	2,832
Pottawatomie County South Annex Building	363,283	284,768	-	401,272	246,779	-
Combined Total - All County Funds	\$ 26,581,417	\$ 26,824,468	\$ 1,269,245	\$ 1,269,245	\$ 25,094,069	\$ 28,311,816

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

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Pottawatomie 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:

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

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

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

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

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

Sales Tax Maintenance/Repair/Improvements – accounts for the collection of sales tax revenue to be disbursed for the maintenance, repair, and improvement of county roads and bridges.

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Sales Tax Pottawatomie County Fire Department – accounts for the collection of sales tax to be disbursed for the Pottawatomie County Fire Departments.

Sales Tax Emergency Services – accounts for the collection of sales tax to be disbursed for emergency services.

Sales Tax Economic Development – accounts for the collection of sales tax to be disbursed for economic development.

Sales Tax OSU Extension Center – accounts for the collection of sales tax to be disbursed for the OSU Extension Center.

Sales Tax Soil Conservation – accounts for the collection of sales tax to be disbursed for the operation of the Soil Conservation District.

Sales Tax Pottawatomie County Free Fair – accounts for the collection of sales tax to be disbursed for the Pottawatomie County Free Fair.

Sales Tax Senior Citizens – accounts for the collection of sales tax to be disbursed for the senior citizens.

Sales Tax Pottawatomie County Public Safety – accounts for the collection of sales tax to be disbursed for building and operating the county jail.

Use Tax Capital Improvements (Courthouse Capital Improvements) – accounts for the collection of sales tax to be disbursed for capital improvements.

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.

County Bridge and Road Improvement Fund – accounts for grant monies to be disbursed for constructing and maintaining county roads and bridges.

Restricted Highway – accounts for state, local, and miscellaneous receipts and disbursements for constructing and maintaining county roads and bridges.

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

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

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Child Abuse Prevention – accounts for monies from donated juror's fees to be disbursed in accordance with state statute.

Birdie Lane Road Improvement District – accounts for monies collected from property owners to pay off bonds that were obtained for road improvements.

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

Community Development Block Grant (97-73) – accounts for grant monies to be disbursed as restricted by grant agreement.

Pottawatomie County Drug Court – accounts for monies from payments for drug testing to be disbursed for the general upkeep of the office.

Town of Johnson – accounts for grant funds to be used for road improvements.

Acme Road Building Maintenance – accounts for rental monies received and used for maintenance of the building.

Sheriff Courthouse Security – accounts for fees received to provide security at the county courthouse.

Pottawatomie County 911 System – accounts for monies received from private telephone companies for the operations of emergency 911 services.

Pottawatomie County Wireless 911 System – accounts for monies received from private telephone companies (Cellular telephones) for the operations of emergency 911 services.

County Rewards Revolving Fund – accounts for fees received by the Court Clerk to pay littering rewards.

Sheriff Reserve Officers Program – accounts for monies used for two Sheriff Reserve Officers in public schools. The officers are responsible for providing counseling and support for the Asher, Macomb, Dale, Earlsboro, and Bethel Schools.

Carter Hall Building Maintenance – accounts for monies used for maintenance of the juvenile detention building.

Sheriff Part Time – accounts for monies used to pay salary of part-time Sheriff's deputy for the District Attorney.

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

VAWA Recovery Act – accounts for grant monies to be disbursed as restricted by grant agreement.

District Attorney Use Tax – accounts for collection of use tax to be disbursed for the operation of the District Attorney's Office.

Court Fund Payroll – accounts for the monies disbursed for payroll of the Court Clerk's employees.

McCloud SD Sales Tax – accounts for the collection of sales tax to be disbursed for the McCloud School District.

Dale SD Sales Tax – accounts for the collection of sales tax to be disbursed for the Dale School District.

Bethel SD Sales Tax – accounts for the collection of sales tax to be disbursed for the Bethel School District.

Macomb SD Sales Tax – accounts for the collection of sales tax to be disbursed for the Macomb School District.

Earlsboro SD Sales Tax – accounts for the collection of sales tax to be disbursed for the Earlsboro School District.

North Rock Creek SD Sales Tax – accounts for the collection of sales tax to be disbursed for the North Rock Creek School District.

Grove SD Sales Tax – accounts for the collection of sales tax to be disbursed for the Grove School District.

Pleasant Grove SD Sales Tax – accounts for the collection of sales tax to be disbursed for the Pleasant Grove School District.

South Rock Creek SD Sales Tax – accounts for the collection of sales tax to be disbursed for the South Rock Creek School District.

Tecumseh SD Sales Tax – accounts for the collection of sales tax to be disbursed for the Tecumseh School District.

Shawnee SD Sales Tax – accounts for the collection of sales tax to be disbursed for the Shawnee School District.

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Asher SD Sales Tax – accounts for the collection of sales tax to be disbursed for the Asher School District.

Wannette SD Sales Tax – accounts for the collection of sales tax to be disbursed for the Wannette School District.

Maud SD Sales Tax – accounts for the collection of sales tax to be disbursed for the Maud School District.

District Attorney Family Justice Center Sales Tax – accounts for the collection of sales tax to be disbursed for the District Attorney Justice Center.

Flood Plain Management – accounts for the collection of permit fees to be disbursed for education and training of Flood Plain Management personnel.

Pottawatomie County South Annex Building – accounts for the collection of rent payment of county owned property and disbursed for maintenance and operation of the annex building.

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

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

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

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

B. Other Post-Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

D. Sales Tax

Sales Tax of August 26, 2008

The voters of Pottawatomie County approved a permanent one percent (1%) sales tax effective July 1, 2013. This sales tax was established to provide revenue for the support of various entities in the following proportion:

- 60% Maintenance, repair, and improvement of County roads and bridges
- 20% Construction, furnishing, operating, and maintaining the Pottawatomie County Public Safety Center jail facility operated by the County Public Safety Center Trust
- 7% Pottawatomie County Fire Departments
- 1.0625% Sheriff's Office Emergency Services
- 1.0625% County Ambulance Service
- 1.0625% County E-911 Service
- 1.0625% Additional County Emergency Services
- 2% Economic Development
- 2.75% OSU Extension Center
- 2% Senior Citizens
- 1% Soil Conservation Service
- 1% Pottawatomie County Free Fair/Junior Livestock Show

These funds will be accounted for in the following funds: Sales Tax Maintenance/Repair/Improvements, Sales Tax Pottawatomie County Public Safety, Sales Tax Pottawatomie County Fire Department, Sales Tax Emergency Services, Sales Tax Economic Development, Sales Tax OSU Extension Center, Sales Tax Senior Citizens, Sales Tax Soil Conservation, and Sales Tax Pottawatomie County Free Fair fund.

Sales Tax of November 10, 2015

The voters of Pottawatomie County approved a .495 cent sales tax effective July 1, 2016 with a duration of ten years. The sales tax was established for the purpose of providing funding for each of the fourteen (14) public school districts in Pottawatomie County and providing funding for a Pottawatomie County One Safe Place Family Justice Center in the following proportion:

- .49 cents for the Pottawatomie County Public School Districts
- .005 cents for the Pottawatomie County One Safe Place Family Justice Center

The sales tax for the Pottawatomie County Public School Districts is apportioned based on the average daily attendance of each school. These funds will be accounted for in the following fourteen (14) different school district sales tax funds; McCloud, Dale, Bethel, Macomb, Earlsboro, North Rock Creek, Grove, Pleasant Grove, South Rock Creek, Tecumseh, Shawnee, Asher, Wannette,

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Maud, and the District Attorney Family Justice Center 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 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 \$76,148 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2019.

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.

Residual Transfers:

- \$3,914 was transferred from Restricted Highway fund to County Highway fund by Board of County Commissioner (BOCC) resolution to close the fund.
- \$3,411 was transferred from Birdie Lane Road Improvement District fund to County Highway fund by BOCC resolution to close the fund.
- \$90 transferred from Community Development Block Grant (97-73) fund to the County General Fund by BOCC resolution to close the fund.
- \$293 was transferred from Town of Johnson fund to the County General Fund by BOCC resolution to close the fund.
- \$6,547 was transferred from Sheriff Part Time fund to the Sheriff Service Fee fund by BOCC resolution to close the fund.

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

- \$53,718 was transferred from District Attorney Use Tax fund to Use Tax Capital Improvements (Courthouse Capital Improvements) fund by BOCC resolution to close the fund.
- \$401,272 was transferred from Pottawatomie South Annex Building fund to Use Tax Capital Improvements (Courthouse Capital Improvements) fund by BOCC resolution to close the fund.

Operating Transfers:

- \$400,000 was transferred to the County General Fund from County Highway fund for the purpose of funding operating expenses approved by BOCC resolution as allowed by 68 O.S. § 3021.
- \$400,000 was transferred to County Highway fund from County General Fund to reimburse the County Highway to repay the operating transfer approved by BOCC resolution and required by 68 O.S. § 3021.

SUPPLEMENTARY INFORMATION

POTTAWATOMIE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,583,959	\$ 1,583,959	\$ -
Less: Prior Year Outstanding Warrants	(197,435)	(197,435)	-
Less: Prior Year Encumbrances	(175,496)	(97,539)	77,957
Beginning Cash Balances, Budgetary Basis	<u>1,211,028</u>	<u>1,288,985</u>	<u>77,957</u>
Net Residual Transfer	-	383	383
Total Receipts, Budgetary Basis	<u>4,567,180</u>	<u>4,898,809</u>	<u>331,629</u>
Total Expenditures, Budgetary Basis	<u>5,778,208</u>	<u>5,061,564</u>	<u>716,644</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	1,126,613	<u>\$ 1,126,613</u>
Net Operating Transfers		-	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		19	
Add: Current Year Outstanding Warrants		140,927	
Add: Current Year Encumbrances		272,256	
Ending Cash Balance		<u>\$ 1,539,815</u>	

**POTTAWATOMIE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 973,786	\$ 973,786	\$ -
Less: Prior Year Outstanding Warrants	(79,511)	(79,511)	-
Less: Prior Year Encumbrances	(122,499)	(95,476)	27,023
Beginning Cash Balances, Budgetary Basis	<u>771,776</u>	<u>798,799</u>	<u>27,023</u>
 Total Receipts, Budgetary Basis	 <u>953,774</u>	 <u>1,040,771</u>	 <u>86,997</u>
 Total Expenditures, Budgetary Basis	 <u>1,725,550</u>	 <u>1,077,341</u>	 <u>648,209</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 762,229	 <u>\$ 762,229</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		29	
Add: Current Year Encumbrances		165,735	
Add: Current Year Outstanding Warrants		130,595	
Ending Cash Balance		<u>\$ 1,058,588</u>	

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

INTERNAL CONTROL AND COMPLIANCE SECTION

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

TO THE OFFICERS OF
POTTAWATOMIE 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 Pottawatomie County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprises Pottawatomie County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 5, 2020.

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, 2019, 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 Pottawatomie 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 Pottawatomie County's internal control. Accordingly, we do not express an opinion on the effectiveness of Pottawatomie 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: 2019-001 and 2019-006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pottawatomie 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 matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item 2019-006.

Pottawatomie County's Response to Findings

Pottawatomie County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Pottawatomie 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 5, 2020

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 2019-001 – Lack of County-Wide Controls (Repeat Finding 2011-001, 2012-001, 2013-001, 2014-001, 2018-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls regarding Risk Assessment and Monitoring have not been designed. Further, we noted the offices of Commissioner Districts 1, 2, and 3, the County Clerk, and the County Sheriff have not designed a written Disaster Recovery Plan for their specific offices.

Cause of Condition: Policies and procedures have not been designed and implemented to address the risks of the County.

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design and implement monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook. OSAI further recommends that each office design a Disaster Recovery Plan and file said plan with the County Clerk.

Management Response:

Chairman, Board of County Commissioners: The BOCC will develop and implement policies and procedures to address Risk Assessment and Monitoring.

Commissioner District 1: I will prepare a written Disaster Recovery Plan for my district.

Commissioner District 2: I will see that a written Disaster Recovery Plan is written for my district.

Commissioner District 3: I will see that a written Disaster Recovery Plan is written for my district.

County Sheriff: I believe we have done this with the County Emergency Management manager, I will confirm and if not, I will prepare a written Disaster Recovery Plan.

County Clerk: I will prepare a written Disaster Recovery Plan for my office.

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

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 – OV1.01 states in part:

Definition of Internal Control

Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

Components, Principles, and Attributes

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Finding 2019-006 – Lack of Internal Controls and Noncompliance Over the Investment of County Funds (Repeat Finding 2018-006)

Condition: It was noted that the County did not have a written investment policy and resolution signed by the Board of County Commissioners in accordance with 62 O.S. § 348.1 and 348.3.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County complies with state statutes regarding a written investment policy. Additionally, policies and procedures have not been designed and implemented to ensure investments are allowed per the County's written investment policy.

Effect of Condition: This condition resulted in inadequate internal controls over the County's investment police and noncompliance with state statutes.

Recommendation: OSAI recommends the County Treasurer implement a system of internal controls to provide reasonable assurance that the County comply with state statutes regarding the investment of County

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

funds and to adopt a formal investment policy.

Management Response:

Chairman, Board of County Commissioners: The Board of County Commissioners will adopt a resolution authorizing the County Treasurer to invest surplus county funds.

County Treasurer: I will obtain a resolution to invest surplus county funds through the Board of County Commissioners.

Criteria: The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

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

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

Definitions of Objectives

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

Title 62 O.S. § 348.1 (A) states. “ Except as otherwise provided for by law, a county treasurer, when authorized by the board of county commissioners by a written investment policy, ordinance or resolution or the treasurer of any city or town, when authorized by the appropriate governing body by a written investment policy, ordinance or resolution, shall invest monies in the custody of the treasurer in:

1. Direct obligations of the United States Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;
2. Collateralized or insured certificates of deposits of savings and loan associations, banks, savings banks and credit unions located in this state, when the certificates of deposit are secured by acceptable collateral as provided by law, or fully insured certificates of deposit at banks, savings banks, savings and loan associations and credit unions located out of state;

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

3. Savings accounts or savings certificates of savings and loan associations, banks, and credit unions, to the extent that the accounts or certificates are fully insured by the Federal Deposit Insurance Corporation;
4. Investments as authorized by Section 348.3 of this title which are fully collateralized in investments specified in paragraphs 1 through 3 of this section, and where the collateral has been deposited with a trustee or custodian bank in an irrevocable trust or escrow account established for such purposes; or
5. County, municipal or school district direct debt obligation for which an ad valorem tax may be levied or bond and revenue anticipation notes, money judgments against such county, municipality or school district ordered by a court of record or bonds or bond and revenue anticipation notes issued by a public trust for which such county, municipality or school district is a beneficiary thereof. All collateral pledged to secure public funds shall be valued at no more than market value. The income received from that investment may be placed in the general fund of the governmental subdivision to be used for general governmental operations, the sinking fund, the building fund, or the fund from which the investment was made....”

Title 62 O.S. § 348.3 (A) states, “In addition to the investments authorized by Section 348.1 of this title, the governing body of a city or of a county may adopt a written investment policy directing the investment of the funds of the city or county and any of its public trusts or authorities. If such a policy is adopted by the governing body, such funds shall be invested pursuant to the provisions of the policy. The written policy shall address liquidity, diversification, safety of principal, yield, maturity and quality and capability of investment management, with primary emphasis on safety and liquidity. To the extent practicable, taking into account the need to use sound investment judgement, the written investment policies shall include provision for utilization of a system of competitive bidding in the investment of municipal funds. The system shall be designed to maximize yield within each class of investment instrument, consistent with the safety of the funds invested.”

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.

No matters were noted.



Cindy Byrd, CPA | State Auditor & Inspector

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