

FINANCIAL AUDIT

# JACKSON COUNTY

For the fiscal year ended June 30, 2016



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**JACKSON COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

August 22, 2017

TO THE CITIZENS OF  
JACKSON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Jackson County, Oklahoma for the fiscal year ended June 30, 2016. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink, reading "Gary A. Jones". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

**JACKSON COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**JACKSON COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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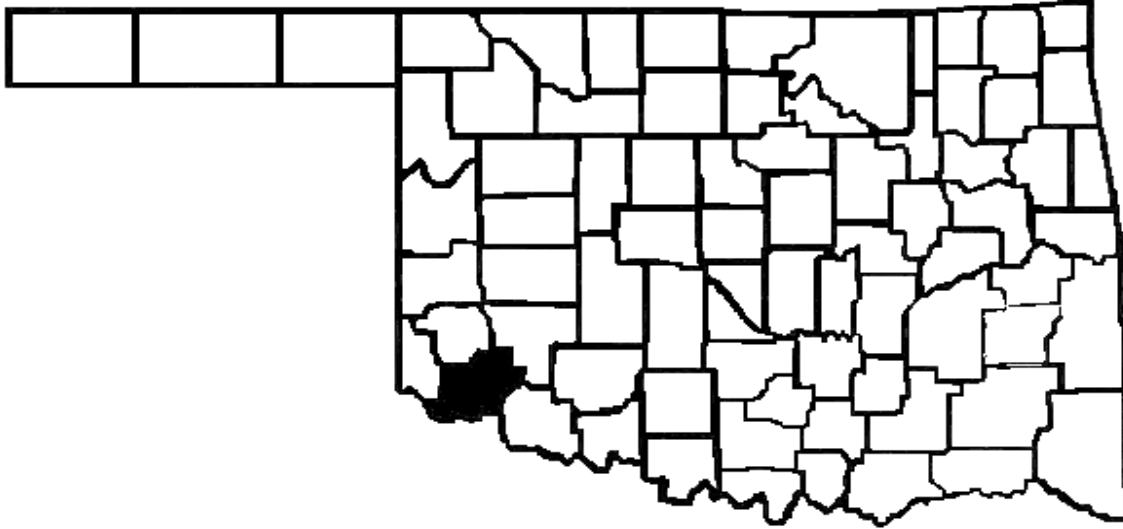
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**INTRODUCTORY SECTION**  
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**JACKSON COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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. Altus, the county seat, lies in the heart of “irrigation country.” 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. Southwest Technology Center provides vocation-technical education for this region. Museum of the Western Prairie shows life in early southwest Oklahoma. Other history and genealogical collections are preserved at the Altus Public Library, headquarters of the Southern Prairie Library System. The Shortgrass Arts and Humanities Council sponsors numerous cultural activities including an annual arts festival in the fall. Annual events include the Great Plains Stampede Rodeo in late August, Jackson, County Fair, the Fall Festival in September, and Christmas Lighting Display the month of December. Recreational opportunities are available fifteen miles north of Altus at Quartz Mountain State Park and Lake Altus-Lugert.

Local historical societies include Jackson County Historical Society and Western Trails Historical Society. For more information, call the Altus Chamber of Commerce at 580-482-0210.

County Seat – Altus

Area – 804.15 Square Miles

County Population – 25,998  
(2014 est.)

Farms – 694

Land in Farms – 478,878 Acres

Primary Source: Oklahoma Almanac 2015-2016

**JACKSON COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Board of County Commissioners**

District 1 – Marty Clinton  
District 2 – Kirk Butler  
District 3 – Cary Carrell

**County Assessor**

Lisa Roberson

**County Clerk**

Robin Booker

**County Sheriff**

Roger Levick

**County Treasurer**

Renee Howard

**Court Clerk**

Rhonda Stepanovich

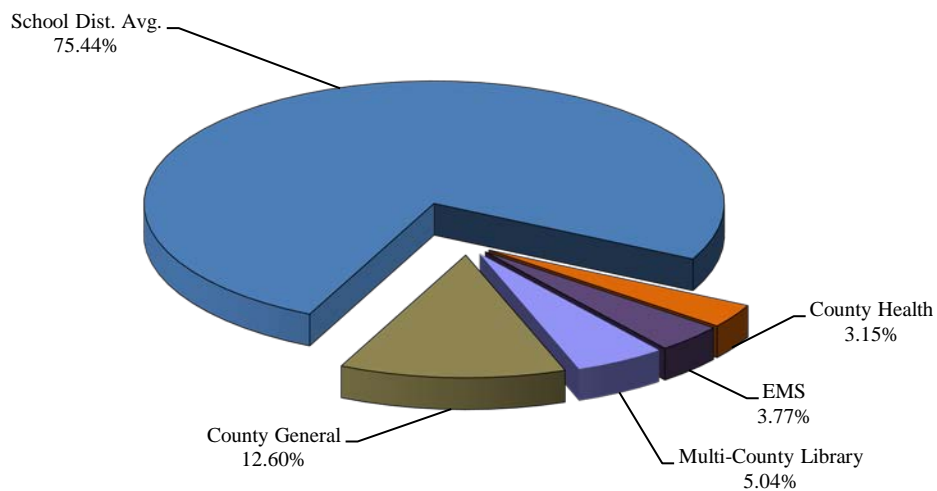
**District Attorney**

Ken Darby



**JACKSON COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

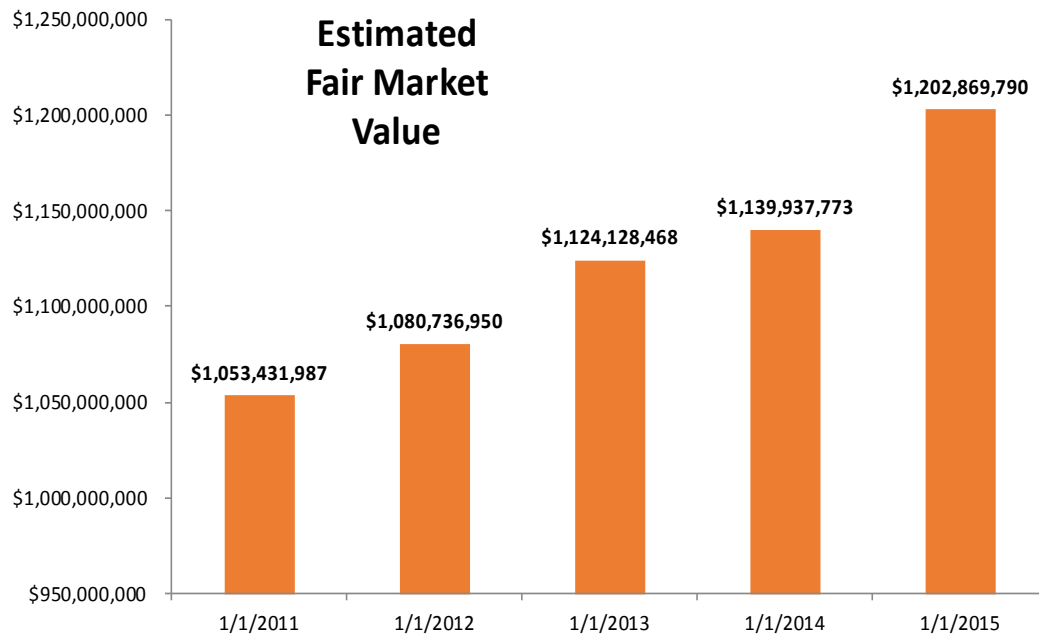
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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							
							Career		
County General	10.17			Gen.	Bldg.	Skg.	Tech	Common	Total
County Health	2.54	Altus	18	35.51	5.07	-	10.17	4.07	54.82
Multi-County Library	4.07	Navajo	1	36.03	5.15	3.93	10.17	4.07	59.35
EMS	3.05	Duke	14	35.37	5.05	14.11	10.17	4.07	68.77
		Eldorado	25	35.85	5.12	-	10.17	4.07	55.21
		Olustee	35	35.62	5.09	18.30	10.17	4.07	73.25
		Blair	54	35.96	5.14	5.37	10.17	4.07	60.71
		Greer County	JT-1	35.00	5.00	10.16	-	4.07	54.23

**JACKSON COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
TREND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2015	\$19,722,940	\$11,308,297	\$114,738,135	\$5,954,444	\$139,814,928	\$1,202,869,790
1/1/2014	\$16,543,866	\$12,467,479	\$110,392,421	\$5,916,332	\$133,487,434	\$1,139,937,773
1/1/2013	\$16,840,852	\$12,459,796	\$108,142,956	\$5,840,427	\$131,603,177	\$1,124,128,468
1/1/2012	\$15,125,350	\$12,739,115	\$104,847,888	\$5,667,052	\$127,045,301	\$1,080,736,950
1/1/2011	\$15,004,079	\$13,416,950	\$101,360,843	\$5,704,144	\$124,077,728	\$1,053,431,987

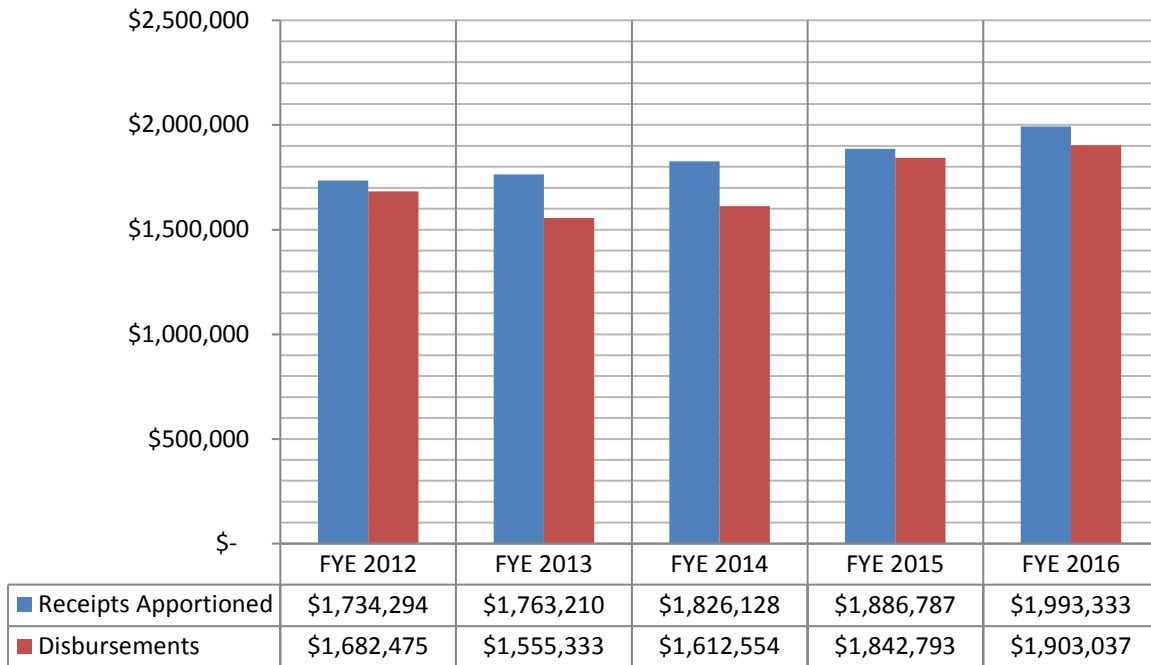


**JACKSON COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## County General Fund

The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.

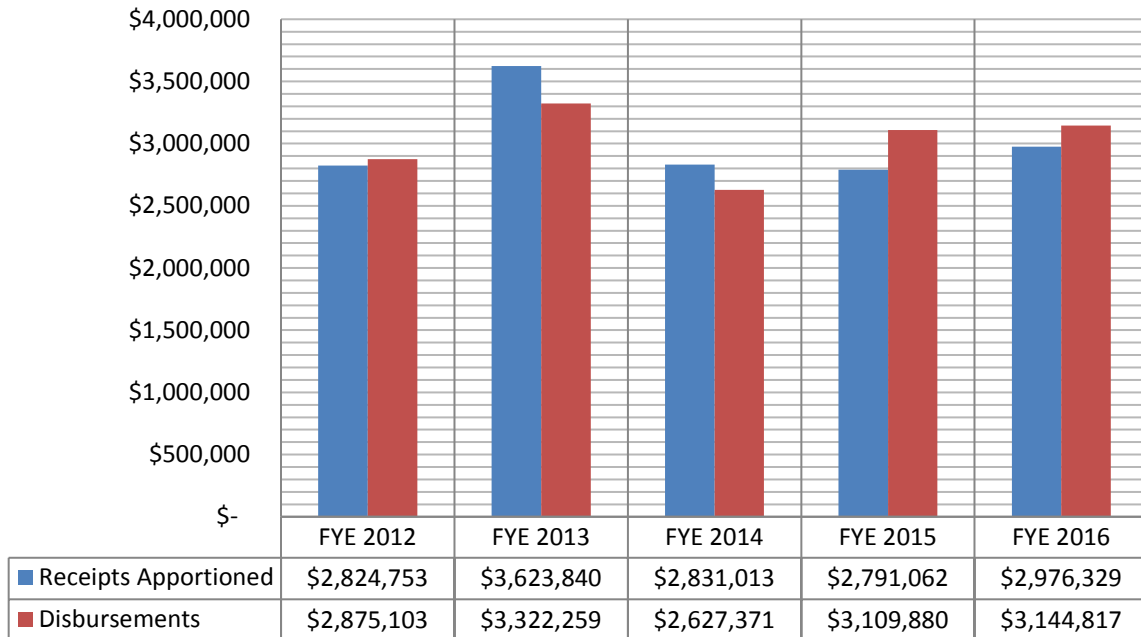


**JACKSON COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



## **FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 123 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

## **Independent Auditor's Report**

TO THE OFFICERS OF  
JACKSON COUNTY, OKLAHOMA

### ***Report on the Financial Statement***

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Jackson County, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1, the financial statement is prepared by Jackson County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Jackson County as of June 30, 2016, or changes in financial position for the year then ended.

### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Jackson County, for the year ended June 30, 2016, in accordance with the basis of accounting described in Note 1.

### ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. 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 financial statement.

The Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2017, 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 in considering Jackson County's internal control over financial reporting and compliance.

A handwritten signature in blue ink, reading "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

August 21, 2017



## **REGULATORY BASIS FINANCIAL STATEMENT**

**JACKSON COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**(WITH COMBINING INFORMATION)—MAJOR FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:				
Major Funds:				
County General Fund	\$ 1,026,589	\$ 1,993,333	\$ 1,903,037	\$ 1,116,885
County Highway Fund	1,182,087	2,976,329	3,144,817	1,013,599
Highway County Bridge Road and Improvement 105	1,220,060	372,854	591,254	1,001,660
Highway County Bridge Road and Improvement 103	127,207	214	21,717	105,704
County Health Department	588,826	501,777	556,258	534,345
Jail Sales Tax Revolving	488,753	1,010,470	969,817	529,406
Emergency Management Performance Grant	30,431	15,000	1,364	44,067
REAP - Rural Fire Association	1,028	-	-	1,028
REAP - Rural Fire Chiefs	-	23,681	19,868	3,813
FEMA Disaster 4222-1	-	270,083	-	270,083
County Sales Tax	-	1,380,987	1,380,987	-
REAP - Friendship	-	41,627	41,627	-
REAP - Warren	-	43,650	34,044	9,606
Remaining Aggregate Funds	2,687,056	812,323	1,018,239	2,481,140
<b>Combined Total - All County Funds, As Restated</b>	<b>\$ 7,352,037</b>	<b>\$ 9,442,328</b>	<b>\$ 9,683,029</b>	<b>\$ 7,111,336</b>

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, 2016**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Jackson County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

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

**B. Fund Accounting**

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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

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

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

Highway County Bridge and Road Improvement 105 – accounts for state, local, and miscellaneous receipts and disbursements are for the purpose of constructing and maintaining county roads and bridges.

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

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

**JACKSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Jail Sales Tax Revolving – accounts for the collection of reserve sales tax monies received from the bondholder in excess of bond issue payments. The authority contracts with the Sheriff to operate the jail. Distributions are for the general operations of the County jail and the Sheriff's office.

Emergency Management Performance Grant – accounts for the collection of grant money to be disbursed for the purpose of maintenance and operations of the Safety Director.

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

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

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

County Sales Tax – accounts for the collection of sales tax proceeds and disbursed to the fiscal agent for the payment of revenue bonds per a contractual agreement.

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

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

**C. Basis of Accounting**

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

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

**JACKSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**D. Budget**

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

**E. Cash and Investments**

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

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

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

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

**2. Ad Valorem Tax**

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

**JACKSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

**3. Other Information**

**A. Pension Plan**

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

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

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

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

**C. Contingent Liabilities**

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

**JACKSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**D. Sales Tax**

In a special election on November 9, 1999, the citizens of Jackson County approved a ½% tax to be collected beginning April 1, 2002, which 50% of the sales tax was to end on March 31, 2007. However, in a special election on February 13, 2007 the citizens of Jackson County approved the entire ½% sales tax for an unlimited duration beginning April 1, 2007. The ½% sales tax is to be used to construct and equip a new county jail facility, including the payment of debt service on indebtedness incurred for such purpose by Jackson County. These funds are accounted for in the County Sales Tax fund.

Sales tax proceeds returned to Jackson County, per contractual agreement from the Jackson County Public Authority, in excess of bond issue payments are to be used to operate and maintain the county jail. These funds are accounted for in the Jail Sales Tax Revolving fund.

**E. Restatement of Fund Balance**

Due to the reclassification of funds for the fiscal year ended June 30, 2016, the beginning balance reported at July 1, 2015 is different than the ending balance reported at June 30, 2015. The difference is due to moving the District Attorney Drug Court salary cash fund from a non-county fund to a county fund. This change resulted in an increase in the beginning cash balance of \$57,909.

Prior year ending balance, as reported	\$7,294,128
District Attorney Drug Court reclassified as county fund	<u>57,909</u>
Prior year ending balance, as restated	<u>\$7,352,037</u>

## **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, 2016**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,026,589	\$ 1,026,589	\$ -
Less: Prior Year Outstanding Warrants	(48,489)	(48,489)	-
Beginning Cash Balances, Budgetary Basis	978,100	978,100	-
Receipts:			
Ad Valorem Taxes	1,254,509	1,365,508	110,999
Charges for Services	60,000	99,298	39,298
Intergovernmental Revenues	540,170	334,962	(205,208)
Miscellaneous Revenues	20,000	193,565	173,565
Total Receipts, Budgetary Basis	1,874,679	1,993,333	118,654
Expenditures:			
District Attorney	2,000	1,590	410
County Sheriff	375,926	370,367	5,559
County Treasurer	173,692	170,801	2,891
County Commissioner	49,015	46,352	2,663
OSU Extension	25,678	25,677	1
County Clerk	255,142	243,071	12,071
Court Clerk	159,660	157,962	1,698
County Assessor	110,632	109,960	672
Revaluation of Real Property	191,703	177,005	14,698
General Government	1,352,750	451,447	901,303
Excise-Equalization Board	3,681	2,811	870
County Election Board	93,924	85,692	8,232
Safety Director	29,153	26,349	2,804
Expo Center	6,003	-	6,003
County Audit Budget Account	14,820	13,981	839
Free Fair Budget Account	9,000	9,000	-
Total Expenditures, Budgetary Basis	2,852,779	1,892,065	960,714
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	1,079,368	\$ 1,079,368
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		37,318	
Add: Current Year Encumbrances		199	
Ending Cash Balance		\$ 1,116,885	

**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, 2016**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 588,826	\$ 588,826	\$ -
Less: Prior Year Outstanding Warrants	(17,151)	(17,151)	-
Less: Prior Year Encumbrances	(12,932)	(10,301)	2,631
Beginning Cash Balances, Budgetary Basis	558,743	561,374	2,631
Receipts:			
Ad Valorem Taxes	313,319	341,131	27,812
Charges for Service	-	158,276	158,276
Intergovernmental Revenue	160,646	790	(159,856)
Miscellaneous Revenues	-	1,580	1,580
Total Receipts, Budgetary Basis	473,965	501,777	27,812
Expenditures:			
Health and Welfare	1,032,708	628,539	404,169
Total Expenditures, Budgetary Basis	1,032,708	628,539	404,169
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	434,612	\$ 434,612
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		43,089	
Add: Current Year Outstanding Warrants		56,644	
Ending Cash Balance		\$ 534,345	

**JACKSON COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2016
Remaining Aggregate Funds:				
Resale Property	\$ 240,021	\$ 107,208	\$ 107,435	\$ 239,794
Treasurer Mortgage Tax Certification Fee	29,573	3,938	339	33,172
County Clerk Lien Fee	55,574	5,555	2,735	58,394
County Clerk Records Preservation Fee	66,720	20,855	9,279	78,296
County Assessor Revolving	10,783	3,730	3,816	10,697
County Assessor Visual Inspection	256	-	-	256
Sheriff Service Fee	961,758	264,677	301,842	924,593
Sheriff Contract Prisoners	707,335	194,231	356,231	545,335
Sheriff Commissary	159,471	100,643	110,169	149,945
County Investment	371,511	652	-	372,163
Rural Fire Chief Insurance Fund	591	-	-	591
Sheriff Criminal Interdiction Apprehension Fund	1,600	-	-	1,600
Jackson County Expo Center	22,193	5,567	6,351	21,409
Jackson County Reward Fund	1,761	-	-	1,761
District Attorney Drug Court	57,909	105,267	120,042	43,134
<b>Combined Total - Remaining Aggregate Funds, as Restated</b>	<b>\$ 2,687,056</b>	<b>\$ 812,323</b>	<b>\$ 1,018,239</b>	<b>\$ 2,481,140</b>

**JACKSON COUNTY, OKLAHOMA**  
**NOTES TO OTHER SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**1. Budgetary Schedules**

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the 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.

**2. Remaining County Funds**

Remaining aggregate funds as presented on the financial statement are as follows:

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

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

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

County Clerk Records Preservation Fee – accounts for fees collected for instruments filed in the County Clerk's office as restricted by state statute to be used for preservation of records.

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

County Assessor Visual Inspection – accounts for the receipt and disbursement of funds by the Assessor as restricted by state statute for the visual inspection program.

Sheriff Service Fee – accounts for the collection and disbursement of sheriff process service fees as restricted by state statute.

Sheriff Contract Prisoners – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the operations of the jail.

**JACKSON COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Sheriff Commissary – accounts for profits on commissary sales in the County jail to be used by the Sheriff's office for jail expenses as restricted by state statute.

County Investment – accounts for the collection of interest earned on investments held by Jackson County.

Rural Fire Chief Insurance – accounts for the collection of insurance reimbursement monies to be distributed to the rural fire departments.

Sheriff Criminal Interdiction Apprehension Fund – accounts for the collection of grant money to be expended for lawful purposes of the Sheriff's office.

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

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

District Attorney Drug Court – accounts for monies collected from the Oklahoma Department of Mental Health and Substance Abuse Services and disbursements are for salaries of the drug court administration.

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

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

TO THE OFFICERS OF  
JACKSON COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Jackson County, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprises Jackson County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 21, 2017.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2016, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered Jackson County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Jackson County's internal control. Accordingly, we do not express an opinion on the effectiveness of Jackson County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2016-1 and 2016-8.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jackson County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2016-8.

We noted certain matters regarding statutory compliance that we reported to the management of Jackson County, which are included in Section 2 of the schedule of findings and responses contained in this report.

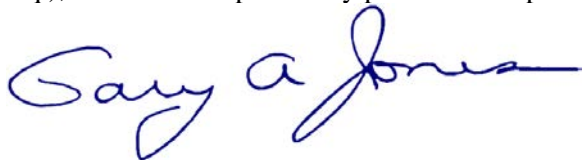
## **Jackson County's Responses to Findings**

Jackson County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Jackson County's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the responses.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink, reading "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

August 21, 2017



**JACKSON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

**Finding 2016-1 – Inadequate County-Wide Internal Controls (Repeat Finding)**

**Condition:** County-wide internal controls regarding Risk Assessment and Monitoring have not been designed.

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

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

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design and implement procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

**Management Response:**

**County Commissioner District 1, County Commissioner District 2:** We will work with all County Officials to determine the most efficient way to implement county-wide controls regarding risk assessment and monitoring.

**County Commissioner District 3:** We will work toward assessing and identifying risks to design written county-wide controls.

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

**Criteria:** Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

**JACKSON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

**Finding 2016-8 – Inadequate Internal Controls and Noncompliance over the Disbursement Process**

**Condition:** The audit of sixty-eight (68) disbursements reflected the following:

- Four (4) instances (6% of sample) totaling \$250,619.23 were noted in which the disbursements were not approved by the County Clerk/Deputy.
- Eight (8) instances (12% of sample) totaling \$332,481.62 were noted in which the disbursements were not properly encumbered.

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

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

**Recommendation:** OSAI recommends the County adhere to state purchasing guidelines to ensure encumbrances are made before goods or services are ordered, and that encumbrances are certified and approved by the County Clerk or Deputy.

**Management Response:**

**BOCC, Chairman:** These issues have been corrected.

**County Clerk:** This has been corrected.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions.

An important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized

**JACKSON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

Further, Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of goods and services.

**SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2016-4 – Inadequate Internal Controls and Noncompliance over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** Upon inquiry and observation of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund the following exceptions were noted:

- The mail received with inmate funds is opened, receipted and deposited by the same person.
- Deposits to the Inmate Trust Fund Checking Account are not made on a daily basis.
- The Sheriff's department is not reconciling the inmate trust ledger balance to the bank statements.
- Bank reconciliations are not reviewed for accuracy.
- The profits earned from the sale of commissary items are not deposited into the Sheriff Commissary Fund in a timely manner.
- The County Sheriff deposited abandoned cash in the amount of \$2,178.07 to the Sheriff Commissary fund without following the unclaimed property or money in Sheriff's possession, disposition procedures as outlined in Title 22 O.S. § 1325.
- Annual Report of Sheriff Commissary Fund beginning balance, deposits, disbursements, and ending balances do not agree to the County Treasurer's general ledger.

**Cause of Condition:** Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund. Further, the County Sheriff did not follow statutory procedures regarding unclaimed property.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes. In addition, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

**Recommendation:** OSAI recommends the County Sheriff comply with 19 O.S. § 531(A), 19 O.S. § 682, and 22 O.S. § 1325 regarding authorized disbursements, daily depositing, and disposition procedures for unclaimed property.

**JACKSON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Management Response:**

**County Sheriff:** We will make daily depositing of inmate funds and unclaimed funds and unclaimed inmate funds shall be retained in the Inmate Trust Fund Checking Account until a Court Order is received. Further, the County Sheriff will work towards enhancing internal controls over bank reconciliations, inmate ledgers, earnings from the Inmate Trust Account, and reconciling the annual report to the County Treasurer's general ledger.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing and authorizing should be segregated.

Title 19 O.S. § 531(A, B) states,

A. Notwithstanding any other provisions of law, the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account", to be managed by the county sheriff and maintained separately from regular county funds. The checking account shall be subject to audit by the State Auditor and Inspector. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Title 19 O.S. § 682 states in part, "It shall be the duty of each and every county officer...to deposit daily...all monies...of every kind received or collected by virtue or under color of office..."

Further, Title 22 O.S. § 1325(F, H) states;

F. A sheriff's office having in its possession money or legal tender under the circumstances provided in subsection A of this section, prior to appropriating the same for deposit into a special fund, shall file an application in the district court of its county requesting the court to enter an order authorizing it to so appropriate the money for deposit in the special fund. The application shall describe the money or legal tender, together with serial numbers, if any, the date the same came into the possession of the sheriff's office or campus police agency, and the name and address of the owner, if known. Upon filing, the application, which may be joined with an application as described in subsection C of this section, shall be set for hearing not less than ten (10) days nor more than twenty (20) days from the filing thereof, and notice of the hearing shall be given as provided in subsection D of this section. The notice shall state that, upon no one appearing to prove ownership to the money or legal tender, the same will be ordered by the court to be deposited in the special fund by the sheriff's office or campus police agency. The notice may be combined with a notice to sell personal property as set forth in subsection D of this section. At the hearing, if no one appears to claim and prove ownership to the money or legal tender, the court shall order the same to be deposited by the sheriff's office or campus police agency in the special fund, as provided in subsection H of this section.

**JACKSON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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H. The money received from the sale of personal property as above provided, after payment of the court costs and other expenses, if any, together with all money in possession of the sheriff's office or campus police agency, which has been ordered by the court to be deposited in the special fund, shall be deposited in such fund which shall be separately maintained by the sheriff's office in a special fund with the county treasurer or campus police agency to be expended upon the approval of the sheriff or head of the campus police agency for the purchase of equipment, materials or supplies that may be used in crime prevention, education, training or programming. The fund or any portion of it may be expended in paying the expenses of the sheriff or any duly authorized deputy or employee of the campus police agency to attend law enforcement or public safety training courses which are conducted by the Oklahoma Council on Law Enforcement Education and Training (CLEET) or other certified trainers, providers, or agencies.



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