

**JACKSON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

March 3, 2006

TO THE CITIZENS OF
JACKSON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Jackson County, Oklahoma, for the fiscal year ended June 30, 2005. 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 serving the public interest by providing independent oversight and by issuing 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 STATEMENT
FOR THE FISCAL YEAR ENDED 2005

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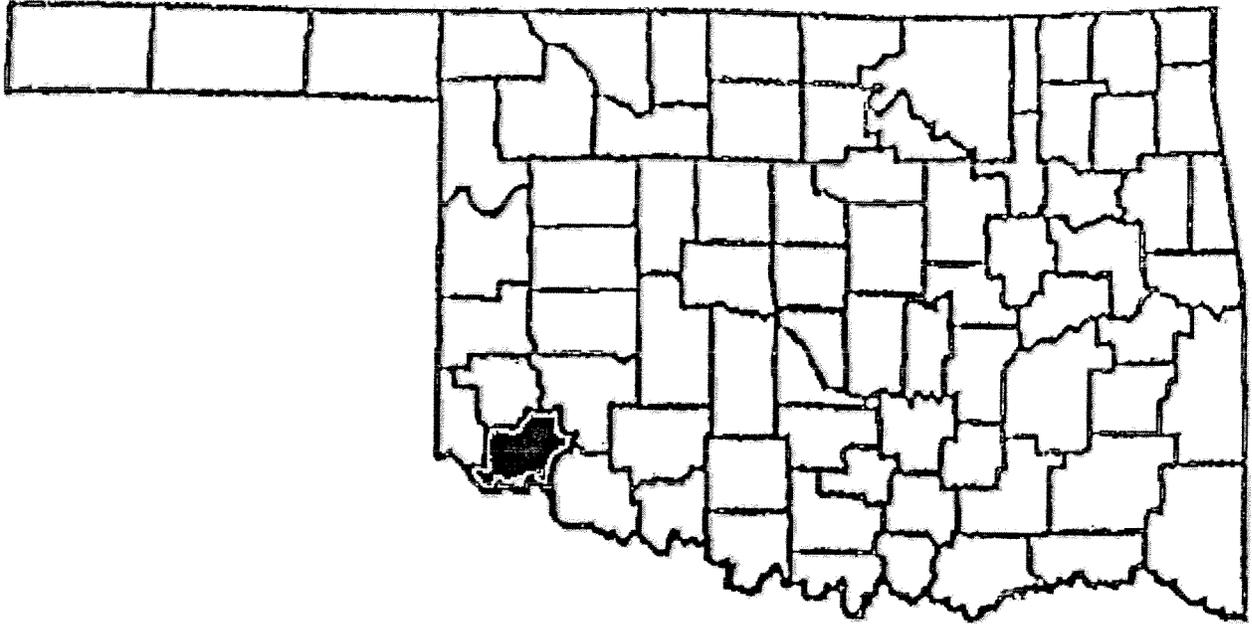
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REPORT TO THE CITIZENS
OF
JACKSON COUNTY, OKLAHOMA



Formed in 1907 from a portion of the original disputed Greer County, Jackson County 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 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 – 804.15 Square Miles

County Population – 27,182
(2004 est.)

Farms - 732

Land in Farms – 453,654 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

**JACKSON COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

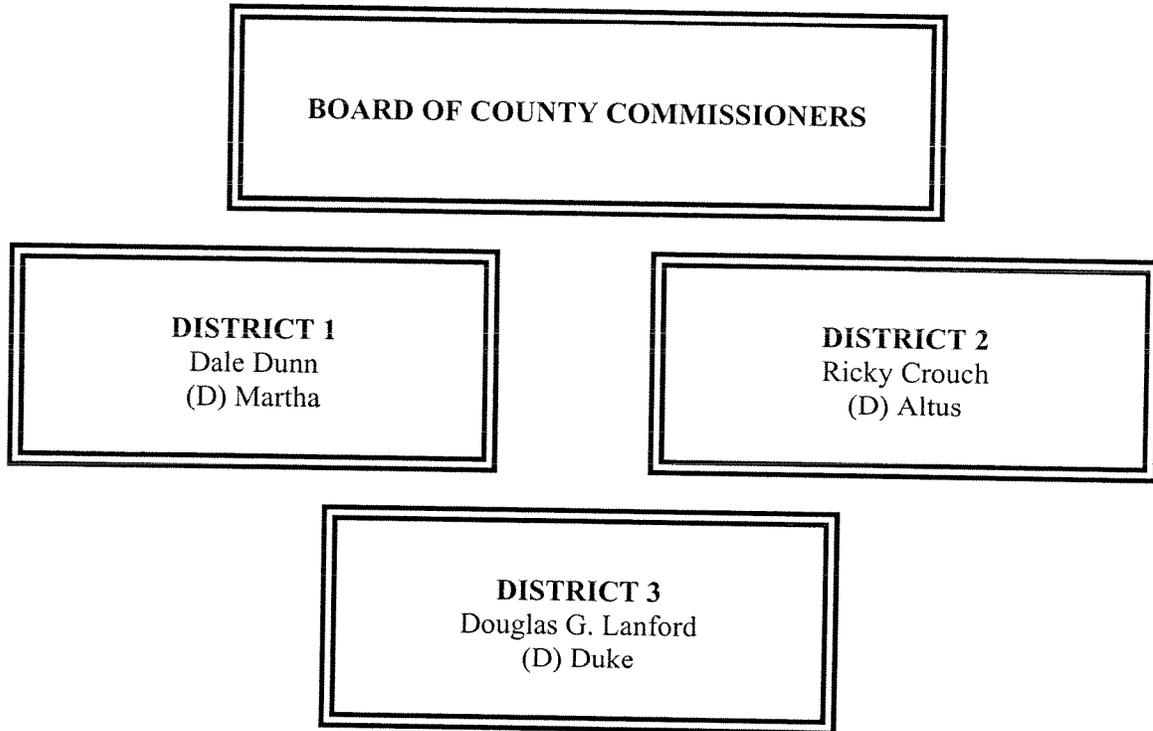
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**



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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

ELECTION BOARD SECRETARY

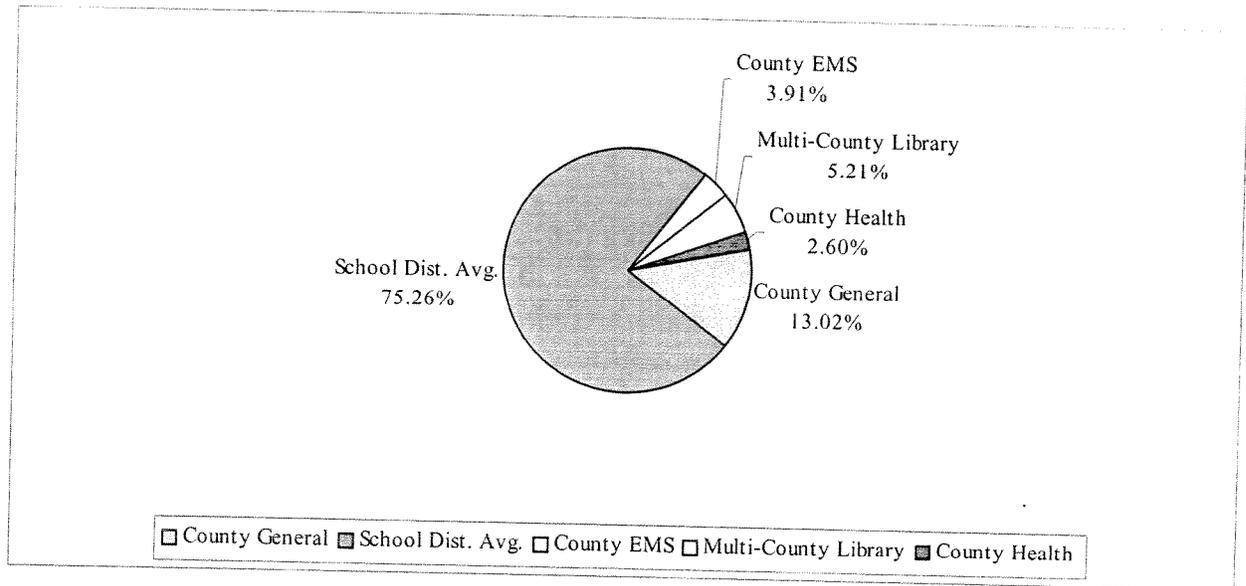
Mary Mitchell
(D) Altus

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.

**JACKSON COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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.	Career Tech	Common	Total
Co. General	10.17			18	35.51	5.07	10.17	4.07	54.82
County Health	2.03	Altus	1	36.03	5.15	4.70	10.17	4.07	60.12
County EMS	3.05	Navajo	14	35.37	5.05	9.82	10.17	4.07	64.48
Multi-County Library	4.07	Duke	JT-1	35.00	5.00	11.48		4.07	55.55
		Greer County	25	35.85	5.12		10.17	4.07	55.21
		Eldorado	35	35.62	5.09		10.17	4.07	54.95
		Olustee	54	35.96	5.14	11.03	10.17	4.07	66.37
		Blair							

See independent auditor's report.

**JACKSON COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)**

Total net assessed value as of January 1, 2004		<u>\$ 103,771,380</u>
Debt limit - 5% of total assessed value		5,188,569
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	-
Legal debt margin		<u>\$ 5,188,569</u>

See independent auditor's report.

JACKSON COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)

	2005
Estimated population	27,182
Net assessed value as of January 1, 2004	\$ 103,771,380
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**JACKSON COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005
 (UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2004	\$13,981,902	\$12,056,836	\$82,132,054	\$4,399,412	\$103,771,380	\$853,714,780

See independent auditor's report.

FINANCIAL SECTION



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 combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Jackson County, Oklahoma, as of and for the year ended June 30, 2005, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Jackson County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

As described in Note 1, this financial statement was prepared using accounting practices prescribed by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Jackson County as of June 30, 2005, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Jackson County, for the year ended June 30, 2005, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2006, on our consideration of Jackson County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.



JEFF A. McMAHAN
State Auditor and Inspector

February 6, 2006

Basic Financial Statement

**JACKSON COUNTY, OKLAHOMA
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 (WITH COMBINING INFORMATION)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Combining Information:	Beginning Cash Balances July 1, 2004	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2005
County General Fund	\$ 305,712	\$ 1,421,698	\$ 1,360,928	\$ 366,482
County Highway Cash	909,818	2,384,438	2,393,105	901,151
County Health Department	165,055	238,220	121,155	282,120
Resale Property	138,556	61,573	85,799	114,330
Treasurer Mortgage Tax Certification Fee	25,151	6,539	9,068	22,622
County Clerk Lien Fee	13,512	5,716	3,787	15,441
County Clerk Records Management Preservation Fee	42,885	26,800	29,242	40,443
Assessor Revolving Fee	10,133	5,942	9,403	6,672
Assessor Visual Inspection	3,901		2,810	1,091
Sheriff Service Fee	209,273	160,680	140,762	229,191
Sheriff Contract Prisoners	171,079	729,242	564,307	336,014
Sheriff Commissary	38,979	104,698	71,916	71,761
Sheriff Local Law Enforcement Block Grant	2,911		2,911	
Sheriff Residential Substance Abuse Treatment Grant	7,140	30,535	37,675	
County Insurance		5,247	4,982	265
Juvenile Detention	495			
Jackson County Reward	1,361	100		595
Jail Sales Tax Revolving	97	327,533	104,971	223,923
REAP - Friendship Rural Fire Department		99,500	16	99,581
REAP - Eldorado Emergency Medical Service		13,914	13,002	912
REAP - Elmer Rural Fire Department		24,970	24,970	
FEMA - Saferoom	4,000	36,783	39,848	935
Homeland Security Grant		24,396	24,396	
Combined Total--All County Funds	<u>\$ 2,050,058</u>	<u>\$ 5,708,524</u>	<u>\$ 5,045,053</u>	<u>\$ 2,713,529</u>

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

**JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Jackson County, Oklahoma. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds 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 County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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

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

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

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 disbursement of the funds as restricted by statute.

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

**JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

County Clerk Records Management Preservation Fee - accounts for fees collected for instruments filed in the Registrar of Deeds as restricted by statute for preservation of records.

Assessor Revolving Fee - 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 Contract Prisoners – accounts for state receipts and disbursements for the purpose of maintaining the Department of Corrections' inmates.

Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor and can be used for maintenance and operation of the jail.

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

Sheriff Residential Substance Abuse Treatment Grant – accounts for grant monies received from the District Attorney's Council for the purpose of the County Sheriff establishing a place and equipment for designated group counseling services.

County Insurance – accounts for the collection of insurance payments received from the destruction of county-owned equipment.

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.

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

Jail Sales Tax Revolving – 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.

REAP – Friendship Rural Fire Department – accounts for the collection of state grant monies for the purpose of rural fire department capital improvements.

**JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

REAP – Eldorado Emergency Medical Service – accounts for the collection of state grant monies for the purpose of emergency medical service capital improvements.

REAP – Elmer Rural Fire Department – accounts for the collection of state grant monies for the purpose of rural fire department capital improvements.

FEMA - 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.

Homeland Security Grant – accounts for the collection of grant monies to be disbursed for the purpose of homeland security by Jackson County.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, school districts and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement, those funds play no part in the County's operations.

C. Basis of Accounting

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

D. Budget

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

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

**JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

E. Cash

The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

F. Investments

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

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

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured.

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 over 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.

**JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2004, was approximately \$103,771,380.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.17 mills for general fund operations, 2.03 mills for the county health department, 3.05 mills for the emergency medical service, and 4.07 mills for multi-county library. In addition, the County 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, 2005, were approximately 98.7 percent of the tax levy.

3. 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.

**JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

4. Risk Management

The County is exposed to the various risks of loss shown in the following table:

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers Liability • Vehicle 	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 		
Worker's Compensation <ul style="list-style-type: none"> • Employees' Injuries 	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee <ul style="list-style-type: none"> • Medical • Disability • Dental • Life 	The County carries Commercial insurance.	None

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$10,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Commercial Insurance - The County obtains commercial insurance coverage to pay legitimate worker's compensation claims and employees' insurance. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

5. **Long-term Obligations**

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 pieces of machinery subsequently acquired.

6. **Pension Plan**

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation, which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2005, 2004, and 2003 were \$304,084, \$288,915, and \$265,972, respectively, equal to the required contributions for each year.

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

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

**JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

8. Contingent Liabilities

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

The County 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 County.

OTHER SUPPLEMENTARY INFORMATION

JACKSON COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 305,712	\$ 305,712	\$ 305,712	\$ -
Less: Prior Year Outstanding Warrants	(86,571)	(86,571)	(86,571)	
Less: Prior Year Encumbrances	(2,433)	(2,433)	(2,316)	117
Beginning Cash Balances, Budgetary Basis	<u>216,708</u>	<u>216,708</u>	<u>216,825</u>	<u>117</u>
Receipts:				
Ad Valorem Taxes	959,414	959,414	1,036,418	77,004
Charges for Services	94,462	94,462	90,050	(4,412)
Intergovernmental Revenues	203,014	255,768	244,463	(11,305)
Miscellaneous Revenues	31,773	31,773	50,767	18,994
Total Receipts, Budgetary Basis	<u>1,288,663</u>	<u>1,341,417</u>	<u>1,421,698</u>	<u>80,281</u>
Expenditures:				
District Attorney	2,000	22,000	20,998	1,002
Total District Attorney	<u>2,000</u>	<u>22,000</u>	<u>20,998</u>	<u>1,002</u>
County Sheriff	390,468	390,482	390,419	63
Total County Sheriff	<u>390,468</u>	<u>390,482</u>	<u>390,419</u>	<u>63</u>
County Treasurer	66,326	66,326	64,656	1,670
Capital Outlay	1	1		1
Total County Treasurer	<u>66,327</u>	<u>66,327</u>	<u>64,656</u>	<u>1,671</u>
County Commissioners	21,626	21,626	13,396	8,230
Capital Outlay	500	500		500
Total County Commissioners	<u>22,126</u>	<u>22,126</u>	<u>13,396</u>	<u>8,730</u>
OSU Extension	14,999	14,999	14,922	77
Capital Outlay	1	1		1
Total OSU Extension	<u>15,000</u>	<u>15,000</u>	<u>14,922</u>	<u>78</u>
County Clerk	126,962	126,962	126,410	552
Capital Outlay	1	1		1
Total County Clerk	<u>126,963</u>	<u>126,963</u>	<u>126,410</u>	<u>553</u>
Court Clerk	75,505	75,505	75,435	70
Capital Outlay	1	1		1
Total Court Clerk	<u>75,506</u>	<u>75,506</u>	<u>75,435</u>	<u>71</u>

continued on next page

The accompanying notes to the other supplementary information are an integral part of this schedule. See independent auditor's report.

**JACKSON COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	59,626	59,626	59,069	557
Capital Outlay	1	1		1
Total County Assessor	<u>59,627</u>	<u>59,627</u>	<u>59,069</u>	<u>558</u>
Revaluation of Real Property	115,964	117,964	115,783	2,181
Capital Outlay	3,500	1,500	514	986
Total Revaluation of Real Property	<u>119,464</u>	<u>119,464</u>	<u>116,297</u>	<u>3,167</u>
General Government	462,213	494,775	342,855	151,920
Capital Outlay	1	1		1
Total General Government	<u>462,214</u>	<u>494,776</u>	<u>342,855</u>	<u>151,921</u>
Excise-Equalization Board	3,200	3,200	2,566	634
Total Excise-Equalization Board	<u>3,200</u>	<u>3,200</u>	<u>2,566</u>	<u>634</u>
County Election Board	46,333	45,502	41,891	3,611
Capital Outlay	150	1,150	1,140	10
Total County Election Board	<u>46,483</u>	<u>46,652</u>	<u>43,031</u>	<u>3,621</u>
Insurance	78,000	78,009	75,352	2,657
Total Insurance	<u>78,000</u>	<u>78,009</u>	<u>-</u>	<u>2,657</u>
Charity	100	100		100
Total Charity	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
Safety	19,816	19,316	11,733	7,583
Capital Outlay	200	700	325	375
Total Safety	<u>20,016</u>	<u>20,016</u>	<u>12,058</u>	<u>7,958</u>
County Audit Budget	10,377	10,377	10,377	
Total County Audit Budget	<u>10,377</u>	<u>10,377</u>	<u>10,377</u>	<u>-</u>
Free Fair Budget	5,000	5,000	5,000	
Total Free Fair Budget	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>

continued on next page

The accompanying notes to the other supplementary information are an integral part of this schedule. See independent auditor's report.

**JACKSON COUNTY, OKLAHOMA
 COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Provision for Interest on Warrants	2,500	2,500	1,812	688
Total Expenditures, Budgetary Basis	1,505,371	1,558,125	1,374,653	183,472
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	263,870	\$ 263,870
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			7,183	
Add: Current Year Outstanding Warrants			95,429	
Ending Cash Balance			<u>\$ 366,482</u>	

The accompanying notes to the other supplementary information are an integral part of this schedule.
 See independent auditor's report.

**JACKSON COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 165,055	\$ 165,055	\$ 165,055	\$ -
Less: Prior Year Outstanding Warrants	(5,759)	(5,759)	(5,759)	
Less: Prior Year Encumbrances	(1,920)	(1,920)	(737)	1,183
Beginning Cash Balances, Budgetary Basis	<u>157,376</u>	<u>157,376</u>	<u>158,559</u>	<u>1,183</u>
Receipts:				
Ad Valorem Taxes	191,505	191,505	206,875	15,370
Charges for Services			27,960	27,960
Intergovernmental		31,346	422	(30,924)
Miscellaneous Revenues			2,963	2,963
Total Receipts, Budgetary Basis	<u>191,505</u>	<u>222,851</u>	<u>238,220</u>	<u>15,369</u>
Expenditures:				
Health and Welfare	270,000	301,346	135,716	165,630
Capital Outlay	78,881	78,881	8,077	70,804
Total Expenditures, Budgetary Basis	<u>348,881</u>	<u>380,227</u>	<u>143,793</u>	<u>236,434</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	252,986	<u>\$ 252,986</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			1,656	
Add: Current Year Warrants			27,478	
Ending Cash Balance			<u>\$ 282,120</u>	

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

**JACKSON COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. Budgetary Schedules

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

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

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
JACKSON COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Jackson County, Oklahoma, as of and for the year ended June 30, 2005, which comprises Jackson County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated February 6, 2006. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. 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.

Internal Control Over Financial Reporting

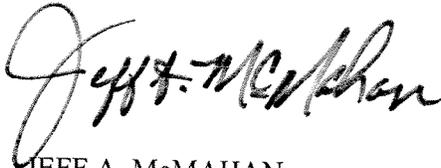
In planning and performing our audit, we considered Jackson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to the management of Jackson County, which are included in the schedule of findings and responses contained in this report.

This report is intended solely for the information and use of the management of Jackson County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in black ink that reads "Jeff A. McMAHAN". The signature is written in a cursive style with a large, looping initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

February 6, 2006

**JACKSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

This schedule contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2005-1 – Cash Composition of Official Depository Account

Criteria: Title 19 O.S. § 682 requires officers to deposit funds collected on a daily basis with the County Treasurer.

Condition: Money orders or cashiers checks received for the time period of December 16, 2004 to February 24, 2005, were not deposited with the Treasurer until March 29, 2005. These funds were for (SDA) gun permits to be deposited in the Official Depository Account and transferred to the Sheriff Service Fee Account.

Recommendation: We recommend officers deposit daily with the County Treasurer in accordance with 19 O.S. § 682.

Views of responsible officials and planned corrective actions: Management chose not to respond.

Finding 2005-2 – Sheriff Inmate Trust Account

Criteria: Effective internal control include cash receipts be accounted for in a manner that will provide reasonable safeguards against theft and misappropriation. Additionally, effective internal controls require that tangible and personal items be accounted for separately from the cash received to demonstrate accountability and stewardship over those items.

Condition: The following exceptions were noted on the Sheriff's Inmate Trust Account:

1. Seventeen instances were noted where receipt numbers were skipped in the inmate tracking system and could not be located.
2. Deposits of cash collected were not made daily.
3. The total amount of receipts for June 6, 2005 and June 13, 2005, could not be verified to the amount deposited for those dates.
4. No receipts were issued for money received when the inmates were booked in.
5. Receipts from the Inmate Trust Account were issued to inmates for tangible items such as postage stamps and personal items using the official depository receipt books.

Recommendation: We recommend officers issue a receipt for all monies received. We further recommend that inmate trust funds receipted by the Sheriff be deposited in the Inmate Trust Checking Account as prescribed by 19 O.S. § 531. We further recommend the Sheriff maintain a separate receipt book for stamps or other tangible or personal items.

Views of responsible officials and planned corrective actions: Management chose not to respond.