



# JACKSON COUNTY

## Financial Report

For the fiscal year ended June 30, 2019

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

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

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Cindy Byrd, CPA | State Auditor & Inspector

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April 21, 2021

TO THE CITIZENS OF  
JACKSON COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first and last names clearly legible.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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**Board of County Commissioners**

District 1 – Mike Wallace

District 2 – Kirk Butler

District 3 – Rhet Johnson

**County Assessor**

Lisa Roberson

**County Clerk**

Robin Booker

**County Sheriff**

Roger LeVick

**County Treasurer**

Robin Fleming

**Court Clerk**

Tina Swailes

**District Attorney**

David Thomas

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

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## **FINANCIAL SECTION**

## Independent Auditor's Report

TO THE OFFICERS OF  
JACKSON COUNTY, OKLAHOMA

### *Report on the Financial Statement*

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Jackson County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1, the financial statement is prepared by Jackson 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 Jackson County as of June 30, 2019, or changes in financial position for the year then ended.

### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Jackson County, for the year ended June 30, 2019, in accordance with the basis of accounting described in Note 1.

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2021, on our consideration of Jackson 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 Jackson 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 19, 2021

## **REGULATORY BASIS FINANCIAL STATEMENT**

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

	Beginning Cash Balances July 1, 2018	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2019
Combining Information:				
County General Fund	\$ 1,394,418	\$ 2,064,521	\$ 2,204,162	\$ 1,254,777
County Highway	1,167,648	2,618,353	2,568,793	1,217,208
Highway County Bridge and Road Improvement 105	961,895	397,913	301,595	1,058,213
Highway County Bridge and Road Improvement 103	99,419	180,381	195,978	83,822
County Health Department	578,633	543,496	625,062	497,067
Resale Property	262,249	124,438	111,463	275,224
Treasurer Mortgage Tax Certification Fee	40,776	3,517	833	43,460
County Clerk Lien Fee	53,691	7,994	9,831	51,854
County Clerk Records Preservation Fee	63,298	19,635	46,228	36,705
County Assessor Revolving	9,763	3,073	1,009	11,827
County Assessor Visual Inspection	256	-	-	256
Sheriff Service Fee	897,445	337,388	550,376	684,457
Sheriff Contract Prisoners	459,538	80,714	221,127	319,125
Sheriff Commissary	89,776	79,292	81,191	87,877
Sales Tax Revolving	237,048	1,424,502	1,440,215	221,335
Emergency Management Performance Grant	54,301	15,000	9,038	60,263
REAP - Rural Fire Association	1,028	-	-	1,028
Rural Fire Chief Insurance Fund	591	-	-	591
Sheriff Criminal Interdiction Apprehension Fund	1,600	-	-	1,600
Jackson County Expo Center	82,824	95,487	163,879	14,432
Jackson County Reward Fund	1,859	293	-	2,152
FEMA Disaster 4222	689,983	19,171	519,472	189,682
Court Fund Payroll	4,556	190,101	189,818	4,839
S1701-3 SD #3458	100,000	-	-	100,000
Blair Volunteer Fire Department Sales Tax	-	9,948	-	9,948
Warren Volunteer Fire Department Sales Tax	-	9,948	-	9,948
Martha Volunteer Fire Department Sales Tax	-	9,948	-	9,948
Altus Fire Department Sales Tax	-	9,948	-	9,948
Friendship Volunteer Fire Department Sales Tax	-	9,948	-	9,948
Eldorado Volunteer Fire Department Sales Tax	-	9,948	-	9,948
Duke Volunteer Fire Department Sales Tax	-	9,948	-	9,948
Olustee Volunteer Fire Department Sales Tax	-	9,948	-	9,948
Headrick Volunteer Fire Department Sales Tax	-	9,948	4,493	5,455
Elmer Volunteer Fire Department Sales Tax	-	9,948	-	9,948
Altus Jackson County E911 Regional Trust	-	2,826	-	2,826
Ambulance Service District Sales Tax	-	10,174	-	10,174
Jackson County Fire Chief's Association	-	565	-	565
<b>Combined Total - All County Funds, as Restated</b>	<b>\$ 7,252,595</b>	<b>\$ 8,318,314</b>	<b>\$ 9,244,563</b>	<b>\$ 6,326,346</b>

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

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

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Jackson 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 emergency medical districts, libraries, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

**B. Fund Accounting**

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

Following are descriptions of the county funds included as combining information within the financial statement:

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

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

Highway County Bridge and Road Improvement 105 – accounts for state receipts and disbursements are for the purpose of maintaining bridges and roads.

Highway County Bridge and Road Improvement 103 – accounts for state receipts and disbursements are for the purpose of maintaining bridges and roads.

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

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

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

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

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

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

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

County Assessor Visual Inspection – accounts for the receipt and disbursement of funds by the Assessor as restricted by state statute for the visual inspection program.

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

Sheriff Contract Prisoners – accounts for the collection of monies for feeding, care, housing and upkeep of federal, state, or municipal prisoners and disbursements are for capital expenditures and any excess shall be permitted to be expended for administering expenses for salaries, training, equipment or travel.

Sheriff Commissary – accounts for the collection of sale of items to inmates and disbursement of funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus for administering expenses for training equipment, travel or for capital expenditures.

Sales Tax Revolving – accounts for the collection of reserve sales tax received from the bondholder in excess of bond issue payments. As of September 2016, the indebtedness was paid in full and by Board of County Commissioner Resolution 2016-66. This fund now accounts for the collection of sales tax proceeds and disbursements are for the maintenance and operation of the Jackson County Jail Facility with surplus, if any, to be used for general purposes of the County.

Emergency Management Performance Grant – accounts for the collection of grant money to be disbursed for the purpose of maintenance and operations of the Safety Director.

REAP - Rural Fire Association – accounts for the collection of state monies for specific projects within the communities of Jackson County, specifically the Rural Fire Association.

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

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Rural Fire Chief Insurance Fund – accounts for the collection of insurance reimbursement monies to be distributed to the rural fire departments.

Sheriff Criminal Interdiction Apprehension Fund – accounts for the collection of grant money and disbursement as restricted by grant agreement.

Jackson County Expo Center – accounts for collection of rental/leasing monies and disbursements are for the purpose of maintenance and operations of the expo center.

Jackson County Reward Fund – accounts for collections of a fee from district court for the dumping of trash. Disbursements account for awards paid to citizens for reporting illegal dumping to the local policing department.

FEMA Disaster 4222 – accounts for monies received from a federal grant and disbursed as restricted by grant agreement.

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

S1701-3 S.D. #3458 – accounts for the collection of state grant monies for specific flooding disaster projects to be disbursed as restricted by grant agreements.

Blair Volunteer Fire Department Sales Tax – accounts for the collection of County fire sales tax to be used to operate volunteer fire departments.

Warrant Volunteer Fire Department Sales Tax – accounts for the collection of County fire sales tax to be used to operate volunteer fire departments.

Martha Volunteer Fire Department Sales Tax – accounts for the collection of County fire sales tax to be used to operate volunteer fire departments.

Altus Fire Department Sales Tax – accounts for the collection of County fire sales tax to be used to operate Jackson County fire departments.

Friendship Volunteer Fire Department Sales Tax – accounts for the collection of County fire sales tax to be used to operate volunteer fire departments.

Eldorado Volunteer Fire Department Sales Tax – accounts for the collection of County fire sales tax to be used to operate volunteer fire departments.

Duke Volunteer Fire Department Sales Tax – accounts for the collection of County fire sales tax to be used to operate volunteer fire departments.

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

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Olustee Volunteer Fire Department Sales Tax – accounts for the collection of County fire sales tax to be used to operate volunteer fire departments.

Headrick Volunteer Fire Department Sales Tax – accounts for the collection of County fire sales tax to be used to operate volunteer fire departments.

Elmer Volunteer Fire Department Sales Tax – accounts for the collection of County fire sales tax to be used to operate volunteer fire departments.

Altus Jackson County E911 Regional Trust – accounts for the collection of County sales tax to be used to update and maintain the E-911 system.

Ambulance Service District Sales Tax – accounts for the collection of County sales tax to be used to update and operate the Ambulance Service.

Jackson County Fire Chief's Association – accounts for the collection of County fire sales tax to be used for operation of the Jackson County Fire Chief's Association.

**C. Basis of Accounting**

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

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

**D. Budget**

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of

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

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

**E. Cash and Investments**

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

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

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

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

**2. Ad Valorem Tax**

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

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



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

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

**3. Other Information**

**A. Pension Plan**

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

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

**B. Other Post Employment Benefits (OPEB)**

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

**C. Contingent Liabilities**

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

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

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

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**D. Sales Tax**

**Sales Tax of 1999 and 2007**

In a special election on November 9, 1999, the citizens of Jackson County approved one-half percent (1/2%) sales tax to be collected beginning April 1, 2002, which 50% of the sales tax was to end on March 31, 2007. However, in a special election on February 13, 2007 the citizens of Jackson County approved the entire one-half percent (1/2%) sales tax for an unlimited duration beginning April 1, 2007. The one-half percent (1/2%) sales tax is to be used to construct and equip a new County jail facility, including the payment of debt service on indebtedness incurred for such purpose by Jackson County. The indebtedness of the County jail facility was paid in full in September of 2016 and the one-half percent (1/2%) sales tax is for the continued maintenance and operation of the facility with surplus, if any, to be used for general purposes of the County. These funds are accounted for in the Sales Tax Revolving fund.

**Sales Tax of 2018**

On June 26, 2018, the citizens of Jackson County approved a one-eighth percent (1/8%) sales tax beginning October 1, 2018 for the period of 10 years, expiring on September 30, 2028. The sales tax is for the purpose of fire protection, prevention, communications, training related expenses (not to include salaries) of all current Jackson County Fire Departments, Jackson County Emergency Medical Service, Jackson County E911 Regional Trust Authority, and Jackson County Fire Chief's Association. This includes maintenance and construction of buildings, facilities, both current and future; the purchase and maintenance of current and future apparatus, vehicles, and the purchase of any and all equipment, services and supplies related to fire protection, ambulance service, and response within the County. The sales tax shall be divided as follows:

- 88% Fire protection, prevention, communications, training, maintenance/construction of building(s), equipment and vehicles, and Fire/EMS/Rescue, not to include salaries.
- 9% EMS protection, prevention, communications, and training, maintenance and construction of buildings, purchase and maintenance of vehicles, not to include salaries.
- 2.5% Altus Jackson County E911 Regional Trust Authority.
- .50% County-wide initiatives concerning the Jackson County fire departments, including communications, training, canteen services, rehab services, administrative costs, and EMS supplies related to fire protection for all current Jackson County fire departments.

These funds are be accounted for in the following funds: Blair Volunteer Fire Department Sales Tax, Warren Volunteer Fire Department Sales Tax, Martha Volunteer Fire Department Sales Tax, Altus Fire Department Sales Tax, Friendship Volunteer Fire Department Sales Tax, Eldorado Volunteer Fire Department Sales Tax, Duke Volunteer Fire Department Sales Tax, Olustee Volunteer Fire Department Sales Tax, Headrick Volunteer Fire Department Sales Tax, Elmer Volunteer Fire Department Sales Tax, Altus Jackson County E911 Regional Trust, Ambulance Service District Sales Tax, and Jackson County Fire Chief's Association.

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

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**E. Restatement of Fund Balance**

During the fiscal year, the County had a reclassification of a fund. DA Drug Court fund, which is administered by the District Attorney, was reclassified as a trust and agency fund and represents expenditures of drug court.

Prior year ending balance, as reported	\$ 7,341,752
Funds reclassified to Trust and Agency Funds:	
DA Drug Court fund reclassified from a County Fund to a Trust and Agency Fund	<u>(89,157)</u>
Prior year ending balance, as restated	<u>\$ 7,252,595</u>

## **SUPPLEMENTARY INFORMATION**

**JACKSON COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 2,000	\$ -	\$ 2,000
County Sheriff	412,002	399,774	12,228
County Treasurer	187,527	183,326	4,201
County Commissioners	237,416	186,978	50,438
O.S.U. Extension	30,636	30,630	6
County Clerk	233,948	216,864	17,084
Court Clerk	162,866	159,138	3,728
County Assessor	118,651	115,893	2,758
Revaluation of Real Property	215,216	209,057	6,159
General Government	1,404,614	566,772	837,842
Excise - Equalization Board	3,851	2,823	1,028
County Election Board	110,364	97,223	13,141
Safety Director	31,747	27,588	4,159
Expo Center	6,001	5,581	420
County Audit Budget Account	29,210	1,340	27,870
Free Fair Budget Account	9,922	9,922	-
Total Expenditures, Budgetary Basis	<u>\$ 3,195,971</u>	<u>\$ 2,212,909</u>	<u>\$ 983,062</u>

**JAKSON COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—HEALTH FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 994,033	\$ 595,580	\$ 398,453
Total Expenditures, Budgetary Basis	\$ 994,033	\$ 595,580	\$ 398,453

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

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**1. Budgetary Schedules**

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

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

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



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

TO THE OFFICERS OF  
JACKSON COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Jackson County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprises Jackson County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated April 19, 2021.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2019, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

**Internal Control Over Financial Report**

In planning and performing our audit of the financial statement, we considered Jackson County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Jackson County's internal control. Accordingly, we do not express an opinion on the effectiveness of Jackson County's internal control.

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



Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2019-001 and 2019-008.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jackson County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2019-008.

### **Jackson County's Response to Findings**

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

### **Purpose of this Report**

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

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



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

April 19, 2021

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

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

**Finding 2019-001 – Lack of County-Wide Controls (Repeat Finding - 2010-001, 2011-010, 2012-001, 2013-001, 2014-001, 2016-001, 2017-001, 2018-001)**

**Condition:** County-wide controls regarding Risk Assessment and Monitoring have not been designed.

**Cause of Condition:** Policies and procedures have not been designed and implemented to address Risk Assessment and Monitoring of the County.

**Effect of Condition:** This condition does not allow the County to function in the most effective manner possible. Additionally, without written documentation of the county-wide controls, it is more difficult to retain organizational knowledge, communicate that knowledge to personnel, indicate what internal controls are present and monitor those controls.

**Recommendation:** The Oklahoma State Auditor and Inspector's Office (OSAI) recommends that the County design and implement policies and procedures to document their internal control framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps taken to properly communicate pertinent information in a timely manner and the methodology to monitor 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, Board of County Commissioners:** We will work towards having quarterly meetings in order to assess and identify risks in the design of written county-wide controls.

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

The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 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.

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

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

*Components, Principles, and Attributes*

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

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

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

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

**Finding 2019-008 – Lack of Internal Controls and Noncompliance Over the Disbursement and Payroll Processes (Repeat Finding 2016-008 and 2017-008)**

**Condition:** Upon inquiry and observation of the payroll disbursement process, we noted that although internal controls have been designed for the independent oversight in preparing an ACH report for employee direct deposits, there was no audit evidence to support a review. Further, the County Clerk’s office has not been requiring an elected official or department head to acknowledge the receipt of staff payroll stubs by signature.

In addition, the inquiry and observation of the disbursement process reflected the following:

- The names of the County Clerk and the Chairman of the Board are printed on all warrants; however, these warrants are not initialed by the Chairman of the Board.

Further, the audit of sixty-two (62) disbursements reflected the following:

- Six (6) disbursements were not properly encumbered in accordance with state statute.

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

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

**Recommendation:** OSAI recommends management be aware of these conditions and determine if duties can be adequately segregated with regards to the payroll disbursement process. In the event segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to

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

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mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions. Further, management should implement a system of internal controls over the disbursement process. Such controls should include ensuring that funds are encumbered prior to the receipt of goods and/or services, implementing a review process with adequate documentation to support the review, and implementing procedures to ensure authorized personnel requisition, receive, and approve disbursements in accordance with 19 O.S. § 1505.

**Management Response:**

**County Clerk:** I will ensure all purchase orders follow proper purchasing procedures and will implement independent oversight and review over the payroll process.

**Chairman, Board of County Commissioners:** We will work towards implementing internal controls, initialing electronic signatures and express the importance of ensuring all purchase orders are properly encumbered prior to the receipt of goods and/or services.

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

*Segregation of Duties*

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

Additionally, Principal 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

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

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

**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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