

**JACKSON COUNTY, OKLAHOMA
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2002**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

April 3, 2003

TO THE CITIZENS OF
JACKSON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Jackson County, Oklahoma, for the fiscal year ended June 30, 2002. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and to issue reports that serve as a management tool to the state to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMAHAN".

JEFF A. McMAHAN
State Auditor and Inspector

JACKSON COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002

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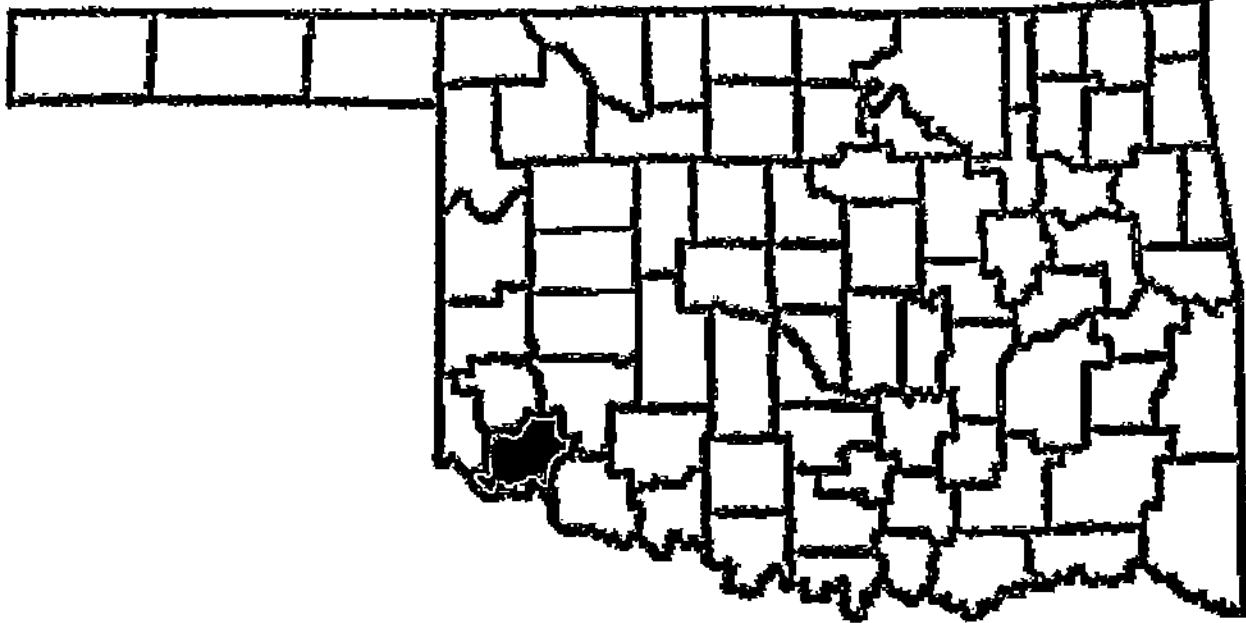
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REPORT TO THE CITIZENS
OF
JACKSON COUNTY, OKLAHOMA



Jackson County was formed in 1907 from a portion of the original disputed Greer County and was named for the Confederate hero General Thomas J. (Stonewall) Jackson. Primary crops are cotton, wheat, and grain sorghum. Cattle and greyhounds are bred and raised in this area.

Altus Air Force Base is the largest industry in the County. Higher education is provided by Western Oklahoma State College, a two-year accredited institution. The Shortgrass Arts and Humanities Council sponsor numerous cultural activities including an annual arts festival in the fall. Recreational opportunities are available 15 miles north of Altus at Quartz Mountain State Park, which includes Lake Altus.

County Seat - Altus

Area – 802.8 Square Miles

County Population – 28,392
(1999 est.)

Farms - 723

Land in Farms – 476,628 acres

Source: Oklahoma Almanac 2001 - 2002

See independent auditor's report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
J.C. Brooks
(D) Blair

The County Assessor has the responsibility to appraise and assess the real and personal property within the county for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year, at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the county. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

COUNTY CLERK
Louise Snodgrass
(D) Altus

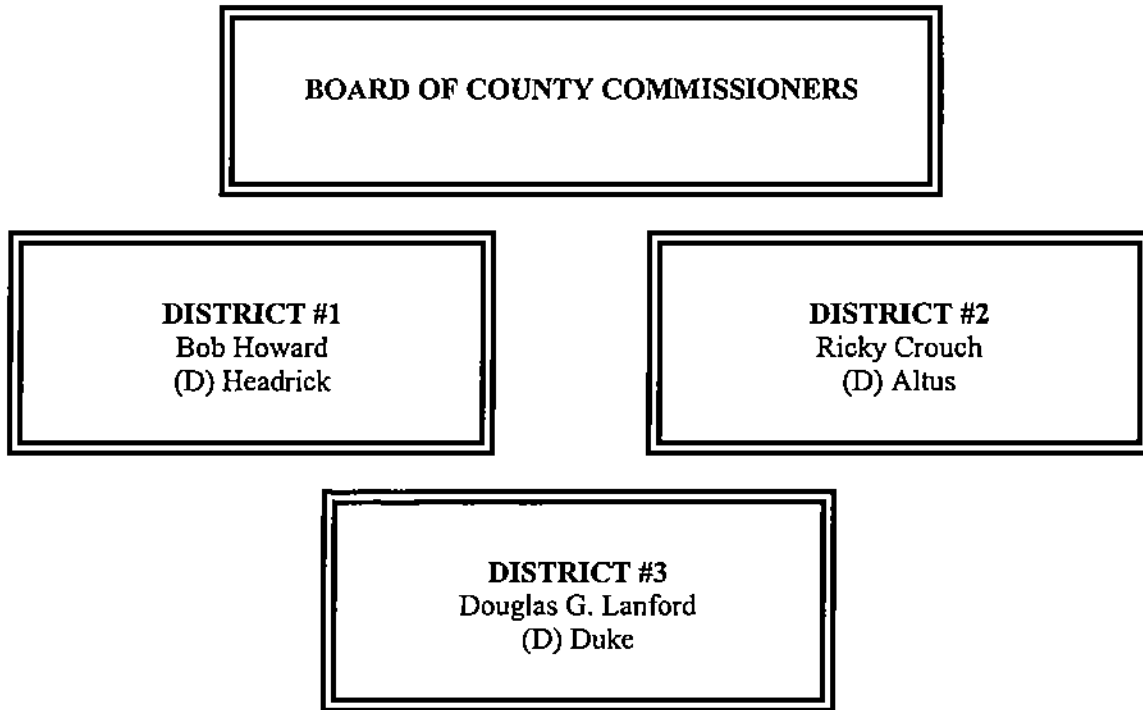
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as "open records." As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**



The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
Morris Roberts
(D) Headrick

The County Sheriff is responsible for preserving the peace and protecting life and property within the county's jurisdiction. As the county's chief law enforcement officer, the Sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the county jail.

The County Sheriff has the responsibility of serving warrants and processing papers ordered by the District Court.

COUNTY TREASURER
Janet Wright
(D) Altus

All revenues received by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county revenues and expenditures, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. The State Auditor and Inspector's Office prescribes all the forms used by the County Treasurer, and at least twice a year inspects the County Treasurer's accounts.

See independent auditor's report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Sonya Tutten
(D) Blair

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government. Court Clerks use forms and follow procedures prescribed by the Court Administrator's Office, the Oklahoma Supreme Court, and the State Auditor and Inspector.

DISTRICT ATTORNEY
John Wampler
(D) Duke

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

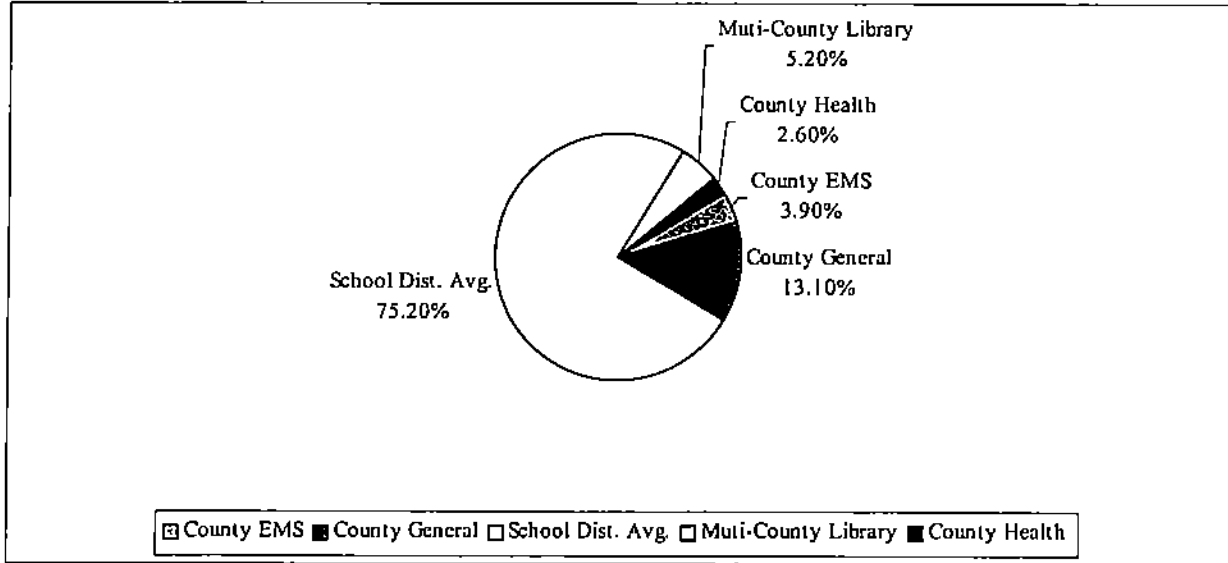
ELECTION BOARD SECRETARY
Mary I. Mitchell
(D) Altus

The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within the county.

To finance the operating expenses of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

**AD VALOREM TAX DISTRIBUTION
JACKSON COUNTY, OKLAHOMA
SHARE OF THE AVERAGE MILLAGE**

Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages						
			Gen.	Bldg.	Skg.	Vo-Tech	Common	Total
Co. General	10.00							
County Health	2.00	#18 Altus	35.00	5.00		10.00	4.00	54.00
EMS	3.00	#1 Navajo	35.00	5.00	5.46	10.00	4.00	59.46
Multi-County Library	4.00	#14 Duke	35.00	5.00	5.58	10.00	4.00	59.58
		Jt. #1 Greer Co.	35.00	5.00	14.17	10.00	4.00	68.17
		#25 Eldorado	35.00	5.00		10.00	4.00	54.00
		#35 Olustee	35.00	5.00		10.00	4.00	54.00
		#54 Blair	35.00	5.00		10.00	4.00	54.00

See independent auditor's report



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
JACKSON COUNTY, OKLAHOMA

We have audited the accompanying general-purpose financial statements of Jackson County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of Jackson County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the proprietary fund type. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, on the general-purpose financial statements, insofar as it relates to the amounts included for the proprietary fund type, is based solely on the report of the other auditors.

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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

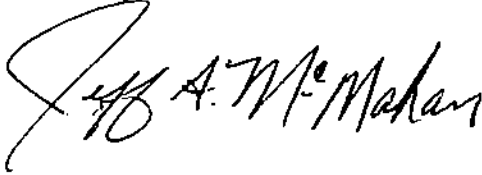
As explained in Note (1H), the general-purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, based on our audit and the report of the other auditors, except for the effect on the general-purpose financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Jackson County, Oklahoma, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Jackson County, Oklahoma, taken as a whole. The other information listed in the table of contents under *Introductory Section* has not been audited by us and accordingly, we express no opinion on such data.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMaham". The signature is written in a cursive style with a large, stylized initial "J" and "M".

JEFF A. McMAHAN
State Auditor and Inspector

February 3, 2003

General-Purpose Financial Statements

JACKSON COUNTY, OKLAHOMA
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 2002

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	ACCOUNT GROUP	TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	BLENDED COMPONENT UNIT	AGENCY	GENERAL LONG - TERM DEBT	
ASSETS						
Cash	\$ 355,505	\$ 2,224,779	\$ 1,432	\$ 1,188,330	\$	\$ 3,770,046
Investments			5,519,660			5,519,660
Ad valorem taxes receivable	13,103	2,620		80,714		96,437
Due from other governments	3,015	203,841		19,449		226,305
Accrued interest receivable	2,678	31,836	8,111	186		42,811
Bond issuance costs (net of accumulated amortization)			231,962			231,962
Construction in progress			2,200,896			2,200,896
Amount to be provided for compensated absences					54,050	54,050
Amount to be provided for capitalized lease purchase agreements					499,327	499,327
Total assets	<u>\$ 374,301</u>	<u>\$ 2,463,076</u>	<u>\$ 7,962,061</u>	<u>\$ 1,288,679</u>	<u>\$ 553,377</u>	<u>\$ 12,641,494</u>
LIABILITIES AND FUND EQUITY						
Liabilities:						
Warrants payable	\$ 88,490	\$ 177,811	\$	\$	\$	\$ 266,301
Accounts payable	850	56,982	507,435			565,267
Bonds payable (current)			85,000			85,000
Due to other taxing units				285,871		285,871
Due to others				1,002,808		1,002,808
Bonds payable (long-term)			7,315,000			7,315,000
Compensated absences payable					54,050	54,050
Capitalized lease obligations payable					499,327	499,327
Total liabilities	<u>89,340</u>	<u>234,793</u>	<u>7,907,435</u>	<u>1,288,679</u>	<u>553,377</u>	<u>10,073,624</u>
Fund equity:						
Retained earnings - restricted			53,194			
Retained earnings - unrestricted			1,432			
Fund balances:						
Reserved for encumbrances	1,601	18,543				20,144
Unreserved:						
Undesignated	283,360	2,209,740	54,626			2,547,726
Total fund equity	<u>284,961</u>	<u>2,228,283</u>	<u>54,626</u>	<u>-</u>	<u>-</u>	<u>2,567,870</u>
Total liabilities and fund equity	<u>\$ 374,301</u>	<u>\$ 2,463,076</u>	<u>\$ 7,962,061</u>	<u>\$ 1,288,679</u>	<u>\$ 553,377</u>	<u>\$ 12,641,494</u>

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

JACKSON COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>GOVERNMENTAL FUND TYPES</u>		TOTAL
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	(MEMORANDUM ONLY)
Revenues:			
Ad valorem taxes	\$ 993,784	\$ 286,965	\$ 1,280,749
Sales tax		110,565	110,565
Charges for services	88,909	187,456	276,365
Intergovernmental revenues	203,042	2,724,241	2,927,283
Miscellaneous revenues	61,272	72,811	134,083
Total revenues	<u>1,347,007</u>	<u>3,382,038</u>	<u>4,729,045</u>
Expenditures:			
Current operating:			
General government	901,539	276,263	1,177,802
Public safety	404,857	219,478	624,335
Health and welfare		196,068	196,068
Culture and recreation	5,500		5,500
Education	14,988		14,988
Roads and highways	22,454	2,834,188	2,856,642
Total expenditures	<u>1,349,338</u>	<u>3,525,997</u>	<u>4,875,335</u>
Excess revenues over (under) expenditures	<u>(2,331)</u>	<u>(143,959)</u>	<u>(146,290)</u>
Other sources (uses)			
Transfer out		110,565	110,565
Total other sources (uses)		<u>110,565</u>	<u>110,565</u>
Excess revenues over (under) expenditures and other uses	(2,331)	(254,524)	(256,855)
Beginning fund balances	287,292	2,482,807	2,770,099
Ending fund balances	<u>\$ 284,961</u>	<u>\$ 2,228,283</u>	<u>\$ 2,513,244</u>

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

JACKSON COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
-BUDGET AND ACTUAL-GENERAL AND SPECIAL REVENUE
(COUNTY HEALTH DEPARTMENT ONLY) FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 265,926	\$ 265,926	\$ -	\$ 85,896	\$ 85,896	\$ -
Revenues:						
Ad valorem taxes	904,410	991,378	86,968	180,882	198,308	17,426
Charges for services	103,010	88,909	(14,101)	35,363	31,389	(3,974)
Intergovernmental revenues	267,843	203,267	(64,576)		1,406	1,406
Miscellaneous revenues	36,548	64,468	27,920		3,739	3,739
Total revenues, budgetary basis	<u>1,311,811</u>	<u>1,348,022</u>	<u>36,211</u>	<u>216,245</u>	<u>234,842</u>	<u>18,597</u>
Expenditures:						
General government	1,127,929	900,488	227,441			
Public safety	406,842	406,611	231			
Health and welfare				302,141	197,093	105,048
Culture and recreation	5,500	5,500				
Education	15,000	14,988				
Roads and highways	22,466	22,454	22,454			
Total expenditures, budgetary basis	<u>1,577,737</u>	<u>1,350,041</u>	<u>227,696</u>	<u>302,141</u>	<u>197,093</u>	<u>105,048</u>
Excess of revenues and beginning fund balances over expenditures, budgetary basis	<u>\$ -</u>	<u>263,907</u>	<u>\$ 263,907</u>	<u>\$ -</u>	<u>123,645</u>	<u>\$ 123,645</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem receivable		13,103			2,620	
Accrued interest		2,678				
Due from other governments		3,015				
Reserved for encumbrances		1,601			3,171	
Adjustment to prior year reserved for encumbrances		657			4,439	
Ending fund balances		<u>\$ 284,961</u>			<u>\$ 133,875</u>	

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

JACKSON COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002

	<u>Proprietary Fund Type</u> <u>Jackson County Facilities Authority</u>
Revenues:	
Interest income and dividend	\$ 96,753
Rental income	1,600
Other income	1,037
Total revenues	<u>99,390</u>
Expenditures:	
Trustee expenses	4,250
Accounting and audit fees	300
Miscellaneous expense	1,351
Interest expense	152,264
Amortization	7,605
Total expenditures	<u>165,770</u>
Operating income	<u>(66,380)</u>
Other sources:	
Transfers in:	
Sales tax from county	110,565
Total other sources	<u>110,565</u>
Net income	44,185
Beginning fund equity	(36,711)
Prior period adjustment	<u>47,152</u>
Ending fund equity	<u>\$ 54,626</u>

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

**JACKSON COUNTY, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u> Jackson County Facilities Authority
Cash flows from operating activities:	
Net income	\$ 44,185
Adjustments to reconcile net income to net cash provided by operating activities	
Amortization	7,605
Increase in accounts receivable	(8,111)
Increase in accounts payable	507,435
Net cash provided by operating activities	<u>551,114</u>
Cash flows from capital and related financing activities:	
Principal payment on long-term debt	(500,000)
Construction of capital assets	(1,790,344)
Additional debt issuance cost	(239,567)
Acquisition of additional long-term debt	7,400,000
Net cash provided by capital and related financing activities	<u>4,870,089</u>
Cash flows from investing activities:	
Increase in investments	<u>(5,519,660)</u>
Net cash used by investing activities	<u>(5,519,660)</u>
Net change in cash	(98,457)
Beginning cash balance	<u>99,889</u>
Ending cash balance	<u>\$ 1,432</u>

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of the County are required to be presented in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies and practices are described below.

A. Reporting Entity

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

In accordance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," the County is required to present the entities, which comprise the primary government and its legally separate component units in the fiscal year 2002 financial statements.

Blended Component Unit

Jackson County Facilities Authority - Board members are the same as the governing body of Jackson County. The Authority was created in November 1999. The Authority is a public Trust created for the use and benefit of Jackson County, the Beneficiary, under the provisions of Title 60 O.S. § 176 et seq. The primary purpose of the Authority is to own, operate, and manage jails, prisons, and correctional and related facilities. The financial statements of the Authority are included in the County's financial statements for the period ending June 30, 2002, as a proprietary fund type.

Related Organizations Excluded from the Reporting Entity

Jackson County Public Finance Authority - Board members are appointed by the Board of Commissioners. Authority board members are all-authoritative. The County is not responsible for approving budgets, contracts, key personnel, fiscal matters, or day-to-day operations of the Authority. Separate financial statements are available from the Authority.

B. Fund Accounting

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Summary of Significant Accounting Policies (continued)

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into the categories governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, when the determination of net income is necessary for useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily with the government (internal service funds).

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) except for those that conflict with GASB pronouncements.

Fiduciary Funds

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. Agency funds are generally used to account for assets that the government holds on behalf of others as their agent.

Account Groups

General Fixed Assets Account Group (GFAAG) - Generally accepted accounting principles (GAAP) require that those fixed assets of a government not reported in a proprietary fund or a trust fund be reported in a general fixed assets account group (GFAAG). This account group is not a fund. It does not have a balance sheet as such, nor does it report operations. Instead, the GFAAG serves as a list of the government's fixed assets and is designed to ensure accountability.

Summary of Significant Accounting Policies (continued)

General Long-Term Debt Account Group (GLTDAG) - The general long-term debt account group (GLTDAG) is used to account for a government's unmatured long-term indebtedness that has not been identified as a specific fund liability of a proprietary or trust fund. In addition to general obligation debt instruments (e.g., bonds, notes, warrants), the GLTDAG is also used to report revenue bonds that will be repaid from general government resources, special assessment debt when the government is "obligated in some manner," special revenue bonds, and certain liabilities that are normally not expected to be liquidated with expendable available financial resources (e.g., capitalized lease-purchase obligations).

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these fund types present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accrual basis of accounting is utilized by proprietary fund types, pension trust funds, and nonexpendable trust funds. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be quantified, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if collected within 60 days after year-end.

Expenditures are recorded when incurred and the related fund liability is expected to be paid from available spendable resources. Principal and interest on general long-term debt are recorded as fund expenditures when paid or when amounts for principal and interest have been accumulated in the debt service fund for payments to be made early in the following year.

Summary of Significant Accounting Policies (continued)

Those revenues susceptible to accrual are property taxes, interest revenue, sales tax, and other taxes collected and held by the Oklahoma Tax Commission at year-end on behalf of the government. At June 30, 2002, the only material amount of accruals resulted in due from other governments. Charges for services are not susceptible to accrual because generally they are not measurable until received in cash.

D. Budgetary Policies and Procedures

Under current Oklahoma Statutes, the general and special revenue (County Health Department only) funds are the only funds required to adopt a formal budget. The budget presented for the general fund includes the originally approved budgeted appropriations for expenditures as adjusted for supplemental appropriations and approved transfer between budget categories. Appropriations for the highway funds and other cash funds are made on a monthly basis, according to the funds then available.

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 the general and special revenue funds.

Any encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. At the end of the year, unencumbered appropriations are lapsed.

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue Fund (County Health Department only) Funds presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

E. Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2002.

Summary of Significant Accounting Policies (continued)

F. Receivables

All receivables are reported at their gross value.

G. Interest Receivable

Interest on deposits and investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

H. Fixed Assets

The County presently maintains some individual records of personal property; however, the County does not keep similar records for land, buildings, and improvements. Because the County does not maintain detailed records of its land, buildings, and improvements, a statement of general fixed assets, required by accounting principles generally accepted in the United States of America, is not presented on the Combined Balance Sheet – All Fund Types and Account Group.

Fixed Assets – JCFA

Upon completion of construction of the jail, it will be depreciated on the straight-line method over its estimated useful life.

I. Risk Management

The County is exposed to various risks of loss as follows:

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - Torts - Errors and Omissions - Law Enforcement Officers Liability - Vehicle	The County has contracted with Employees Mutual Casualty Company to provide insurance coverage.	If claims exceed authorized deductibles, the County would have to pay the balance of the claim.
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County has contracted with Employees Mutual Casualty Company to provide insurance coverage.	If claims exceed authorized deductibles, the County would have to pay the balance of the claim.

Summary of Significant Accounting Policies (continued)

Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool. (See ACCO-SIF)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The County carries State and Education Employees Group Insurance.	None

The County has established a contract with Employees Mutual Casualty Company to provide insurance coverage for general liability and physical plant liability insurance for 2001-2002. The County has specific authorized deductibles for each category of risk. The County has never had to be assessed additional premiums to pay claims in excess of those authorized by the policy.

ACCO-SIF The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. ACCO-SIF was set up in 1984, and will pay legitimate worker's compensation claims up to \$500,000 per incident. A reinsurance policy, with no limit, pays claims that exceed \$500,000 for a particular incident. The pool has not assessed additional premiums to be paid by its members in the past three years.

The County continues to carry commercial insurance for employees' health and accident insurance and liability insurance for tort claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2002 fiscal year.

J. Compensated Absences

All full-time employees are entitled to annual leave after six months of service that is accrued on a monthly basis. Employees may accumulate no more than 120 hours of vacation time. The vested amount reported for fiscal year 2002, was \$54,050.

All full-time employees accumulate 6.67 hours of sick leave per month. Sick leave can be accrued up to a maximum of 120 days or 960 hours. In management's opinion, any accumulated sick leave, if recorded, would not be material to the financial statements

Summary of Significant Accounting Policies (continued)

K. Long-Term Obligations

The County reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Operating transfers consist of \$110,565 in county sales tax transferred from the Special Revenue Fund to the Jackson County Facilities Authority, reported as a proprietary fund, for the construction of the Jackson County Detention Center.

M. Memorandum Only - Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated from the total column of each financial statement.

N. Grant Revenue

Revenues from federal and state grants are recognized when expenditures are incurred.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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 by fund, 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.

3. Detailed Notes on Account Balances

A. Deposits

Deposits. At year-end, the carrying amount of the County's cash was \$3,768,614 and the bank balance was \$3,873,352. Of the bank balance, all funds were covered by federal depository insurance or by collateral held by the County's agent in the County's name.

Title 62 O.S. § 348.3 authorizes the County Treasurer to invest in:

- U.S. government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities, or school districts
- Money judgments against counties, municipalities, or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality, or school district
- Negotiable certificates of deposit
- Prime bankers acceptances which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase Agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments.

Deposits – JCFA

At year-end, the Authority's carrying amount of deposits was \$1,432, and the balance was \$1,469. The entire amount of the bank balance was covered by federal depository insurance.

Investments consist of U.S. government obligations with a carrying amount and market value of \$5,519,660, respectively. All investments are insured or registered and are held by BancFirst in the Authority's name.

These investments include unexpended jail project proceeds from the issuance of Sales Tax Revenue Bonds and reserve accounts for the payment of interest and principal on the debt.

JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Detailed Notes on Account Balances (continued)

B. Receivables

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."

The net assessed property value as of January 1, 2001, was \$99,458,152.

The County levied 10 mills for general fund operations, 2 mills for the County Health Department, 4 mills for the multi-county library, and 3 mills for the emergency medical service. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and apportions the ad valorem taxes collected to the appropriate taxing units

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. Unpaid real property taxes become a lien upon said property on October 1 of each year. Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2002, were approximately 97 percent of the tax levy.

C. Fixed Assets

Fixed Assets – JCFA

Fixed assets consist of the following as of June 30, 2002:

	Balance <u>July 1, 2001</u>	<u>Additions</u>	Balance <u>June 30, 2002</u>
Construction in progress	<u>\$356,523</u>	<u>\$1,844,373</u>	<u>\$2,200,896</u>

Construction in progress includes jail construction costs to date and capitalized interest of \$52,806 paid on short-term financing used prior to the issuance of the Sales Tax Bonds dated October 1, 2001.

Detailed Notes on Account Balances (continued)

D. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation, which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributed between 5% and 10% of earned compensation for fiscal year 2002. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributed 10% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2002, 2001, and 2000, were \$196,025, \$176,693, and \$168,494, respectively, equal to the required contributions for each year.

E. Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all subsequent pieces of machinery acquired. The one-time fee will be reported as interest. Oklahoma Statutes prohibit the County from entering into contracts of this nature longer than one year. For this reason, these lease-purchase agreements do not qualify for capitalization until the year the lease-purchase agreements are completed and title to the equipment is transferred to the County. However, it is the County's intent to exercise its right to purchase this property; accordingly, the lease-purchase agreements have been capitalized to conform with generally accepted accounting principles. The unpaid portions of these agreements have been reflected as capitalized lease obligations within the general long-term debt account group.

Providing all capital leases are renewed each year by resolution of the Board of Commissioners, minimum lease commitments under capitalized lease-purchase agreements as of June 30, 2002, are as follows:

JACKSON COUNTY, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2002

Detailed Notes on Account Balances (continued)

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 155,305	\$ 24,043	\$ 179,348
2004	136,015	15,210	151,225
2005	141,803	7,724	149,527
2006	<u>66,204</u>	<u>1,281</u>	<u>67,485</u>
Total	<u>\$ 499,327</u>	<u>\$ 48,258</u>	<u>\$ 547,585</u>

During the year, the County paid \$165,147 on the outstanding balances of lease-purchase agreements.

F. Changes in Long-Term Liabilities

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2002</u>
Capital leases	\$ 664,474	\$ -	\$ 165,147	\$ 499,327
Compensated absences	-	<u>54,050</u>	-	<u>54,050</u>
Total	<u>\$ 664,474</u>	<u>\$ 54,050</u>	<u>\$ 165,147</u>	<u>\$ 553,377</u>

G. Bond Issuance Cost – JCFA

The issuance cost of \$239,567 on long-term debt is amortized using the straight-line method over the term of the related issue. Accumulated amortization at June 30, 2002, was \$7,605.

H. Long-Term Debt – JCFA

The Authority issued Sales Tax Revenue Bonds, Series 2001, dated October 1, 2001, in the principal amount of \$7,400,000. The note is secured by a ½% sales tax levied and collected by Jackson County and transferred to the Authority. The purpose of the note is to fund obligations related to the construction of the jail facility. BancFirst is the escrow agent.

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2002, are as follows:

JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Detailed Notes on Account Balances (continued)

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 85,000	\$ 303,061	\$ 388,061
2004	540,000	293,225	833,225
2005	555,000	275,698	830,698
2006	575,000	257,484	832,484
2007	595,000	238,312	833,312
2008-2012	1,335,000	997,029	2,332,029
2013-2017	1,315,000	743,076	2,058,076
2018-2022	1,660,000	397,469	2,057,469
2023	<u>740,000</u>	<u>18,500</u>	<u>758,500</u>
Total	<u>\$7,400,000</u>	<u>\$3,523,854</u>	<u>\$10,923,854</u>

The interest rates vary from 3.45% to 5% over the life of the bonds. Interest paid during the fiscal year ended June 30, 2002, totaled \$152,264. The first principal payment, totaling \$85,000, was paid October 1, 2002.

The reserve requirements for the Series 2001 bonds shall be the lesser of 10% of the stated principal amount of the Series 2001 Bonds, the maximum principal and interest requirement on the Series 2001 Bonds or 125% of the average annual debt service requirement on the Series 2001 Bonds. This requirement may be satisfied by a Reserve Surety Bond.

The lesser amount for the Authority is 125% of the average annual debt service requirement, which is \$659,293 at June 30, 2002.

This requirement was satisfied at June 30, 2002, with a Bond Reserve investment amount of \$667,801, included in investments on the balance sheet.

I. Fund Equity

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Designations of fund balances represent tentative plans for future use of financial resources, which are available for appropriation. Specific reservations of the fund balance accounts are summarized below.

Reserved for Encumbrances- The reserve for encumbrances represents encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the County but not completed as of the close of the fiscal year.

Detailed Notes on Account Balances (continued)

J. Fuel Taxes

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County highway fund. The County highway fund is reported herein as "special revenue," and the fuel tax revenue is presented as "intergovernmental."

4. 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 government expects such amounts, if any, to be immaterial.

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

5. Sales Tax

A special election was held on November 9, 1999. The citizens of Jackson County approved a ½% sales tax to be collected beginning April 1, 2002, with 50% of the tax to end on March 31, 2007, and 50% of the tax to be of unlimited duration. 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 remaining sales tax proceeds will be used to operate and maintain the jail, with the surplus, if any, of such tax being used for general purposes of Jackson County. Jackson County received \$110,565 in sales tax for the year ending June 30, 2002, which was transferred to the Jackson County Facilities Authority.

JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

6. Prior Period Adjustment – JCFA

The prior period adjustment of \$47,152 is due to errors on the June 30, 2001 financial statements. A certificate of deposit for \$537 was shown in the prior year financial statements, but the Authority has not had a certificate of deposit in this amount. Also, the principal balance of \$500,000 on the note payable was paid off during the current year, but the principal balance that was reported on the June 30, 2002, financial statements was \$493,660. Interest, financial and legal fees associated with the Sales Tax Revenue Bond and construction in progress were expensed on the June 30, 2001, financial statements in the amount of \$15,224 for financial and legal services and \$38,805 for interest. These items should have been capitalized.

The total net effect on the fund equity of the proprietary fund type is summarized below:

<u>Item</u>	<u>Amount</u>
Certificate of deposit	\$ (537)
Note payable	(6,340)
Financial and legal services	15,224
Interest paid on short-term financing	<u>38,805</u>
Total net effect on the fund equity	<u>\$ 47,152</u>

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

TO THE OFFICERS OF
JACKSON COUNTY, OKLAHOMA

We have audited the financial statements of Jackson County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated February 3, 2003. We did not audit the financial statements of Jackson County Facilities Authority, whose financial information is included as a blended component unit. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us. 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. Our opinion was qualified because of the omission of the general fixed assets account group.

Compliance

As part of obtaining reasonable assurance about whether Jackson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that is required to be reported under *Government Auditing Standards*. The reportable condition is described below.

Finding 2002-1 – Pledged Collateral

Criteria: Title 62 O.S. 2001, §511 states, “Any custodian of public funds of any kind ... shall ... be required to secure proper collateral only for sums deposited in excess of the amount of deposit insured by such Federal Deposit Insurance Corporation.”

Condition: It was noted in the testing of pledged collateral, during the heavy tax collection month of January 2002, the bank balance for January 10, 2002, at the National Bank of Commerce was \$5,038,191.40 and collateral pledged was \$4,100,000. The County was underpledged by \$938,191.40.

Recommendation: We recommend the County Treasurer comply with 62 O.S. 2001, §511 through §513 and insure proper pledged collateral for funds held in financial institutions for the County.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jackson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described below.

Finding 1996-1 – General Fixed Assets

Criteria: Generally accepted accounting principles for a governmental entity using governmental fund types require the presentation of the general fixed assets account group (GFAAG) in the financial statements.

Title 19 O.S. 2001, § 178.1 requires the County to maintain necessary information regarding land, buildings, and improvements.

Condition: Information is not available for reporting general fixed assets in accordance with generally accepted accounting principles for a government entity. The general fixed assets control account is not accurate.

Effect: This component of internal control is not effective. Accordingly, there is a greater risk that a fixed asset may not be properly accounted for and safeguarded against loss.

Recommendation: We recommend records include acquisition cost, a complete description, purchase date, location of such assets, and that a control total of cost of these assets be maintained and reconciled annually.

Finding 2001-2 – Segregation of Duties

Criteria: The overall goal of accounting principles generally accepted in the United States of America is to demonstrate accountability and stewardship to be used in evaluating management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

Condition: Based on inquires of County personnel, it was noted that one deputy in the County Assessor's office balances the cash drawer and also prepares the deposit slip.

Recommendation: We recommend management be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of County operations and periodic review of those operations.

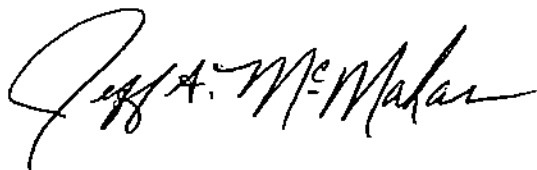
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 96-1 to be a material weakness.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report.

This report is intended solely for the information and use of the management of the County, and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of the Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

February 3, 2003

Management Response

JACKSON COUNTY COMMISSIONERS
COUNTY COURTHOUSE RM 101
ALTUS, OK 73521

District #1
Dale Dunn

District #2
Ricky Crouch

District #3
Douglas Lanford

February 10, 2003

Mr. Jeff A. McMahan
State Auditor and Inspector
1401 Lera, Suite 9
Route 2
Weatherford, OK 73096

RE: Current Year Audit Findings

Dear Sir:

In regard to Finding 1996-1 – General Fixed Assets:
The County Clerk's office is presently compiling data on all General Fixed Assets for Jackson County. We expect to have this information available in such manner that these assets can be maintained and reconciled annually by June 30, 2003.

In regard to Finding 2001-2 – Segregation of Duties – Assessor
The Jackson County Assessor's office has assured us that all employees receive money from the public and one person oversees the monthly report. They feel that the wrong information was given at the time of audit due to misunderstanding the question.

In regard to Finding 2002-1 – Pledged Collateral
Due to the new computer programs, all tax revenues were processed faster than when they were hand processed. Therefore more money was collected in a shorter period of time. The Jackson County Treasurer assures she will continue to work with the financial institutions to make sure the County is adequately covered for all future deposits.

Mr. Jeff A. McMahan

Page 2

February 10, 2003

Thank you for your assistance in helping us comply with State Auditing Procedures. We appreciate your courteous staff and their diligence in behalf of Jackson County.

Sincerely,

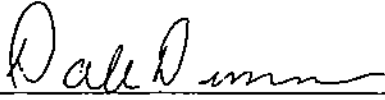
Board of Jackson County Commissioners



Douglas Sanford, Chairman



Ricky Crouch, Vice Chairman



Dale Dunn, Member