



POTTAWATOMIE COUNTY

Financial Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

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

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.



May 1, 2023

TO THE CITIZENS OF
POTTAWATOMIE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pottawatomie 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.

This report is 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.

Sincerely,

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

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

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

Valarie Ueltzen

District Attorney

Allan Grubb

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

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
POTTAWATOMIE COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the 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, 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 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, 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 total receipts, disbursements, and changes in cash balances for all county funds of Pottawatomie County, as of and 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 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 April 3, 2023, 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.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 3, 2023

REGULATORY BASIS FINANCIAL STATEMENT

POTTAWATOMIE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
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
County Funds:						
County General	\$ 1,539,815	\$ 5,124,234	\$ 550,000	\$ 550,000	\$ 4,898,429	\$ 1,765,620
County Highway Unrestricted	1,721,591	3,795,023	550,000	550,000	3,987,067	1,529,547
Health	1,058,588	1,130,309	-	-	956,178	1,232,719
Resale Property	662,672	424,155	-	-	392,120	694,707
Sheriff Service Fee	77,936	247,190	14,189	-	269,615	69,700
Sheriff Courthouse Security	12,019	-	-	12,019	-	-
Sheriff Reserve Officers Program	2,170	-	-	2,170	-	-
Roads and Bridges Sales Tax	3,270,127	5,013,301	-	-	4,518,754	3,764,674
Rural Fire Sales Tax	1,428,947	582,665	-	-	454,938	1,556,674
Emergency Management Sales Tax	421,285	346,323	-	-	308,204	459,404
Economic Development Sales Tax	781,857	171,218	-	-	70,000	883,075
Extension Sales Tax	528,761	228,569	-	-	102,076	655,254
Soil Conservation Sales Tax	45,897	81,068	-	-	70,501	56,464
Fair Management Sales Tax	112,343	81,974	-	-	72,830	121,487
Senior Citizens Sales Tax	260,459	164,668	-	-	124,958	300,169
School District Sales Tax	-	3,996,104	5,177,078	-	3,742,660	5,430,522
McCloud SD Sales Tax	802,343	-	-	802,343	-	-
Dale SD Sales Tax	309,279	-	-	309,279	-	-
Bethel SD Sales Tax	386,702	-	-	386,702	-	-
Macomb SD Sales Tax	53,037	-	-	53,037	-	-
Earlsboro SD Sales Tax	149,047	-	-	149,047	-	-
NRC SD Sales Tax	255,918	-	-	255,918	-	-
Grove SD Sales Tax	291,462	-	-	291,462	-	-
PL Grove SD Sales Tax	153,873	-	-	153,873	-	-
SRC SD Sales Tax	351,543	-	-	351,543	-	-
Tecumseh SD Sales Tax	746,373	-	-	746,373	-	-
Shawnee SD Sales Tax	1,386,905	-	-	1,386,905	-	-
Asher SD Sales Tax	74,950	-	-	74,950	-	-
Wanette SD Sales Tax	28,800	-	-	28,800	-	-
Maud SD Sales Tax	186,846	-	-	186,846	-	-
Jail Sales Tax	134,682	1,611,014	-	-	1,614,888	130,808
Use Tax	8,963,509	2,504,102	-	-	334,336	11,133,275
County Sinking	46,764	-	-	-	-	46,764
County Bridge and Road Improvement	1,209,570	558,578	-	-	517,334	1,250,814
Rental of County Property	-	519,039	108,387	-	20,959	606,467
Assessor Revolving Fee	13,509	16,659	-	-	14,472	15,696
County Clerk Lien Fee	221,206	91,688	-	-	20,911	291,983
Treasurer Mortgage Certification	17,887	12,543	-	-	11,080	19,350
Child Abuse Prevention	16,091	1,828	-	-	-	17,919
County Clerk Records Management Preservation Fee	250,438	113,680	-	-	87,380	276,738
911 Phone Fees	8,838	460,606	24,964	-	390,851	103,557
Pottawatomie County Wireless 911 System	24,964	-	-	24,964	-	-
Reward Fund	3,764	1,701	-	-	-	5,465
VAWA Recovery Act	4,701	41,464	-	-	42,127	4,038
DA Justice Center	118,775	41,521	-	-	2,207	158,089
Court Clerk Payroll	4,060	136,581	-	-	136,535	4,106
Flood Plain	2,832	21	-	-	2,560	293
National Association of County and City Health Officials	-	7,500	-	-	-	7,500
Acme Road Building Maintenance	39,624	-	-	39,624	-	-
Carter Hall Building Maintenance	68,763	-	-	68,763	-	-
Donations	-	217,058	-	-	10	217,048
VOCA	-	13,422	-	-	13,417	5
Total - All County Funds - As Restated	\$ 28,251,522	\$ 27,735,806	\$ 6,424,618	\$ 6,424,618	\$ 23,177,397	\$ 32,809,931

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, 2020**

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.

During the fiscal year ended June 30, 2020, the County converted to a new chart of accounts; therefore, several fund names and descriptions change. However, these changes do not reflect a change in the sources and uses of revenues over the prior fiscal year.

Following are descriptions of the county funds included 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.

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 of fees and reimbursements for revenues such as process fees and disbursements as restricted by state statute.

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

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

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.

Roads and Bridges Sales Tax – accounts for the collection of sales tax revenue to be disbursed for the maintenance, repair, and improvement of county roads and bridges.

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

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

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

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

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

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

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

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

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.

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

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.

NRC 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.

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

SRC 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 SD Sales Tax.

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

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

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

Jail Sales Tax – accounts for the collection of sales tax to be disbursed for building and operating the county jail.

Use Tax – accounts for the collection of sales tax to be disbursed for capital improvements.

County Sinking – accounts for debt services 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 – accounts for state receipts to be disbursed for the purpose of constructing and maintaining county roads and bridges.

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

Rental of County Property – accounts for the collections from the rental of county properties to be disbursed for the maintenance of county buildings.

Assessor Revolving Fee – accounts for the collection of fees for copies as restricted by state statute.

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

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.

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

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

911 Phone Fees – accounts for fees received to maintain the 911 system.

Pottawatomie County Wireless 911 System – accounts for fees received to maintain the 911 system.

Reward Fund – accounts for fees received by the Court Clerk to pay littering rewards.

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

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

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

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

National Association of County and City Health Officials – accounts for grant monies to be disbursed as restricted by grant agreement.

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

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

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

Donations – accounts for donations received and disbursed for the specific purpose of said donation.

VOCA – accounts for grant monies received and disbursed as restricted by grant agreement.

C. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 allows 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, which specifies the format and presentation of such regulatory basis financial statements: 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

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

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

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

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

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

2. Ad Valorem Tax

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

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

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

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. Sales Tax

Sales Tax of 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:

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

- 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: Roads and Bridges Sales Tax, Rural Fire Sales Tax, Emergency Management Sales Tax, Economic Development Sales Tax, Extension Sales Tax, Soil Conservation Sales Tax, Fair Management Sales Tax, Senior Citizens Sales Tax and Jail Sales Tax.

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 are accounted for in the School District Sales Tax fund and expended for the following fourteen (14) different school districts: McCloud, Dale, Bethel, Macomb, Earlsboro, North Rock Creek, Grove, Pleasant Grove, South Rock Creek, Tecumseh, Shawnee, Asher, Wanette, Maud. The sales tax for the Pottawatomie County One Safe Place Justice Center is accounted for in the DA Justice Center fund.

E. Interfund Transfers

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

- A total of \$14,189 was transferred to Sheriff Service Fee from the following funds:
 - \$12,019, a residual balance, was transferred from Sheriff Courthouse Security by Board of County Commissioner Resolution to close the fund.

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

- \$2,170, a residual balance, was transferred from Sheriff Reserve Officers Program by Board of County Commissioner Resolution to close the fund.
- A total of \$108,387 was transferred to Rental of County Property from the following funds:
 - \$39,624, a residual balance, was transferred from Acme Road Building Maintenance by Board of County Commissioner Resolution to close the fund.
 - \$68,763, a residual balance, was transferred from Carter Hall Building Maintenance by Board of County Commissioner Resolution to close the fund.
- \$24,964, a residual balance, was transferred to 911 Phone Fees from the Pottawatomie County Wireless 911 System by Board of County Commissioner Resolution to close the fund.
- A total of \$5,177,078 was transferred to the School District Sales Tax by Board of County Commissioner Resolution to consolidate the school district sales tax funds, from the following funds:
 - \$802,343, a residual balance, was transferred from McCloud SD Sales Tax.
 - \$309,279, a residual balance, was transferred from Dale SD Sales Tax.
 - \$386,702, a residual balance, was transferred from Bethel SD Sales Tax.
 - \$53,037, a residual balance, was transferred from Macomb SD Sales Tax.
 - \$149,047, a residual balance, was transferred from Earlsboro SD Sales Tax.
 - \$255,918, a residual balance, was transferred from NRC SD Sales Tax.
 - \$291,462, a residual balance, was transferred from Grove SD Sales Tax.
 - \$153,873, a residual balance, was transferred from PL Grove SD Sales Tax.
 - \$351,543, a residual balance, was transferred from SRC SD Sales Tax.
 - \$746,373, a residual balance, was transferred from Tecumseh SD Sales Tax.
 - \$1,386,905, a residual balance, was transferred from Shawnee SD Sales Tax.
 - \$74,950, a residual balance, was transferred from Asher SD Sales Tax.
 - \$28,800, a residual balance, was transferred from Wanette SD Sales Tax.
 - \$186,846, a residual balance, was transferred from Maud SD Sales Tax.
- \$550,000 was transferred to County General from County Highway Unrestricted to fund operating expenses as allowed by 68 O.S. § 3021.
- \$550,000 was transferred to County Highway Unrestricted from County General for the reimbursement for operating expenses in accordance with 68 O.S. § 3021.

F. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Drug Court was reclassified as a trust and agency fund.

Prior year ending balance, as reported	\$28,311,816
Funds reclassified to Trust and Agency Funds:	
Drug Court reclassified from a County Fund to Trust and Agency Funds	<u>(60,294)</u>
Prior year ending balance, as restated	<u>\$28,251,522</u>

SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 71,140	\$ 62,584	\$ 8,556
Sheriff	1,316,451	1,282,601	33,850
Treasurer	220,838	214,309	6,529
County Clerk	393,075	389,250	3,825
Court Clerk	482,305	400,864	81,441
Assessor	382,500	371,570	10,930
Visual Inspection	446,250	411,564	34,686
Juvenile Shelter/Bureau	45,000	31,273	13,727
General Government	1,898,296	1,528,902	369,394
Excise Equalization	4,000	3,075	925
Election Board	217,141	216,407	734
Treasurer School	35,000	33,694	1,306
Community Service	30,000	29,876	124
Flood Plains/Safety	33,000	26,354	6,646
County Audit Budget Account	86,342	40,832	45,510
Free Fair Budget Account	3,500	3,500	-
Indigent Care	15,000	10,698	4,302
Total Expenditures, Budgetary Basis	<u>\$ 5,679,838</u>	<u>\$ 5,057,353</u>	<u>\$ 622,485</u>

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

	Health		
	Budget	Actual	Variance
Public Health	\$ 1,786,334	\$ 958,186	\$ 828,148
Total Expenditures, Budgetary Basis	<u>\$ 1,786,334</u>	<u>\$ 958,186</u>	<u>\$ 828,148</u>

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

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the County 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 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 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 total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Pottawatomie County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprise Pottawatomie County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated April 3, 2023.

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 as of and 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 Pottawatomie County's internal control over financial reporting (internal control) as a basis for designing 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: 2020-001.

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 financial statement. 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*.

Pottawatomie County's Response to Findings

Pottawatomie County's response to the findings identified in our audit is 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 it.

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 results 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 3, 2023

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

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

Finding 2020-001 – Lack of County-Wide Internal Controls and Disaster Recovery Plans (Repeat Finding - 2011-001, 2012-001, 2013-001, 2014-001, 2018-001, 2019-001)

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, 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 and to ensure that all offices have filed a Disaster Recovery Plan.

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. Further, we recommend that all offices complete and file a written Disaster Recovery Plan with the County Clerk.

Management Response:

Chairman of the Board of County Commissioners: During quarterly Risk Assessment meetings, we will work to document the assessment and identification of risks and monitor control activities. Further, we will work to design written county-wide controls.

County Sheriff: I will prepare a written Disaster Recovery Plan.

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

Commissioner District 2: I will prepare a written Disaster Recovery Plan.

Commissioner District 3: I will prepare a written Disaster Recovery Plan.

Criteria: The United States Government Accountability Office’s (*Standards for Internal Control in the Federal Government*) (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as

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

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.

Further, Further, according to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support Ds5), an important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a County being unable to function in the event of a disaster.

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

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