



TEXAS COUNTY

Financial Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**TEXAS 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.



October 4, 2023

TO THE CITIZENS OF
TEXAS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Texas 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,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

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

Board of County Commissioners

District 1 – Ted Keeling
District 2 – Richard Bryan
District 3 – Jack Strain

County Assessor

Judyth Campbell

County Clerk

Wendy Johnson

County Sheriff

Matt Boley

County Treasurer

Aimee Midkiff

Court Clerk

M. Renee Ellis

District Attorney

James M. Boring

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

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
TEXAS 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 Texas 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 Texas 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 Texas 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 Texas 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 July 31, 2023, on our consideration of Texas 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 Texas County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

July 31, 2023

REGULATORY BASIS FINANCIAL STATEMENT

TEXAS 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	\$ 4,236,887	\$ 3,857,052	\$ -	\$ -	\$ 3,776,602	\$ 4,317,337
County Highway Unrestricted	3,961,031	5,282,726	-	-	5,675,361	3,568,396
County Bridge and Road Improvement	2,206,683	483,635	-	-	264,640	2,425,678
Health	876,622	664,701	-	-	722,391	818,932
Sheriff – ST	371,466	1,260,923	-	-	1,184,173	448,216
State Criminal Alien Assistance Program	48,148	243	-	-	8,228	40,163
Excise Board – ST	2,540,793	53,678	-	-	-	2,594,471
General Government – ST	335,166	843,269	-	-	80,000	1,098,435
Use Tax – ST	65,685	258,591	-	-	84,319	239,957
Emergency Management	56,582	48,510	-	-	22,131	82,961
Resale Property	441,306	112,474	-	99,896	48,371	405,513
Treasurer Mortgage Certification	17,081	2,950	-	-	2,841	17,190
County Clerk Lien Fee	85,911	32,903	-	-	37,369	81,445
County Clerk Records Management and Preservation	32,440	30,773	-	-	14,507	48,706
Sheriff Service Fee	1,027,376	330,393	-	-	430,098	927,671
Sheriff Forfeiture	138,264	28,807	-	-	33,502	133,569
Sheriff Commissary	80,886	24,827	-	-	9,162	96,551
Sheriff Training	851	21	-	-	-	872
Juvenile Detention	115,413	378,364	-	-	384,862	108,915
Assessor Revolving Fee	12,370	2,874	-	-	-	15,244
Free Fair Board	16,959	17,380	-	-	28,270	6,069
Local Emergency Planning Committee	21,571	5,042	-	-	3,611	23,002
County Building	214,171	5,141	-	-	-	219,312
County Sinking Fund	5	-	-	-	-	5
Court Clerk Payroll	32,553	243,147	-	-	209,396	66,304
County Donations	-	5,000	-	-	-	5,000
Hospital – ST	-	848,402	-	-	521,358	327,044
Total - All County Funds	\$ 16,936,220	\$ 14,821,826	\$ -	\$ 99,896	\$ 13,541,192	\$ 18,116,958

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Texas County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

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

Following are descriptions of the county funds included 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 are for the purpose of constructing and maintaining county roads and bridges.

County Bridge and Road Improvement – accounts for funds received from the Oklahoma Department of Transportation and disbursements are restricted by state statute for the purpose of reimbursement 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.

Sheriff – ST – accounts for the collection of sales tax money and disbursed for the purpose of maintenance and operations of the Sheriff's office.

State Criminal Alien Assistance Program – accounts for the reimbursement for housing of illegal aliens.

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

Excise Board – ST – accounts for the remaining balances of sales tax monies collected from the period August 1, 1994 through July 31, 2009. The sales tax is disbursed as determined by the Excise Board for the benefit of Jail, Texas County Memorial Hospital, Firefighters Emergency Service, Texas County Free Fair and general operations of Texas County.

General Government – ST – accounts for the collection of sales tax monies to be disbursed for rural Texas County emergency providers including ambulance and fire services, rural 911 emergency telephone services, Texas County Memorial Hospital, Texas County Free Fair, and for the Sheriff of Texas County for the Texas County Detention Center.

Use Tax – ST – accounts for the collection of county use tax received from the Oklahoma Tax Commission to be disbursed for repairs, maintenance, and renovations of the Texas County Courthouse.

Emergency Management – accounts for the collection of grant funds for emergency civil management to be disbursed in compliance with grant requirements.

Resale Property – accounts for the collection of interest and penalties on delinquent taxes and the disposition of same 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.

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

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

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

Sheriff Forfeiture – accounts for the collection of forfeitures and medical fees reimbursed from prisoners and disbursements are for the general operations of the Sheriff's office.

Sheriff Commissary – accounts for profits on commissary sales in the County jail. Disbursements are for jail operations as defined by state statute.

Sheriff Training – accounts for the collection of unclaimed property and disbursements are for the training of sheriff deputies.

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

Juvenile Detention – accounts for the collections from the State of Oklahoma and other Oklahoma Counties for the housing of juvenile offenders. Disbursements are for the operation of the juvenile detention center.

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

Free Fair Board – accounts for the collection of fees and is disbursed for the operations of the free fair organization.

Local Emergency Planning Committee – accounts for the collection of fees received from Tier II companies that house and maintain hazardous materials in the county and disbursement of funds may be used for emergency planning, training, and equipment.

County Building – accounts for the collection of funds from an ad valorem levy used for construction and maintenance of a storage facility for overflow for the courthouse.

County Sinking Fund – accounts for monies collected on behalf of Texas County from ad valorem taxes used to pay principal and interest on outstanding bonds. There has been no activity in this fund for several years.

Court Clerk Payroll – accounts for funds deposited by the court and supplemented by the County and disbursed for payroll for the Court Clerk's office.

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

Hospital – ST – accounts for the sales tax collections received for the use and benefit of the Memorial Hospital of Texas County and disbursements are made as specified in the sales tax ballot.

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

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

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 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

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

established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

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

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

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and 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.

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

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.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

D. Sales Tax

On November 4, 2008, Texas County voters approved a one-cent sales tax continuation of the sales tax which began on August 1, 1994, and expired July 31, 2009. Said sales tax collections continued on August 1, 2009 and will end July 31, 2024. The sales tax shall be to provide necessary funding for expenses relating to capital outlay, maintenance, and/or operations of county entities providing services necessary and/or essential for the health, safety, security, and well-being of the citizens of Texas County.

Distribution of the sales tax is 60% for assistance to the County Sheriff and 40% for assistance to the Texas County Memorial Hospital, Rural Emergency Service Departments including fire, ambulance, and 911 services, Texas County Free Fair, and Texas County Detention Center, including the payment of debt service on indebtedness incurred by or for any such county entities by the county or any public trust of which the county is a beneficiary. These funds are accounted for within the Sheriff – ST fund and General Government – ST fund.

On March 5, 2019, Texas County voters approved a .45% sales tax for ten years to begin on July 1, 2019. The sales tax shall be to provide funding for liabilities relating to accrued accounts payable and contractual obligations incurred prior to April 1, 2018, by Texas County and/or Memorial Hospital of Texas County Authority, a public trust of which Texas County is a beneficiary; capital improvements, repairs and maintenance of the facilities, buildings, and fixtures of Memorial Hospital of Texas County. These funds are accounted for in the Hospital – ST fund.

E. Interfund Transfers

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

- \$99,896 was transferred from the Resale Property Fund to Tax Refund fund (a trust and agency fund) for Tax Roll Correction EA-2019-V-42, Erroneous Assessment was approved for correction by the Tax Roll Board of Corrections due to Assessor data entry error and the school no longer had sufficient funds to repay refund.

SUPPLEMENTARY INFORMATION

TEXAS 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	\$ 21,000	\$ 19,800	\$ 1,200
County Sheriff	602,905	583,531	19,374
County Treasurer	255,855	230,119	25,736
County Commissioners	291,309	287,478	3,831
OSU Extension	125,680	116,810	8,870
County Clerk	387,976	352,750	35,226
Court Clerk	175,323	175,301	22
County Assessor	277,974	255,191	22,783
Revaluation of Real Property	342,623	268,867	73,756
Juvenile Shelter Bureau	70,650	26,852	43,798
District Court	1,000	1,000	-
General Government	987,380	250,375	737,005
Excise Equalization Board	5,500	2,518	2,982
County Election Expense	81,747	65,445	16,302
Insurance - Benefits	1,764,450	906,881	857,569
Charity	21,000	11,937	9,063
Firefighting Services	110,000	84,210	25,790
Civil Defense	107,676	91,724	15,952
Highway Budget Account	17,391	1,661	15,730
County Audit Budget Account	56,019	65,507	(9,488)
Free Fair Budget Account	51,434	49,760	1,674
Library Budget Account	2,000	1,433	567
County Hospital Budget Account	70,722	70,722	-
Building Maintenance Account	1,372,249	29,533	1,342,716
Total Expenditures, Budgetary Basis	<u>\$ 7,199,863</u>	<u>\$ 3,949,405</u>	<u>\$ 3,250,458</u>

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

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 860,000	\$ 673,236	\$ 186,764
Other Deductions	505,914	-	505,914
Total Expenditures, Budgetary Basis	\$ 1,365,914	\$ 673,236	\$ 692,678

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

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund presents 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
TEXAS 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 Texas County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprise Texas County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated July 31, 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 Texas 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 Texas County's internal control. Accordingly, we do not express an opinion on the effectiveness of Texas 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, 2020-002, and 2020-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Texas 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2020-003.

Texas County's Response to Findings

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

July 31, 2023

**TEXAS 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 (Repeat Finding – 2011-001, 2012-001, 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 Control Environment, Risk Assessment, and Monitoring have not been designed.

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.

Management Response:

Chairman of the Board of County Commissioners: I will communicate with other officers during officers’ meetings. I will emphasize the importance of documenting county-wide controls. We will focus on risk assessments, control activities and monitoring.

County Clerk: We have implemented the process of documenting county wide controls within our County Officers’ meetings. Many of the items on checklist have been discussed. We will more thoroughly document what was discussed, concentrating on identifying and addressing risk.

County Treasurer: I will meet with the other county officers to address and document the discussion on risk and control activities.

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

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The GAO Standards – Section 1 – Fundamental Concepts of Internal Controls – OV1.01 states in part:

Definition of Internal Controls

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 2020-002 – Reconciliation of Appropriation Ledger to General Ledger

Condition: Based on our documentation of controls, reconciliations are not being completed between the County Clerk’s appropriation ledger and the County Treasurer’s general ledger for all funds on a monthly basis.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the reconciliation of the County Clerk’s appropriation ledger to the County Treasurer’s general ledger for all funds on a monthly basis.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends management take steps to ensure reconciliations are performed between all funds presented on the County Clerk’s appropriation ledger and the County Treasurer’s general ledger. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.

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Management Response:

County Clerk: We have since reconciled every fund except for County General and Health. We will continue to investigate these variances.

County Treasurer: After the audit period, we reconciled all funds with the exception of the County General and Health Funds. I will work with the County Clerk to identify the changes in variances for the budgeted accounts to ultimately resolve the issues.

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

Internal Control System Monitoring

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

Finding 2020-003 – Lack of Internal Controls and Noncompliance Over the Disbursements and Payroll Processes

Condition: Upon inquiry of county personnel, observation of the County’s disbursement and payroll processes, the following weaknesses were noted:

- A signed requisition is not required prior to encumbering funds.
- The purchase order process is not adequately segregated. The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.
- The payroll process is not adequately segregated. The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.
- The employees’ used leave hours are recorded in the following month after the employee was paid.

Additionally, while performing the disbursement and payroll testwork the following was noted:

- A test of sixty-seven (67) disbursements were selected from county funds and it was determined:
 - Six (6) disbursements totaling \$279,263 were not encumbered prior to receiving goods or services.
 - Six (6) disbursements totaling \$248,652 were not supported by adequate documentation.
 - One (1) disbursement in the amount of \$1,085 was not approved by a majority of the Board of County Commissioners.

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- One (1) disbursement in the amount of \$28,017 does not agree with supporting documentation.
- One (1) disbursement in the amount of \$1,870 was paid out of an improper account.
- One (1) disbursement in the amount of \$1,224 was not paid in the proper fiscal period.

Cause of Condition: Policies and procedures have not been designed and implemented to strengthen internal controls over disbursements and payroll processes and to ensure compliance with state statute.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the County design and implement a system of internal controls over the disbursement and payroll processes. Such controls should include segregating processes, recording employees' used leave in the proper month or approval of used leave by Elected Officials on timesheets, ensuring that funds are encumbered prior to the receipt of goods and/or services, be supported by adequate and accurate documentation, be approved by the BOCC, be paid in the proper period and from the proper account, and that purchase orders and warrants be issued in accordance with 19 O.S. § 1505.

Management Response:

Chairman of the Board of County Commissioners: In my District, the road foreman, assistant, and I monitor absences. When the road assistant and I review timesheets, we make sure the absences are appropriately noted and compared to leave balances. If absences exceed leave available, then the pay will be docked. We will discuss monitoring leave balances in the officers' meetings. I will make sure that all documentation is attached with the purchase orders including state contracts or purchasing cooperative information.

District 1 County Commissioner: I will double check the dates on invoices to make sure I am not paying prior years' obligations with current appropriations. I will speak to my secretary about the importance of monitoring invoice dates.

District 3 County Commissioner: I will practice better management oversight in the future.

County Clerk: I am looking into signature pads for the Districts and the Sheriff's office which will signal when requisitions are signed. I will ask the software providers to add alerts into the system to require my approval before others can add new employees or vendors. My office will continue to monitor the purchase orders. I will continue to discuss errors noted with the responsible department and encourage compliance with state statutes.

County Sheriff: In the future, I will pay closer attention to the account from which capital items are purchased. I will follow the recommendation of the State Auditor's Office. Due to time constraints regarding the payroll process, there are times that it is necessary for me to sign the timesheets on the employee's behalf. I will continue to review the timesheets for employees' signatures.

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Criteria: GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Objectives of an Entity – 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.

Additionally, 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.

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

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Proper execution of transactions

Transactions are authorized and executed only by persons acting within the scope of their authority. This is the principal means of assuring that only valid transactions to exchange, transfer, use, or commit resources are initiated or entered into. Management clearly communicates authorizations to personnel.

Appropriate documentation of transactions and internal control

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

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Further, effective internal controls require that management properly implement procedures to ensure that expenditures comply with 19 O.S. § 1505.

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S·A·I
STATE AUDITOR & INSPECTOR



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