



JACKSON COUNTY

Financial Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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

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, 2020. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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, 2020**

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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, 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 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, 2020, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Jackson County, for the year ended June 30, 2020, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated 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.



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, 2020

	Beginning Cash Balances July 1, 2019	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
Combining Information:						
County General Fund	\$ 1,254,777	\$ 2,241,251	\$ 1,620	\$ -	\$ 2,298,021	\$ 1,199,627
County Highway Unrestricted	1,217,208	2,663,818	74,139	-	2,776,064	1,179,101
County Bridge and Road Improvement 105	1,058,213	513,257	53,069	-	566,055	1,058,484
County Bridge and Road Improvement 103	83,822	33,643	-	53,069	64,396	-
Health	497,067	543,654	-	-	385,382	655,339
Resale Property	275,224	136,936	-	-	91,031	321,129
Treasurer Mortgage Tax Certification Fee	43,460	3,935	-	-	6,913	40,482
County Clerk Lien Fee	51,854	4,421	-	-	6,535	49,740
County Clerk Records Management & Preservation	36,705	31,351	-	-	8,239	59,817
Assessor Revolving	11,827	2,125	-	-	7,680	6,272
Assessor Visual Inspection	256	-	-	-	-	256
Sheriff Service Fee	684,457	372,441	319,125	-	548,066	827,957
Sheriff Contract Prisoners	319,125	-	-	319,125	-	-
Sheriff Commissary	87,877	61,481	-	-	68,957	80,401
Sales Tax Revolving	221,335	1,428,844	-	-	1,420,196	229,983
Emergency Management Preparedness Grant	60,263	-	-	-	1,052	59,211
REAP - Rural Fire Association	1,028	-	-	1,028	-	-
Rural Fire Chief Insurance Reimbursement	591	-	-	591	-	-
Sheriff Criminal Interdiction	1,600	-	-	-	-	1,600
Expo Center	14,432	1,700	-	-	10,575	5,557
Reward Fund	2,152	-	-	-	-	2,152
FEMA Dissaster 4222	189,682	-	-	-	7,540	182,142
Court Clerk Payroll	4,839	174,195	-	-	174,339	4,695
S1701-3 SD #3458	100,000	-	-	74,139	25,861	-
Blair Volunteer Fire Department Sales Tax	9,948	31,407	-	41,355	-	-
Warren Volunteer Fire Department Sales Tax	9,948	31,407	-	41,355	-	-
Martha Volunteer Fire Department Sales Tax	9,948	31,407	-	41,355	-	-
Altus Fire Department Sales Tax	9,948	31,407	-	41,355	-	-
Friendship Volunteer Fire Department Sales Tax	9,948	31,407	-	41,355	-	-
Eldorado Volunteer Fire Department Sales Tax	9,948	31,407	-	36,355	5,000	-
Duke Volunteer Fire Department Sales Tax	9,948	31,407	-	41,355	-	-
Olustee Volunteer Fire Department Sales Tax	9,948	31,407	-	23,127	18,228	-
Headrick Volunteer Fire Department Sales Tax	5,455	31,407	-	36,862	-	-
Elmer Volunteer Fire Department Sales Tax	9,948	31,407	-	41,355	-	-
E-911 Sales Tax	2,826	8,923	-	11,749	-	-
REAP 20 Friendship	-	45,000	-	-	-	45,000
Ambulance Service District Sales Tax	10,174	32,121	-	18,660	23,635	-
Rural Fire Sales Tax	-	-	418,588	-	-	418,588
NACCHO Grant	-	7,500	-	-	-	7,500
Jackson County LEPC	-	2,842	-	-	98	2,744
Jackson County Fire Chief's Association Sales Tax	565	1,785	-	2,350	-	-
Combined Total - All County Funds	<u>\$ 6,326,346</u>	<u>\$ 8,625,293</u>	<u>\$ 866,541</u>	<u>\$ 866,540</u>	<u>\$ 8,513,863</u>	<u>\$ 6,437,777</u>

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, 2020**

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.

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

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

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

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

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

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

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

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

Resale Property – accounts for the collection of interest and penalties on delinquent taxes and 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 Management & Preservation – 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.

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

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. Treasurer transferred the balance to Sheriff Service Fee fund in July 2019 per Board of County Commissioner (BOCC) resolution.

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 Sales Tax monies received from Oklahoma Tax Commission. Disbursements are for the general operations of the County Jail and the Sheriff’s Office.

Emergency Management Preparedness 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 grant money 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, 2020**

The residual balance was transferred to the County General Fund by Board of County Commissioner (BOCC) resolution to close the fund.

Rural Fire Chief Insurance Reimbursement – accounts for the collection of insurance reimbursement monies to be distributed to the rural fire departments. The residual balance was transferred to the County General Fund by BOCC resolution to close the fund.

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

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

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 Clerk 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. The residual balance was transferred to the County Highway Unrestricted fund by BOCC resolution to close the fund.

Blair Volunteer Fire Department Sales Tax – accounts for the collection of County Fires Sales Tax to be used to operate volunteer fire departments. This has been transferred to the Rural Fire Sale Tax fund by BOCC resolution to close the fund.

Warren Volunteer Fire Department Sales Tax – accounts for the collection of County Fires Sales Tax to be used to operate volunteer fire departments. This has been transferred to the Rural Fire Sale Tax fund by BOCC resolution to close the fund.

Martha Volunteer Fire Department Sales Tax– accounts for the collection of County Fires Sales Tax to be used to operate volunteer fire departments. This has been transferred to the Rural Fire Sale Tax fund by BOCC resolution to close the fund.

Altus Fire Department Sales Tax – accounts for the collection of County Fires Sales Tax to be used to operate Altus Fire department. This has been transferred to the Rural Fire Sale Tax fund by BOCC resolution to close the fund.

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

Friendship Volunteer Fire Department Sales Tax – accounts for the collection of County Fires Sales Tax to be used to operate volunteer fire departments. This has been transferred to the Rural Fire Sale Tax fund by BOCC resolution to close the fund.

Eldorado Volunteer Fire Department Sales Tax – accounts for the collection of County Fires Sales Tax to be used to operate volunteer fire departments. This has been transferred to the Rural Fire Sale Tax fund by BOCC resolution to close the fund.

Duke Volunteer Fire Department Sales Tax – accounts for the collection of County Fires Sales Tax to be used to operate volunteer fire departments. This has been transferred to the Rural Fire Sale Tax fund by BOCC resolution to close the fund.

Olustee Volunteer Fire Department Sales Tax – accounts for the collection of County Fires Sales Tax to be used to operate volunteer fire departments. This has been transferred to the Rural Fire Sale Tax fund by BOCC resolution to close the fund.

Headrick Volunteer Fire Department Sales Tax – accounts for the collection of County Fires Sales Tax to be used to operate volunteer fire departments. This has been transferred to the Rural Fire Sale Tax fund by BOCC resolution to close the fund.

Elmer Volunteer Fire Department Sales Tax – accounts for the collection of County Fires Sales Tax to be used to operate volunteer fire departments. This has been transferred to the Rural Fire Sale Tax fund by BOCC resolution to close the fund.

E-911 Sales Tax – accounts for the collection of County Fire Sales Tax to be used to update and operate the Ambulance Service. This has been transferred to Rural Fire Sales Tax fund by BOCC resolution to close the fund.

REAP – 20 Friendship – accounts for the collection of grant money awarded to Friendship Volunteer Fire Department to be used to purchase bunker gear.

Ambulance Service District Sales Tax – accounts for the collection of County Fire Sales Tax to be used to update and operate the Ambulance Service. This has been transferred to Rural Fire Sales Tax fund by BOCC resolution to close the fund.

Rural Fire Sales Tax – accounts for the collections of Sales Tax money collected for ten (10) Fire Departments, Jackson County Fire Chief’s Association, Ambulance Service District and E-911. During the month of June 2020 these funds were transferred by BOCC resolution to the Rural Fire Sales Tax fund.

NACCHO Grant – accounts for grant funds awarded to the Health department and disbursements as restricted by grant agreement.

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

Jackson County LEPC – accounts for collection of grant funds and disbursements are in accordance with grant agreement.

Jackson County Fire Chief's Association Sales Tax – accounts for the collection of County Fire Sales Tax to be used for operation of the Jackson County Fire Chief's Association. This has been transferred to Rural Fire Sales Tax fund by BOCC resolution to close the fund.

C. Basis of Accounting

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

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

D. Budget

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

E. Cash and Investments

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

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

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

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

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

2. Ad Valorem Tax

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

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

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

3. Other Information

A. Pension Plan

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

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

amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. 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.

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

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 accounted for in the Rural Fire Sales Tax fund.

E. Interfund Transfers

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

- A total of \$1,620, residual balance, was transferred to the County General Fund by BOCC Resolution to close out the following funds:
 - \$1,028 was transferred from REAP – Rural Fire Association fund.
 - \$591 was transferred from Rural Fire Chief Insurance Reimbursement fund.
 - \$1 was transferred from Court Clerk Revolving (trust and agency fund).
- A total of \$418,588, a residual balance, was transferred to Rural Fire Sales Tax fund by BOCC Resolution to close out the following funds:
 - \$41,355 was transferred from Blair Volunteer Fire Department Sales Tax fund.
 - \$41,355 was transferred from Warren Volunteer Fire Department Sales Tax fund.
 - \$41,355 was transferred from Martha Volunteer Fire Department Sales Tax fund.
 - \$41,355 was transferred from Altus Fire Department Sales Tax fund.
 - \$41,355 was transferred from Friendship Volunteer Fire Department Sales Tax fund.
 - \$36,355 was transferred from Eldorado Volunteer Fire Department Sales Tax fund.
 - \$41,355 was transferred from Duke Volunteer Fire Department Sales Tax fund.
 - \$23,127 was transferred from Olustee Volunteer Fire Department Sales Tax fund.

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

- \$36,862 was transferred from Headrick Volunteer Fire Department Sales Tax fund.
 - \$41,355 was transferred from Elmer Volunteer Fire Department Sales Tax fund.
 - \$18,660 was transferred from Ambulance Service District Sales Tax fund.
 - \$11,749 was transferred from E-911 Sales Tax fund.
 - \$2,350 was transferred from Jackson County Fire Chief's Association Sales Tax fund.
-
- \$319,125, a residual balance, was transferred from Sheriff Contract Prisoners fund to Sheriff Service Fee fund by BOCC resolution to close the fund in accordance with 19 O.S. § 180.43.
 - \$74,139, a residual balance, was transferred from S-1701-3 SD #3458 fund to the County Highway Unrestricted fund by BOCC Resolution to close the fund.
 - \$53,069, a residual balance, was transferred from County Bridge and Road Improvement 103 fund to the County Bridge and Road Improvement 105 fund by BOCC Resolution to close the fund.

SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 2,000.00	\$ 2,000.00	\$ -
County Sheriff	409,145	399,571	9,574
County Treasurer	189,886	168,758	21,128
County Commissioners	277,105	249,969	27,136
O.S.U. Extension	30,457	30,437	20
County Clerk	279,093	276,629	2,464
Court Clerk	162,695	160,238	2,457
County Assessor	119,137	118,407	730
Revaluation of Real Property	223,130	216,255	6,875
General Government	1,152,085	533,848	618,237
Excise - Equalization Board	3,851	2,384	1,467
County Election Board	110,723	96,774	13,949
Safety Director	17,872	10,160	7,712
Expo Center	24,001	2,966	21,035
County Audit Budget Account	43,554	27,821	15,733
Free Fair Budget Account	9,923	9,922	1
Total Expenditures, Budgetary Basis	\$ 3,054,657	\$ 2,306,139	\$ 748,518

JACKSON 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	\$ 949,488	\$ 463,023	\$ 486,465
Total Expenditures, Budgetary Basis	\$ 949,488	\$ 463,023	\$ 486,465

**JACKSON 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 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, 2020, 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, 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 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: 2020-001, and 2020-008.

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 2020-008.

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, 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 Controls (Repeat Finding 2010-001, 2011-010, 2012-001, 2013-001, 2014-001, 2016-001, 2017-001, 2018-001, 2019-001)

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, 2020**

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 2020-008 – Lack of Internal Controls and Noncompliance Over the Disbursement and Payroll Process (Repeat Finding 2016-008, 2017-008, and 2019-008)

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 fifty-three (53) disbursements reflected the following:

- Six (6) disbursements was 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

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

duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to 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 segregation of duties for the payroll process.

Chairman, Board of County Commissioners: The Board of County Commissioners will express to all County Officials 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

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

address the risk of fraud, waste, or abuse in the operational process.

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.

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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