

**JACKSON COUNTY, OKLAHOMA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2003**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

April 15, 2004

TO THE CITIZENS OF
JACKSON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Jackson County, Oklahoma, for the fiscal year ended June 30, 2003. 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 black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

**JACKSON COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

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**JACKSON COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

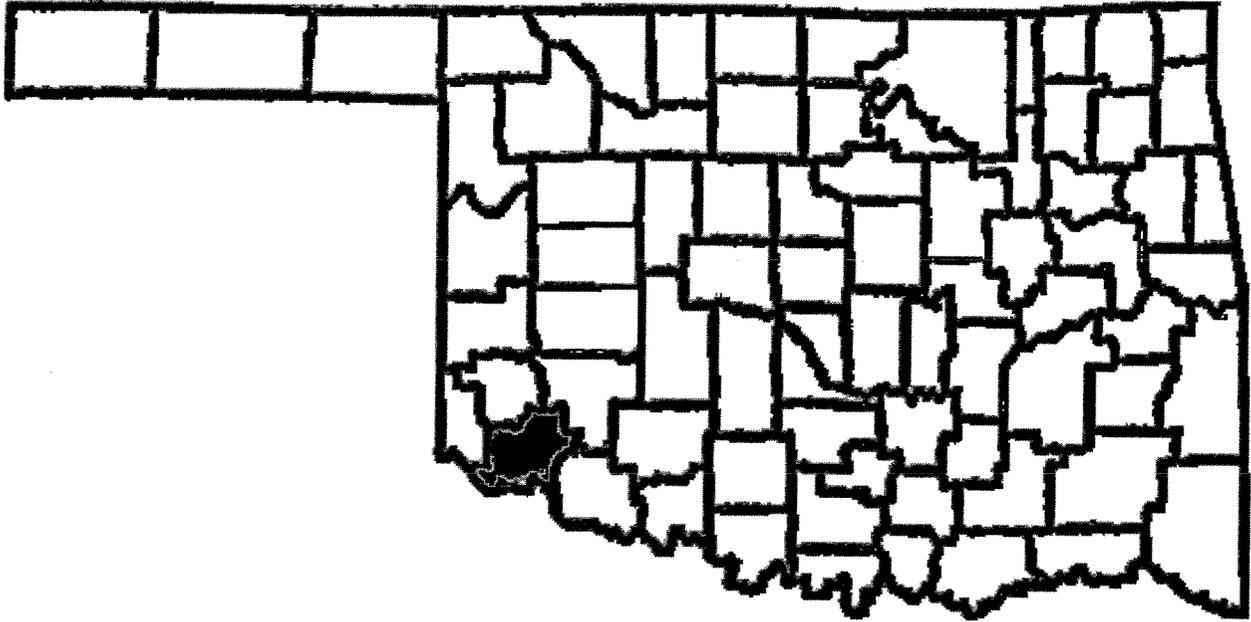
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REPORT TO THE CITIZENS
OF
JACKSON COUNTY, OKLAHOMA



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 sponsors 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 – 28,439
(2000 est.)

Farms - 723

Land in Farms – 476,628 acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**JACKSON COUNTY 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

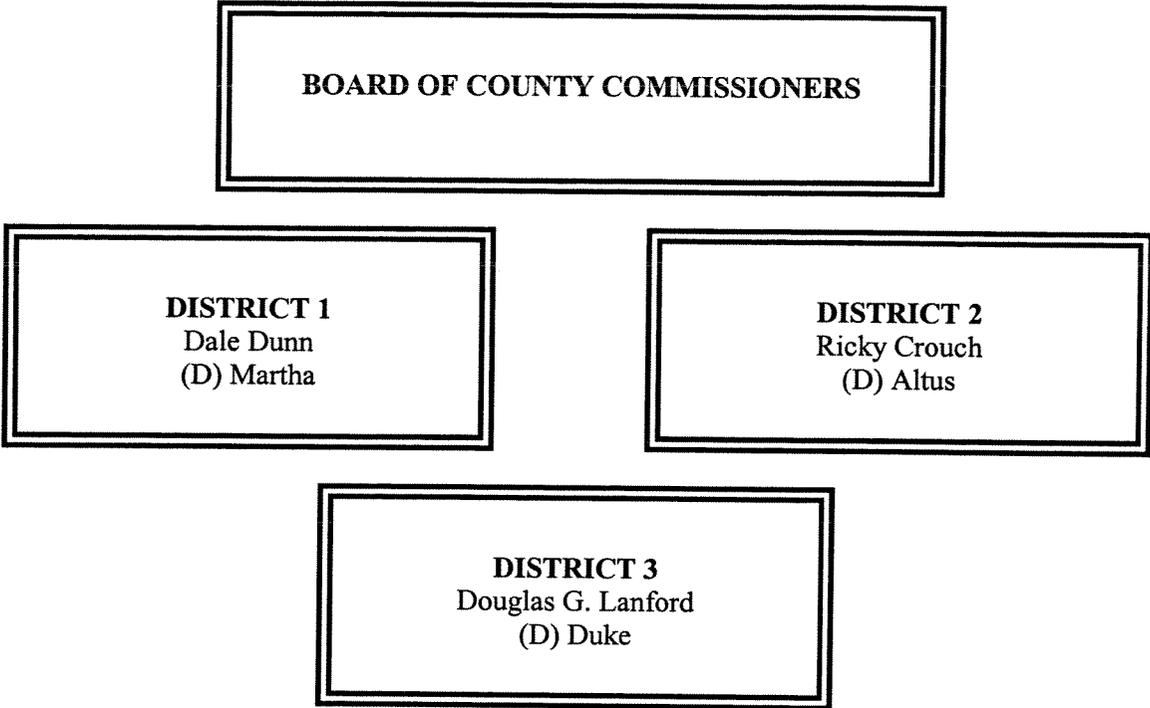
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**JACKSON COUNTY 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.

See independent auditor's report.

**JACKSON COUNTY 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 collections 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 collections and disbursements, 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.

**JACKSON COUNTY 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.

See independent auditor's report.

**JACKSON COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY
Mary I. Mitchell
(D) Altus

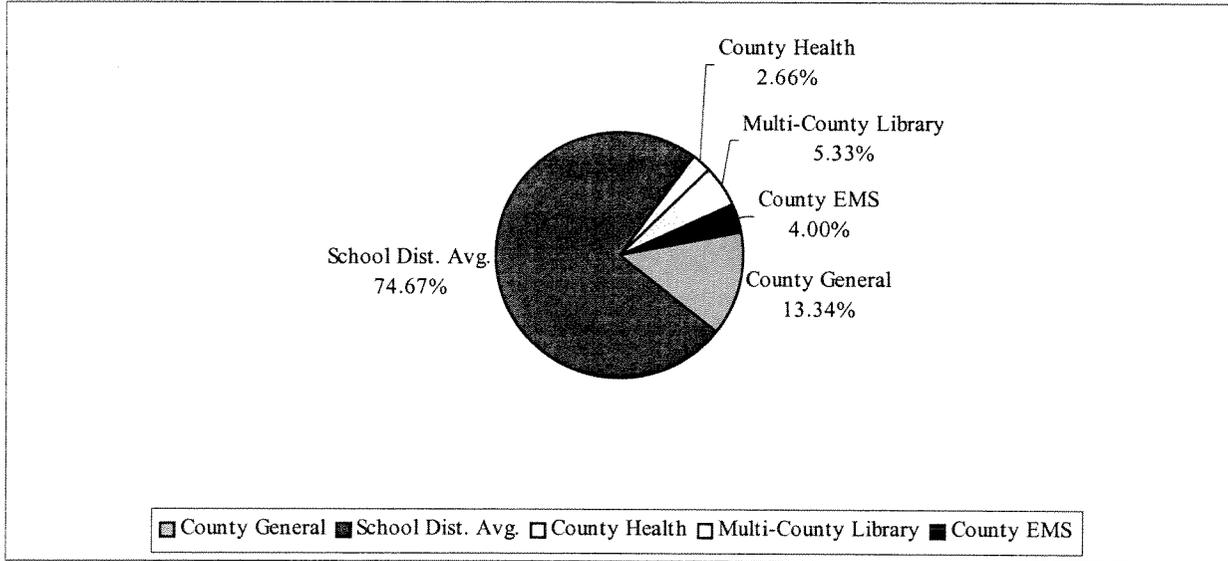
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

To finance the operation 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.

See independent auditor's report.

**JACKSON COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
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	Altus	18	35.00	5.00		10.00	4.00	54.00
County EMS	3.00	Navajo	1	35.00	5.00	5.48	10.00	4.00	59.48
Multi-County Library	4.00	Duke	14	35.00	5.00	6.09	10.00	4.00	60.09
		Greer County	Jt 1	35.00	5.00	12.36		4.00	56.36
		Eldorado	25	35.00	5.00		10.00	4.00	54.00
		Olustee	35	35.00	5.00		10.00	4.00	54.00
		Blair	54	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 special-purpose financial statements of Jackson County, Oklahoma, as of and for the year ended June 30, 2003, as listed in the table of contents. These special-purpose 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 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 provides a reasonable basis for our opinion.

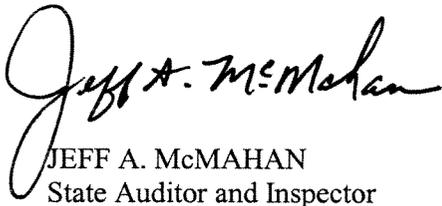
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Jackson County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Jackson County in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Jackson County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and the county health department of the County, as of and for the year ended June 30, 2003, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2004, 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 special-purpose financial statements of Jackson County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we express no opinion on such data.

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

March 1, 2004

Special-Purpose Financial Statements

JACKSON COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2003

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
County General Fund	\$ 355,505	\$ 1,325,775	\$ 1,381,219	\$	\$ 300,061
Cash Highway Fund	1,184,179	3,073,363	3,268,981		988,561
Federal Emergency Management Assistance	321,075	10,486	210,893		120,668
County Health Department	140,174	228,083	185,600		182,657
Resale Property	172,514	78,600	88,896		162,218
Treasurer Mortgage Tax Certification Fee	23,927	8,641	7,842		24,726
County Clerk Lien Fee	11,104	4,526	7,250		8,380
County Clerk Record Preservation	26,981	30,785	19,739		38,027
Assessor Revolving	4,954	3,491	1,011		7,434
Assessor Visual Inspection	4,121		220		3,901
Sheriff Service Fee	175,569	110,080	54,397		231,252
Sheriff Department of Corrections	118,378	223,060	189,180		152,258
Sheriff Local Law Enforcement Block Grant		11,651			11,651
Jackson County Reward Fund	1,321	40			1,361
Tax Incentive Financial Split Program		59,373	59,373		
Community Service Sentencing Program	941		941		
Juvenile Detention	495				495
District Attorney Revolving	1,000				1,000
Federal Emergency Management Assistance Saferoom	2,253				2,253
County Insurance	35,618	600	36,218		
REAP		10,000	10,000		
First National Bank Electronic Transfers		105,158	81,642		23,516
Altus City Utility Zoning (ACUZ)	100				100
Christmas Light Fund	75				75
Schools	83,381	5,524,700	5,551,284		56,797
Cities & Towns	66,323	512,135	488,089		90,369
Law Library	4,656	25,195	24,677		5,174
County Library	5,452	389,453	392,769		2,136
Emergency Medical Service	4,089	291,861	294,349		1,601
Individual Redemption	20	916	916		20
Volunteer Fire Department	3	15	15		3
Sewer	4,097	247			4,344
Jail Sales Tax		1,092,902	1,092,902		
Officers Change Fund	375				375
National Bank of Commerce General Obligation Tax Bond	36,575	25,488	32,300		29,763
First State Bank General Obligation Tax Bond	25,119	28,262	28,500		24,881
Protest Tax	581	154,723			155,304
Official Depository	957,659	4,093,524	4,206,383	35,204	880,004
Total County Funds	\$ 3,768,614	\$ 17,423,133	\$ 17,715,586	\$ 35,204	\$ 3,511,365

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

JACKSON COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 355,505	\$ 355,505	\$ 355,505	\$ -
Less: Prior Year Outstanding Warrants	(88,490)	(88,490)	(88,490)	
Less: Prior Year Encumbrances	(2,452)	(2,452)	(2,161)	291
Beginning Cash Balances, Budgetary Basis	<u>264,563</u>	<u>264,563</u>	<u>264,854</u>	<u>291</u>
Receipts:				
Ad Valorem Taxes	918,432	918,432	972,617	54,185
Charges for Services	80,019	80,019	98,168	18,149
Intergovernmental Revenues	172,268	196,157	206,786	10,629
Miscellaneous Revenues	41,713	41,713	48,204	6,491
Total Receipts, Budgetary Basis	<u>1,212,432</u>	<u>1,236,321</u>	<u>1,325,775</u>	<u>89,454</u>
Expenditures:				
District Attorney	1,000	1,000		1,000
Capital Outlay				
Total District Attorney	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
County Sheriff	372,594	377,643	376,647	996
Capital Outlay	5,000	575	575	
Total County Sheriff	<u>377,594</u>	<u>378,218</u>	<u>377,222</u>	<u>996</u>
County Treasurer	61,175	61,175	60,933	242
Capital Outlay	1	1		1
Total County Treasurer	<u>61,176</u>	<u>61,176</u>	<u>60,933</u>	<u>243</u>
County Commissioners	20,626	20,626	20,508	118
Capital Outlay	1	1		1
Total County Commissioners	<u>20,627</u>	<u>20,627</u>	<u>20,508</u>	<u>119</u>
OSU Extension	14,299	14,299	14,299	
Capital Outlay	1	1		1
Total OSU Extension	<u>14,300</u>	<u>14,300</u>	<u>14,299</u>	<u>1</u>
County Clerk	121,861	121,766	118,348	3,418
Capital Outlay	1,870	1,870	1,866	4
Total County Clerk	<u>123,731</u>	<u>123,636</u>	<u>120,214</u>	<u>3,422</u>
Court Clerk	72,504	72,565	72,565	
Capital Outlay	1	1	1	
Total Court Clerk	<u>72,505</u>	<u>72,566</u>	<u>72,566</u>	<u>-</u>
County Assessor	57,126	57,126	57,117	9
Capital Outlay	1	1		1
Total County Assessor	<u>57,127</u>	<u>57,127</u>	<u>57,117</u>	<u>10</u>
Revaluation of Real Property	117,123	114,493	109,325	5,168
Capital Outlay	5,291	7,921	4,775	3,146
Total Revaluation of Real Property	<u>122,414</u>	<u>122,414</u>	<u>114,100</u>	<u>8,314</u>
General Government	482,733	501,844	443,495	58,349
Capital Outlay	1	1		1
Total General Government	<u>482,734</u>	<u>501,845</u>	<u>443,495</u>	<u>58,350</u>

continued on next page

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

**JACKSON COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Excise-Equalization Board	3,150	3,185	2,799	386
Capital Outlay				
Total Excise-Equalization Board	3,150	3,185	2,799	386
County Election Board	46,010	46,251	41,844	4,407
Capital Outlay	150	150	120	
Total County Election Board	46,160	46,401	41,964	4,437
Total Insurance	75,000	75,015	72,980	2,035
Total Charity	100	100		100
Safety	2,273	6,170	4,926	1,244
Capital Outlay	1	1		1
Total Safety	2,274	6,171	4,926	1,245
County Audit Budget	10,103	10,103	10,103	
Total County Audit Budget	10,103	10,103	10,103	-
Free Fair Budget	4,500	4,500	4,500	
Total Free Fair Budget	4,500	4,500	4,500	-
Provision for Interest on Warrants	2,500	2,500	1,369	1,131
Total Expenditures, Budgetary Basis	<u>1,476,995</u>	<u>1,500,884</u>	<u>1,419,095</u>	<u>81,789</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	171,534	<u>\$ 171,534</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			6,333	
Add: Current Year Outstanding Warrants			121,967	
Add: Estopped Warrants			227	
Ending Cash Balance			<u>\$ 300,061</u>	

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

**JACKSON COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES – BUDGET AND ACTUAL
COUNTY HEALTH DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2003**

	County Health Department			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 140,174	\$ 140,174	\$ 140,174	\$ -
Less: Prior Year Outstanding Warrants	(7,303)	(7,303)	(7,303)	
Less: Prior Year Encumbrances	(4,787)	(4,787)	(1,616)	3 171
Beginning Cash Balances, Budgetary Basis	<u>128,084</u>	<u>128,084</u>	<u>131,255</u>	<u>3,171</u>
Receipts:				
Ad Valorem Taxes	183,686	183,686	194,536	10,850
Charges for Services		33,483	30,347	(3,136)
Intergovernmental			191	191
Miscellaneous Revenues			3,009	3,009
Total Receipts, Budgetary Basis	<u>183,686</u>	<u>217,169</u>	<u>228,083</u>	<u>10,914</u>
Expenditures:				
Health and Welfare	275,000	311,483	251,869	59,614
Capital Outlay	36,770	33,770	1,655	32,115
Total Expenditures, Budgetary Basis	<u>311,770</u>	<u>345,253</u>	<u>253,524</u>	<u>91,729</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	105,814	<u>\$ 105,814</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			50,430	
Add: Current Year Outstanding Warrants			26,413	
Ending Cash Balance			<u>\$ 182,657</u>	

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

**JACKSON COUNTY, OKLAHOMA
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2003**

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
District Court Clerk	\$ 215,768	\$ 1,628,807	\$ 1,669,778	\$ 434	\$ 175,231
District Court Fund	113,448	607,032	607,324	417	113,573
District Court Revolving	35,784	32,216	6,803		61,197
County Treasurer	35,339	95,389	104,803	604	26,529
County Assessor Revolving		3,491	3,491		
County Clerk		173,837	173,924	87	
County Sheriff		303,721	303,721		
Reward Fund	500				500
County Health Department		38,233	38,233		
County Election Board	170	23,482	23,919	437	170
District Attorney Child Support	544				544
District Attorney Bogus Check	22,327	543,124	548,450	2,709	19,710
District Attorney Drug Enforcement	154,435	51,620	69,539	1,637	138,153
District Attorney Community Service	54,821	18,436	10,627		62,630
District Attorney Fund	289,700	314,616	354,820	279	249,775
District Attorney State Witness	2,393	7,951	9,816	52	580
District Attorney Task Force	4,187	154,489	143,598	145	15,223
District Attorney Victim Assistance	4,265	36,589	40,854		
District Attorney Incarceration Cost	2,340	2,618			4,958
District Attorney Restitution	21,638	56,860	96,683	28,403	10,218
District Attorney Record Fees		1,013			1,013
Total Official Depository Accounts	\$ 957,659	\$ 4,093,524	\$ 4,206,383	\$ 35,204	\$ 880,004

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

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.

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of Jackson County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County. The funds presented are established by statute, and their operations are under the control of the County officials. 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. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

The government 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.

C. Basis of Accounting

The financial statements are 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.

D. Budgetary Policies

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. The budget presented for the general fund and county health department fund includes the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other 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 fund and county health department fund.

JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Summary of Significant Accounting Policies (continued)

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

The Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund and County Health Department presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances - All Funds because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, county or city-county health departments, school districts and cities and towns. These other budgetary entities produce and file their own financial statements and estimates of needs (budgets). These related cash receipts and disbursements of other budgetary entities are not included in the County's Estimate of Needs.

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, 2003.

F. 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	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.
- Torts		
- Errors and Omissions		
- Law Enforcement Officers Liability		
- Vehicle		

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
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.
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Fund. (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 commercial insurance for these types of risk.	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 2002-2003. 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 recently assessed additional premiums to be paid by its members.

The County continues to carry commercial insurance for employees' health and life insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2003 fiscal year.

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

All full-time employees are entitled to annual leave after 6 months of service that is accrued on a monthly basis. Employees' accumulation rates depend on years of service. Employees with 6 months of service to 10 years of service may accumulate no more than 120 hours of vacation time. Employees with 11 years of service may accumulate no more than 160 hours of vacation time.

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.

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 Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$3,511,365, and the bank balance was \$3,575,953. Of the bank balance, all funds were covered by federal depository insurance or 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 acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements

Detailed Notes on Funds and Account Balances (continued)

- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

B. Description of Funds

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

Cash Highway Fund - accounts for state, local, and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

Federal Emergency Management Assistance (FEMA) - accounts for federal disaster monies received and disbursements are for reimbursement for repairs and clean-up of disaster areas.

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

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

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

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

County Clerk Record Preservation – accounts for fees collected for instruments filed with the Registrar of Deeds as restricted by statute for preservation of records.

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

Assessor Visual Inspection - accounts for the collection and expenditure of monies 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 statute.

Sheriff Department of Corrections – accounts for state receipts and disbursements for the purpose of maintaining the Department of Correction inmates.

Sheriff Local Law Enforcement Block Grant – accounts for grants for the purpose of purchasing equipment.

Detailed Notes on Funds and Account Balances (continued)

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

Tax Incentive Financial Split Program – accounts for forfeitures and disbursements for drug enforcement.

Community Service Sentencing Program – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

Juvenile Detention – accounts for the collections from the State of Oklahoma and other Oklahoma counties for the housing of juvenile offenders and disbursements are for the transportation of juveniles to contracted juvenile detention centers.

District Attorney Revolving – accounts for collections of state miscellaneous receipts and disbursements as restricted by statute.

Federal Emergency Management Assistance Saferoom – accounts for receipts from the Federal Emergency Management Assistance Program for the purpose of encouraging county citizens to build saferooms. Disbursements account for a percentage reimbursement to those citizens who built saferooms.

County Insurance – accounts for the collection of insurance reimbursements received from the destruction of County owned equipment.

REAP – accounts for the collection of state grant monies for the purpose of designing a fixed assets program for Jackson County.

First National Bank Electronic Transfers - accounts for the collection of employee deductions and disbursements of employee deductions are electronically transferred to the proper department.

Altus City Utility Zoning (ACUZ) – accounts for the collection of permits for building in a specified area around the Altus Air Force Base.

Christmas Light Fund – accounts for the collection of donations to buy Christmas lights for the courthouse square.

Schools - accounts for monies collected on behalf of the public schools in Jackson County from ad valorem taxes, state and local revenues, and remitted to them monthly.

Cities and Towns – accounts for OTC collections distributed to the cities and towns of Jackson County.

**JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

Detailed Notes on Funds and Account Balances (continued)

Law Library – accounts for monies received for disbursement from the state for the law library board.

County Library – accounts for the collection of donations, fundraisers, and memorials. Also, appropriations come from the County along with grant money received from the state. Disbursements are made for salary and maintenance and operations of the library.

Emergency Medical Service – accounts for monies collected on behalf of the emergency medical service from ad valorem taxes and remitted to them monthly.

Individual Redemption – accounts for monies collected and due to individuals from property tax sales on delinquent taxes.

Volunteer Fire Department – accounts for collections from emergency medical service personalized tags issued in Jackson County and disbursements account for monies divided between volunteer fire departments.

Sewer – accounts for the collection of interest on investments for the maintenance of the sewer system.

Jail Sales Tax – accounts for the collections of sales tax proceeds for the payment of bond issues related to the building of the county jail. After receipt of the sales tax by Jackson County, the sales tax proceeds are transferred to the bondholder where the indebtedness is held for the Jackson County Facilities Authority. Additionally, accounts for the collection of reserve sales tax monies received from the bondholder in excess of bond issue payments. Disbursements are for the general operations of the county jail and Sheriff's office.

Officers Change Fund – accounts for change funds maintained by the County Treasurer.

National Bank of Commerce General Obligation Tax Bond – Jackson County Finance Authority issued bonds for the development of industry. Jackson County is the pass through entity in which the County Treasurer receives the bond payment from the vendor and then issued the payment to the bondholder.

First State Bank General Obligation Tax Bond – Jackson County Finance Authority issued bonds for the development of industry. Jackson County is the pass through entity in which the County Treasurer receives the bond payment from the vendor and then issued the payment to the bondholder.

Protest Tax – accounts for collections of ad valorem taxes that have been protested.

Detailed Notes on Funds and Account Balances (continued)

Official Depository - accounts for the collection and distribution of officer and board fees, held in trust until the end of the month.

The following narrative details the official depository accounts.

District Court Clerk - accounts for the collection of fees, fines, and forfeitures and disbursed in accordance with state statutes and court orders.

District Court Fund - accounts for fees transferred from the Court Clerk account in accordance with state statutes. Disbursements are made in accordance with state statutes to defray the expense of the court.

Court Clerk Revolving - accounts for the collection of service fees for each warrant issued. Disbursements are made in accordance with state statutes to defray the expense of the court.

County Treasurer – accounts for all collections of pre-paid ad valorem taxes, pre-paid mobile homes, and the sale of motor vehicle stamps. Disbursements are for the purpose of refunds and vehicle collection vouchers to OTC, schools, and the County Treasurer Mortgage Certification Fee Account.

County Assessor Revolving – accounts for the collection of copy fees and disbursed to the County Assessor Revolving Fund Account.

County Clerk – accounts for the collection of filing fees and disbursed to OTC and the County Clerk Lien Fee Account.

County Sheriff – accounts for the collection of fees, bonds, and copies. Disbursements are made to transfer funds collected to the County Treasurer for apportionment to the Sheriff Service Fee Account, or the Sheriff Board of Prisoner Account. Disbursements are also made to the Court Clerk for the transfer of bond money to cases filed.

Reward Fund – accounts for money received from the state and disbursed to citizens reporting crime in the County.

County Health Department – accounts for the collection of charges for services performed by the health department. Disbursements are made to the health department fund for budgeting purposes.

County Election Board – accounts for reimbursements of election and is disbursed for refunds of election fees and maintenance and operations of the office.

Detailed Notes on Funds and Account Balances (continued)

District Attorney Child Support – accounts for money received from the state. Disbursements are made for maintenance and operation expenses.

District Attorney Bogus Check – accounts for the collection of bogus checks and District Attorney fees to be disbursed to the merchants and District Attorney fee account.

District Attorney Drug Enforcement – accounts for the collection of money on drug forfeitures. Disbursements are made to defray the cost of drug enforcement in the County.

District Attorney Community Service – accounts for money received from the state. Disbursements are made to defray the expense of the community service program.

District Attorney Fund – accounts for the collection of fees received from bogus checks. Disbursements are made to defray the cost of the operations of the office.

District Attorney State Witness Fee – accounts for collections received from the state to reimburse for witness expense.

District Attorney Task Force – accounts for grant money received from the state. Disbursements are made for payroll, travel, supplies, and equipment for the task force.

District Attorney Victim Assistance – accounts for grant money received from the state. Disbursements are made for payroll for the victim witness assistant.

District Attorney Incarceration Cost – accounts for the collections of fees collected by the Court Clerk. Disbursements are made to defray the cost of incarcerating prisoners.

District Attorney Restitution – accounts for restitution fees received. Disbursements are made to reimburse merchants for bogus check fees.

District Attorney Record Fees – accounts for the collection of fees for copies and disbursed for supplies.

C. 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."

Detailed Notes on Funds and Account Balances (continued)

The assessed property value as of January 1, 2002 was approximately \$101,027,560.

The County levied 10 mills (the legal maximum) 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 remits 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, 2003, were approximately 94 percent of the tax levy.

D. 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.

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.

Detailed Notes on Funds and Account Balances (continued)

F. Fuel Tax

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.

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 management's opinion, 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 the general purposes of Jackson County. Jackson County received \$1,092,902 in sales tax for the year ending June 30, 2003, which was transferred to the Jackson County Facilities Authority.

Schedule of Expenditures of Federal Awards

**JACKSON COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT AGENCY</u>		
Passed through the Oklahoma Department of Civil Emergency Management:		
Public Assistance FEMA LSA SubGrant	83.534	\$ 2,253
Public Assistance FEMA Flood	83.544	1,739
Public Assistance FEMA Ice	83.544	311,423
Public Assistance FEMA Flood	83.544	336,883
Public Assistance FEMA Wind and Debris	83.544	13,230
Total Federal Emergency Management Agency		<u>665,528</u>
Total Expenditures of Federal Awards		<u>\$ 665,528</u>

JACKSON COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Jackson County and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**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 special-purpose financial statements of Jackson County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated March 1, 2004. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. 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.

Compliance

As part of obtaining reasonable assurance about whether Jackson County's special-purpose 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 special-purpose 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 condition is described in the accompanying schedule of findings and questioned costs as item 2001-2.

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, we consider item 2001-2 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, federal awarding agencies, and pass-through entities 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 this 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

March 1, 2004

**Report on Compliance With Requirements Applicable to Each Major Program
and Internal Control Over Compliance in Accordance With
OMB Circular A-133**



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**Report on Compliance With Requirements Applicable to Each Major Program
and Internal Control Over Compliance in Accordance With
OMB Circular A-133**

TO THE OFFICERS OF
JACKSON COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Jackson County, Oklahoma with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

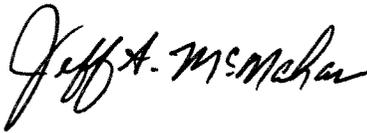
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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, federal awarding agencies, and pass-through entities 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 this 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,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

March 1, 2004

Schedule of Findings and Questioned Costs

JACKSON COUNTY, OKLAHOMA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2003

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Reportable condition(s) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
83.544	Federal Emergency Management Agency (FEMA) Public Assistance Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	No

SECTION 2 - Findings related to the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2001-2 – Segregation of Duties (Repeat Finding)

Criteria: Effective accounting procedures, which include the segregation of duties, are necessary to ensure accountability and stewardship of public funds. The duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

Condition: Based on inquiries of County personnel, it was noted that the duties of receiving, receipting, recording, and depositing collections were not adequately segregated.

Effect: This condition could result in unrecorded transactions, misstated financial reports, errors, or misappropriation of assets.

Recommendation: We recommend management should 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.

Management's Corrective Action Plan: The Assessor stated that he would try and separate these duties as much as possible.

SECTION 3 – Findings related to the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.

No matters were reported.

**Statistical Data
(Unaudited)**

**JACKSON COUNTY, OKLAHOMA
TOP TEN TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

<u>TAXPAYER NAME</u>	<u>JANUARY 1, 2002 NET ASSESSED VALUATION</u>	<u>% OF TOTAL NET VALUATION</u>
Southwestern Bell Telephone	\$ 5,004,764	4.95%
American Gypsum Company	4,536,791	4.49%
Bar S Foods Inc.	2,521,202	2.50%
Wal-Mart Stores, Inc.	1,382,263	1.37%
Hollis & Eastern RR Co.	1,287,720	1.27%
Reliant Energy	1,025,780	1.02%
Burlington North & Santa Fe Railway	998,613	0.99%
Plains Cotton Cooperative	726,078	0.72%
Public Service Co. of Oklahoma	693,097	0.69%
JCMH Health Care Corporation	620,284	0.61%
Total	<u>\$ 18,796,592</u>	<u>18.61%</u>

Source: (Provided by Oklahoma Tax Commission - Ad Valorem Division)

**JACKSON COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

Total net assessed value as of January 1, 2002		<u>\$ 101,027,560</u>
Debt limit - 5% of total assessed value		\$ 5,051,378
Total bonds outstanding	0	
Total judgments outstanding	0	
Less cash in sinking fund	<u>0</u>	<u>-</u>
Legal debt margin		<u>\$ 5,051,378</u>

**JACKSON COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

	2003
Estimated population	28,439
Net assessed value	\$ 101,027,560
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0%
Net bonded debt per capita	\$ -

**JACKSON COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

<u>Tax Year</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
2002	\$15,256,772	\$10,911,762	\$79,267,117	\$4,408,091	\$101,027,560	\$13,836,204