



JACKSON COUNTY

Financial Report

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

**JACKSON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Cindy Byrd, CPA | State Auditor & Inspector

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May 27, 2020

TO THE CITIZENS OF
JACKSON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Jackson County, Oklahoma for the fiscal year ended June 30, 2017. 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, 2017**

Board of County Commissioners

District 1 – Marty Clinton
District 2 – Kirk Butler
District 3 – Rhet Johnson

County Assessor

Lisa Roberson

County Clerk

Robin Booker

County Sheriff

Roger LeVick

County Treasurer

Renee Howard

Court Clerk

Rhonda Stepanovich

District Attorney

Ken Darby

**JACKSON COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

TABLE OF CONTENTS

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information).....	4
Notes to the Financial Statement.....	5

SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	12
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	13
Note to Supplementary Information	14

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	15
Schedule of Findings and Responses	17

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, 2017, 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, 2017, 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, 2017, 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 are 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 May 18, 2020, 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

May 18, 2020

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, 2017

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
County General Fund	\$ 1,116,885	\$ 1,985,210	\$ -	\$ -	\$ 1,861,375	\$ 1,240,720
County Highway	1,013,599	2,668,678	-	-	2,704,381	977,896
Highway County Bridge and Road Improvement 105	1,001,660	194,449	-	-	248,116	947,993
Highway County Bridge and Road Improvement 103	105,704	212	-	-	2,169	103,747
County Health Department	534,345	594,549	-	-	633,909	494,985
Resale Property	239,794	115,649	-	-	103,203	252,240
Treasurer Mortgage Tax Certification Fee	33,172	3,859	-	-	-	37,031
County Clerk Lien Fee	58,394	4,406	-	-	6,047	56,753
County Clerk Records Preservation Fee	78,296	19,643	-	-	50,891	47,048
County Assessor Revolving	10,697	2,599	-	-	3,134	10,162
County Assessor Visual Inspection	256	-	-	-	-	256
Sheriff Service Fee	924,593	292,607	-	-	377,175	840,025
Sheriff Contract Prisoners	545,335	281,057	-	-	383,793	442,599
Sheriff Commissary	149,945	117,865	-	-	109,135	158,675
Sales Tax Revolving	529,406	1,139,024	372,359	-	1,883,380	157,409
County Investment	372,163	196	-	372,359	-	-
Emergency Management Performance Grant	44,067	11,592	-	-	54	55,605
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	21,409	6,669	-	-	5,739	22,339
Jackson County Reward Fund	1,761	98	-	-	-	1,859
County Sales Tax	-	231,279	-	-	231,279	-
FEMA - Disaster 4222-1	270,083	59,198	-	328,965	316	-
REAP - Rural Fire Chiefs	3,813	-	-	-	3,813	-
REAP - Warren	9,606	-	-	-	9,606	-
DA Drug Court	43,134	124,201	-	-	97,640	69,695
FEMA - Disaster 4222-2	-	126,478	-	125,521	957	-
FEMA - Disaster 4222	-	-	454,486	-	284,973	169,513
Conservation REAP 17	-	24,706	-	-	32	24,674
Court Fund Payroll	5,800	168,300	-	-	170,113	3,987
Combined Total - All County Funds, as Restated	\$ 7,117,136	\$ 8,172,524	\$ 826,845	\$ 826,845	\$ 9,171,230	\$ 6,118,430

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, 2017**

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, 2017**

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 the funds as restricted by state statute.

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

County Clerk Records 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 of funds 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 from the Oklahoma Department of Corrections and disbursements are for the operations of the jail.

Sheriff Commissary – accounts for the collection of sale of items to inmates and disbursements to purchase commissary goods from the vendor and surplus to be used for the maintenance and operations of the County Jail.

Sales Tax Revolving – accounts for the collection of reserve sales tax monies 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.

County Investment – accounts for the collection of interest earned on excess bond money and disbursed for final payment of indebtedness pertaining to the Jackson County Jail Facility.

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, 2017**

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 to be expended for lawful purposes of the Sheriff's office.

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 illegal dumping of trash. Disbursements account for awards paid to citizens for reporting illegal dumping to the local policing departments.

County Sales Tax – accounts for the collection of sales tax proceeds and disbursed to the fiscal agent for the payment of revenue bonds per a contractual agreement. As of September 2016, the indebtedness was paid in full and further proceeds are apportioned to the Sales Tax Revolving fund.

FEMA - Disaster 4222-1 – accounts for monies received from a federal grant and expended for highway repairs in Jackson County.

REAP – Rural Fire Chiefs – account for the collection of state grant monies for specific projects within the communities of Jackson County, specifically for the rural fire departments.

REAP – Warren – accounts for the collection of state grant monies for specific projects within the communities of Jackson County, specifically the Warren Fire Department.

DA Drug Court – accounts for monies collected from the Oklahoma Department of Mental Health and Substance Abuse Services and is disbursed for salaries of the drug court administration.

FEMA - Disaster 4222-2 – accounts for monies received from federal grant and expended for highway repairs in Jackson County.

FEMA - Disaster 4222 – accounts for monies received from federal grant and expended for highway repairs in Jackson County.

Conservation REAP 17 – accounts for the collection of state grant monies and disbursements are for a specific piece of equipment for the Conservation District as restricted by grant agreement.

Court Fund Payroll – accounts for the monies received from the Court Clerk's Court Fund, a Trust and Agency fund, for the disbursement of payroll for the Court fund employees.

**JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

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).

**JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 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.

**JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

In a special election on November 9, 1999, the citizens of Jackson County approved a ½% 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 ½% sales tax for an unlimited duration beginning April 1, 2007. The ½% 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 ½% 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 were accounted for in the County Sales Tax fund and are now accounted for in the Sales Tax Revolving fund.

E. Tax Abatements

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

**JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$2,068 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2017.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

F. Interfund Transfers

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

- \$372,359 was transferred from County Investment to Sales Tax Revolving for final payment of indebtedness pertaining to the Jackson County Jail Facility.
- \$328,965 was transferred from FEMA - Disaster 4222-1 to FEMA - Disaster 4222 fund by Board of County Commissioners (BOCC) resolution to combine the two funds for the completion of related disaster projects.
- \$125,521 was transferred from FEMA - Disaster 4222-2, to FEMA - Disaster 4222 fund by BOCC resolution to combine the two funds for the completion of related disaster projects.

G. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Court Fund Payroll was reclassified as a county fund and represents payroll expenditures of County employees.

Prior year ending balance, as reported	\$7,111,336
Funds reclassified to County Funds:	
Court Fund Payroll was reclassified from a	
Trust and Agency Fund to a County Fund	<u>5,800</u>
Prior year ending balance, as restated	<u>\$7,117,136</u>

SUPPLEMENTARY INFORMATION

JACKSON COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,116,928	\$ 1,116,885	\$ (43)
Less: Prior Year Outstanding Warrants	(37,318)	(37,318)	-
Less: Prior Year Encumbrances	(199)	(199)	-
Beginning Cash Balances, Budgetary Basis	<u>1,079,411</u>	<u>1,079,368</u>	<u>(43)</u>
 Total Receipts, Budgetary Basis	 <u>1,726,673</u>	 <u>1,985,210</u>	 <u>258,537</u>
Total Expenditures, Budgetary Basis	<u>2,806,084</u>	<u>1,874,793</u>	<u>931,291</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 1,189,785	 <u>\$ 1,189,785</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		49,024	
Add: Current Year Encumbrances		<u>1,911</u>	
Ending Cash Balance		<u>\$ 1,240,720</u>	

JACKSON COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 534,345	\$ 534,345	\$ -
Less: Prior Year Outstanding Warrants	(56,644)	(56,644)	-
Less: Prior Year Encumbrances	(43,089)	(41,582)	1,507
Beginning Cash Balances, Budgetary Basis	<u>434,612</u>	<u>436,119</u>	<u>1,507</u>
 Total Receipts, Budgetary Basis	 <u>318,039</u>	 <u>594,549</u>	 <u>276,510</u>
 Total Expenditures, Budgetary Basis	 <u>678,979</u>	 <u>574,825</u>	 <u>104,154</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ 73,672</u>	 455,843	 <u>\$ 382,171</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		38,236	
Add: Current Year Outstanding Warrants		<u>906</u>	
Ending Cash Balance		<u>\$ 494,985</u>	

**JACKSON COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. Budgetary Schedules

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

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

INTERNAL CONTROL AND COMPLIANCE SECTION

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

TO THE OFFICERS OF
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, 2017, 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 May 18, 2020.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2017, 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: 2017-001, 2017-002, and 2017-008.

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 matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2017-008.

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

May 18, 2020

**JACKSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls regarding Risk Assessment, Information and Communication, and Monitoring have not been designed.

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

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

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

Management Response:

County Commissioner District 1, 2 and 3: We will work with all County Officials to determine the most efficient way to implement and design written county-wide controls. We will also try to start having quarterly risk assessment meetings.

County Assessor, County Clerk, Court Clerk, County Sheriff, and County Treasurer: We will review the auditor recommendations and will work with all County officials to begin the process to document the 17 principles of the internal control framework.

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.

**JACKSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Definition of Internal Control

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

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

Components, Principles, and Attributes

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

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

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

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

Finding 2017-002 – Lack of Internal Controls Over Presentation of Financial Statement and Notes to the Financial Statement

Condition: The County has not designed and implemented internal controls to accurately present the county financial statement and notes to the financial statement. During the review and reconciliation of the financial statement as prepared by the County, we determined revenues were overstated \$372,359 and disbursements were also overstated by \$372,359. The misstatement was due to a liquidation in the County Investments fund, which was reported as a disbursement instead of being transferred out and was then reported as revenue for the Sales Tax Revolving fund instead of being transferred into the fund. The notes to the financial statement, as prepared by the County, did not list all funds and descriptions and did not include the transfers.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County's financial statement and notes to the financial statement are accurately presented.

Effect of Condition: This condition resulted in revenues and disbursements reported on the County's financial statement being materially overstated, and the notes to the financial statement did not include all relevant information.

**JACKSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Recommendation: OSAI recommend the County design and implement policies and procedures to ensure the County's financial statement and the notes to the financial statement are accurately presented.

Management Response:

Chairman of the Board of County Commissioners: We will review the County's financial statement and notes to the financial statement to ensure all county funds are accurately presented before approval by the Board of County Commissioners.

County Treasurer: We will ensure transfers are properly executed and reported on the County's financial statement as such to ensure revenues and disbursements are not misstated, as well as, ensure the notes to the financial statement includes all relevant information.

Criteria: The County is required to present a financial statement for each fiscal year ended June 30. Title 19 O.S. § 171 states, in part, "Unless the county elects to prepare its financial statement in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board, the county shall present their financial statements in a regulatory basis of accounting."

The limitations of the auditor are described in the American Institute of Certified Public Accountants Clarified Statements on Auditing Standards AU-C § 210, which states, in part: "The concept of an independent audit requires that the auditor's role does not involve assuming management's responsibility for the preparation and fair presentation of the financial statements or assuming responsibility for the entity's related internal control and that the auditor has a reasonable expectation of obtaining the information necessary for the audit insofar as management is able to provide or procure it. Accordingly, the premise is fundamental to the conduct of an independent audit."

Finding 2017-008 – Lack of Controls and Noncompliance Over the Disbursement Process (Repeat Finding 2016-008)

Condition: The audit of fifty-two (52) disbursements reflected six (6) purchase orders were not timely encumbered.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the disbursement process to strengthen internal controls and ensure compliance with state statutes.

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

Recommendation: OSAI recommends the County practice proper purchasing procedures. All purchases should be properly requisitioned, encumbered, approved, and received with proper supporting documentation attached in accordance with 19 O.S. § 1505.

**JACKSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners will work to make sure all encumbrances are done prior to the ordering/receiving of goods/services.

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

Compliance Objectives

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

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

Definitions of Objectives

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

Further, 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

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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