

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

November 25, 2003

TO THE CITIZENS OF
JEFFERSON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Jefferson County, Oklahoma, for the fiscal year ended June 30, 2003. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in black ink, reading "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

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

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

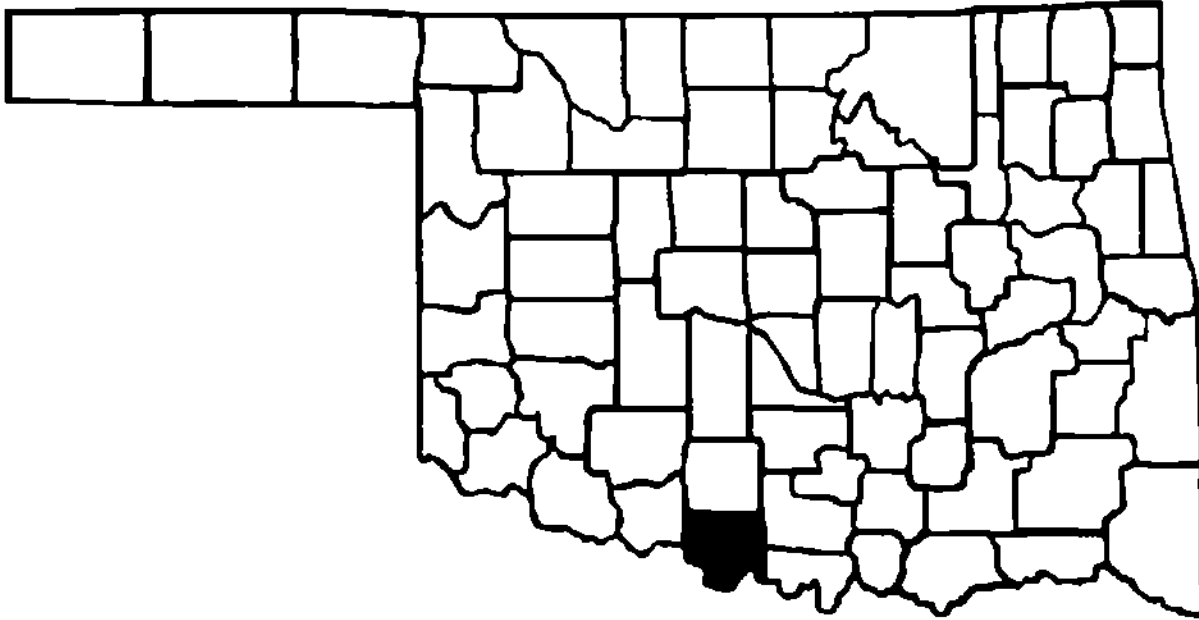
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**REPORT TO THE CITIZENS
COUNTY OF
JEFFERSON COUNTY, OKLAHOMA**



Named for President Thomas Jefferson, this county was created from a portion of Comanche County in Oklahoma Territory and the southwestern corner of the Chickasaw Nation. A marker on S.H. 70 in Waurika, the county seat, designates the 98th Meridian, the dividing line between Indian Territory.

Waurika, meaning “camp of clear water,” was built at the junction of Beaver and Cow creeks, and is the site of Waurika Lake. Ringling was named for John Ringling, who built a railroad on this site to bring his circus to the area for its winter headquarters. Ryan is the site of the Jefferson County courthouse, built in 1894 by the Chickasaw Nation. Landmarks include the Rock Island Railroad Depot built in 1912, and Monument Hill Marker, honoring the Chisholm Trail and its trial drivers.

Although an industrial base has been established, cattle, oil, and agriculture are still the leading sources of income. Annual events include the Waurika Volunteer Firemen Rattlesnake Hunt, the Waurika Art Show, and the Terral Melon Jubilee.

The Chisholm Trail Historical Association is located in Waurika, and two publications, *A History of Jefferson County* and *Post Offices in Jefferson County*, offer written historical accounts. For more information, call the county clerk’s office at 580-228-2029.

County Seat – Waurika

Area – 758.9 Square Miles

County Population – 6,818
(2000 est.)

Farms – 499

Land in Farms – 441,324 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR

Teresa Tallon
(D) Waurika

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

Doris Pilgreen
(D) Waurika

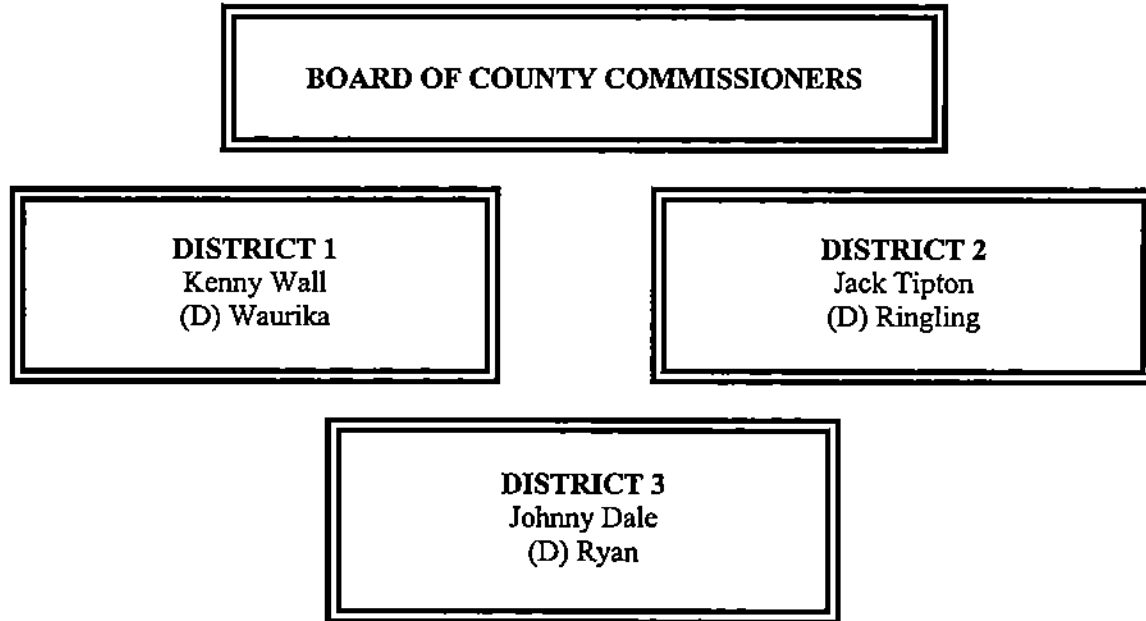
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**



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

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

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF

Stanley Barnes
(D) Ryan

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

Vickie Behrens
(D) Waurika

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.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Linda Graham
(D) Addington

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
Gene Christian
(D) Duncan

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.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

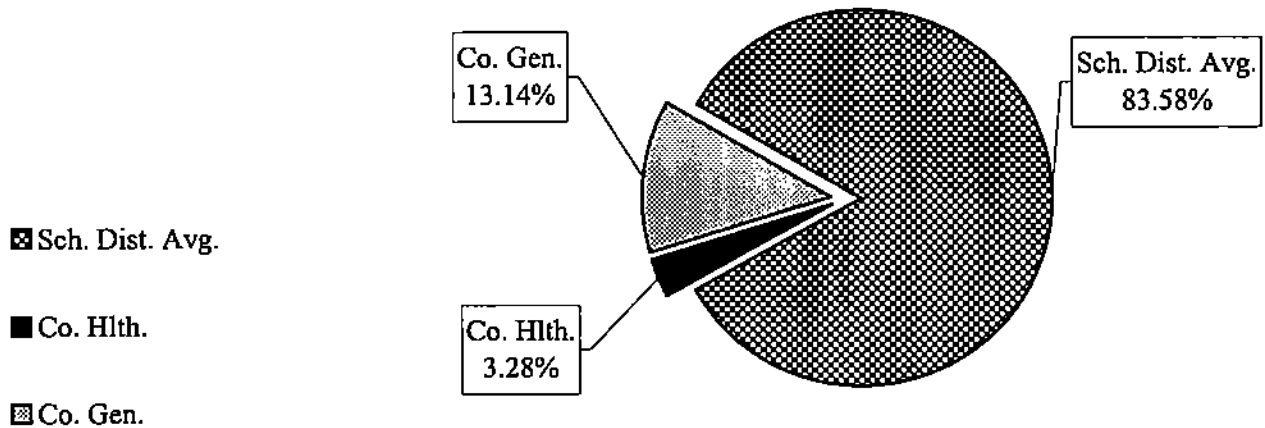
Mary R. Brown
(D) Waurika

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.

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

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



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	Vo-Tech	Common	EMS	Total
Co. General	10.00	Ryan	I-2	35.00	5.00			4.00		44.00
County Health	2.50	Terral	C-03	35.00	5.00		12.00	4.00		56.00
<u>City Sinking</u>		Ringling	I-14	35.00	5.00		10.00	4.00	3.00	57.00
		Waurika	I-23	35.00	5.00		12.00	4.00	3.00	59.00
Waurika	0.98	Comanche	JT-2	35.00	5.00	20.33	12.00	4.00		76.33
		Healdton	JT-55	35.00	5.00	21.72	10.00	4.00	3.00	78.72
		Grandview	JT-82	35.00	5.00	9.48	12.00	4.00		65.48
		Temple	JT-101	35.00	5.00	16.32	12.00	4.00		72.32

See independent auditor's report.

Independent Auditor's Report



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
JEFFERSON COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Jefferson County, Oklahoma, as of and for the year ended June 30, 2003, as listed in the table of contents. These special-purpose financial statements are the responsibility of Jefferson County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2003, on our consideration of Jefferson County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

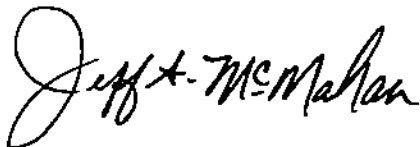
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Jefferson County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we express no opinion on such data.

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

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

October 28, 2003

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2003
County General Fund	\$ 251,739	\$ 670,574	\$ 691,442	\$ 230,871
T-Highway	455,664	2,097,342	1,959,370	593,636
REAP		81,711	37,450	44,261
County Health	54,213	69,225	65,216	58,222
Resale Property	16,877	25,953	15,252	27,578
Mortgage Certification Fee	1,421	1,895	564	2,752
Assessor Visual Inspection	6,007	88	336	5,759
Assessor Revolving	207	2,289	649	1,847
Sheriff Service Fee	19,759	121,147	116,336	24,570
Sheriff DOC	21,695	24,817	41,755	4,757
Sheriff Drug Abuse	301		200	101
Sheriff Lake Law	11,621	14,207	25,825	3
Sheriff Annex Account	264,765	733,923	997,967	721
COPS Grant	44			44
LEBG Grant	3,016	4,756	7,772	
Sheriff Social Security	200	400		600
Community Service Sentencing Program	465		100	365
Jefferson County Healthcare	15,562	200,455	198,335	17,682
OSU Extension	120			120
County Clerk Lien Fee	3,325	2,731	1,687	4,369
County Clerk Preservation	8,514	8,760		17,274
Juvenile Graduated Sanctions Fund	3,290		3,290	
Domestic Violence Grant	205			205
Juvenile Justice Delinquency Prevention	488	13,488	8,923	5,053
Courthouse Retrofit Fund	14,305	13,829	28,134	
Sheriff VAWA Grant	1,324	15,916	16,234	1,006
Insurance Fund	3,971		239	3,732
Trash COP		5,000	4,174	826
Sheriff's Annex Surplus		110,731	84,537	26,194
Sheriff's Drug Cash		500		500
Schools	21,169	1,497,039	1,495,696	22,512
Cities and Towns	7,179	145,058	145,881	6,356
Official Depository	151,988	3,198,332	3,139,934	210,386
Individual Redemption	617			617
Law Library	11,446	5,695		17,141
Electronic Federal Tax Payment System		201,060	201,060	
District Attorney Task Force	304	4,297		4,601
District Attorney Evidence Trust	63	1,400		1,463
Free Fair Special	1,923	1,000	199	2,724
Court Order Investment #1-98	14,872	1,912		16,784
Court Clerk Trust	14,000		14,000	
Excess Resale	333	5		338
Protest Tax		43,138		43,138
INS Account		1,793,316	1,497,378	295,938
Officers Change	515			515
Total County Funds	\$ 1,383,507	\$ 11,111,989	\$ 10,799,935	\$ 1,695,561

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

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 251,739	\$ 251,739	\$ 251,739	\$ -
Less: Prior Year Outstanding Warrants	(33,264)	(33,264)	(33,264)	
Less: Prior Year Encumbrances	(14,238)	(14,238)	(14,308)	(70)
Beginning Cash Balances, Budgetary Basis	204,237	204,237	204,167	(70)
Receipts:				
Ad Valorem Taxes	248,586	248,586	274,712	26,126
Charges for Services	24,668	24,668	25,148	480
Intergovernmental Revenues	284,391	295,941	337,149	41,208
Miscellaneous Revenues	41,764	41,764	33,565	(8,199)
Total Receipts, Budgetary Basis	599,409	610,959	670,574	59,615
Expenditures:				
District Attorney	4,999	4,999	4,999	
Capital Outlay	1	1		1
Total District Attorney	5,000	5,000	4,999	1
County Sheriff	150,673	137,173	84,899	52,274
Capital Outlay	1,000	14,500	14,500	
Total County Sheriff	151,673	151,673	99,399	52,274
County Treasurer	62,092	64,658	64,237	421
Capital Outlay	2,500			
Total County Treasurer	64,592	64,658	64,237	421
OSU Extension	17,150	17,150	10,979	6,171
Total OSU Extension	17,150	17,150	10,979	6,171
County Clerk	63,255	63,855	63,826	29
Capital Outlay	1,000	1,000	944	56
Total County Clerk	64,255	64,855	64,770	85
Court Clerk	59,152	59,152	58,960	192
Total Court Clerk	59,152	59,152	58,960	192

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	64,652	64,717	64,674	43
Capital Outlay	1	1		1
Total County Assessor	64,653	64,718	64,674	44
Revaluation of Real Property	57,025	51,017	50,329	688
Total Revaluation of Real Property	57,025	51,017	50,329	688
General Government	147,642	169,150	114,929	54,221
Capital Outlay	2,000			
Total General Government	149,642	169,150	114,929	54,221
Excise-Equalization Board	5,000	5,000	4,038	962
Total Excise-Equalization Board	5,000	5,000	4,038	962
County Election Board	45,288	46,504	46,154	350
Capital Outlay	1	1		1
Total County Election Board	45,289	46,505	46,154	351
Insurance	70,686	70,988	59,378	11,610
Total Insurance	70,686	70,988	59,378	11,610
County Purchasing Agent	23,294	22,695	22,667	28
Total County Purchasing Agent	23,294	22,695	22,667	28
Welfare Agencies	7,500	3,900	3,900	
Total Welfare Agencies	7,500	3,900	3,900	-
Charity	1,000	1,000	1,000	
Total Charity	1,000	1,000	1,000	-
Firefighting	4,000	4,000	3,997	3
Total Firefighting	4,000	4,000	3,997	3
Recording Account	4,500	4,500	4,476	24
Total Recording Account	4,500	4,500	4,476	24
County Audit Budget	2,735	2,735	2,735	
Total County Audit Budget	2,735	2,735	2,735	-
Free Fair Budget	6,500	6,500	6,126	374
Total Free Fair Budget	6,500	6,500	6,126	374

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

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

continued from previous page

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Total Disbursements, Budgetary Basis	<u>803,646</u>	<u>815,196</u>	<u>687,747</u>	<u>127,449</u>
Excess of Receipts and Beginning Cash Balances Over Disbursements, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	186,994	<u>\$ 186,994</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			8,330	
Add: Current Year Outstanding Warrants			<u>35,547</u>	
Ending Cash Balance			<u>\$ 230,871</u>	

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

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

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 54,213	\$ 54,213	\$ 54,213	\$ -
Less: Prior Year Outstanding Warrants	(29)	(29)	(29)	
Less: Prior Year Encumbrances	(1,076)	(1,076)	(5,027)	(3,951)
Beginning Cash Balances, Budgetary Basis	<u>53,108</u>	<u>53,108</u>	<u>49,157</u>	<u>(3,951)</u>
Receipts:				
Ad Valorem Taxes	62,147	62,147	68,199	6,052
Charges for Services		195	195	
Intergovernmental			792	792
Miscellaneous Revenues			39	39
Total Receipts, Budgetary Basis	<u>62,147</u>	<u>62,342</u>	<u>69,225</u>	<u>6,883</u>
Expenditures:				
Health and Welfare	95,255	95,450	61,253	34,197
Capital Outlay	20,000	20,000		20,000
Total Expenditures, Budgetary Basis	<u>115,255</u>	<u>115,450</u>	<u>61,253</u>	<u>54,197</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	57,129	<u>\$ 57,129</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			420	
Add: Current Year Outstanding Warrants			<u>673</u>	
Ending Cash Balance			<u>\$ 58,222</u>	

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

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

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
District Attorney Incarceration	\$ 627	\$ 403	\$	\$	\$ 1,030
Court Clerk Trust	39,197	517,300	495,283	43	61,257
Court Fund	65,782	308,651	280,629	378	94,182
District Attorney Bogus Check	35,181	29,408	23,972	37	40,654
County Clerk		46,393	46,457	64	
County Sheriff		10,534	10,209		325
County Treasurer	3,412	16,012	14,759	453	5,118
County Health Department		279	279		
Assessor Fees		2,289	2,289		
Election Board	389	18,033	18,498	466	390
Jefferson County Hospital	1	2,233,869	2,233,870		
District Attorney Merchant		6,978	7,012	134	100
District Attorney State Witness	39	1,800	1,014		825
Ad Valorem Over/Short	18	100	97		21
Sheriff Unclaimed Property	782		782		
Court Clerk Revolving	3,953	5,324	4,032	20	5,265
Sheriff Seizure	2,607	959	2,347		1,219
Total Official Depository Accounts	\$ 151,988	\$ 3,198,332	\$ 3,141,529	\$ 1,595	\$ 210,386

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

Notes to the Financial Statements

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

C. Basis of Accounting

The financial statements are prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgetary Policies

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund and county health department fund.

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

Summary of Significant Accounting Policies (continued)

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

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

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

E. Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2003.

F. Risk Management

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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability	The County participates	If claims exceed authorized
- Torts	in a public entity risk pool;	deductibles, the County would
- Errors and Omissions	Association of County	have to pay its share of the pool
- Law Enforcement	Commissioners of	deficit.
Officers Liability	Oklahoma-Self-Insurance	
- Vehicle	Group. (See ACCO-SIG.)	

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

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool. (See ACCO-SIG.)	If claims exceed authorized deductibles, the County would have to pay its share of the pool deficit.
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Fund. (See ACCO-SIF.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of risk.	None

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 will pay a deductible amount (\$1,000 to \$10,000; the County has 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 amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

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

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

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may accumulate from 10 to 15 days depending on the number of years of service. Vacation leave earned does not carry over from year to year and must be taken in the year in which it was earned.

Sick leave is accrued on a monthly basis. Sick leave shall accumulate at the rate of 1 day for each full calendar month of service and may be accrued up to a maximum of 45 days.

The County does not record any liability for sick leave.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

3. Detailed Notes on Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$1,695,561 and the bank balance was \$1,513,761. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

Title 62 O.S. § 348.1 authorizes the County Treasurer to invest in:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district

Detailed Notes on Account Balances (continued)

B. Description of Funds

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

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

REAP – accounts for state grant funds received for various projects.

County Health - 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.

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

Assessor Visual Inspection - accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

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

Sheriff Service Fee - accounts for the collection and disbursements of sheriff process service fees as restricted by statute.

Sheriff DOC – accounts for the monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections' prisoners.

Sheriff Drug Abuse – accounts for donations to be disbursed for drug awareness classes.

Sheriff Lake Law – accounts for monies received from the Corps of Engineers for patrolling services.

Sheriff Annex Account – accounts for the receipts and disbursements of monies for the INS Detention Facility.

COPS Grant – accounts for grant monies received from the U.S. Department of Justice Community Oriented Policing Services program used for the Sheriff's office.

LEBG Grant – accounts for grant monies received from the U.S. Department of Justice Local Law Enforcement Block Grant program used for the Sheriff's office.

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

Detailed Notes on Account Balances (continued)

Sheriff Social Security – accounts for monies received for prisoners' social security benefits.

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

Jefferson County Healthcare – accounts for sales tax revenues collected for the planning and construction associated with the Jefferson County Hospital and related facilities.

OSU Extension – accounts for donations received for the support of the OSU Extension office.

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

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

Juvenile Graduated Sanctions Fund – accounts for grant funds received from the District Attorney's Council disbursed as restricted by the grant agreement.

Domestic Violence Grant – accounts for grant funds received from the U.S. Department of Justice disbursed as restricted by the grant agreement.

Juvenile Justice Delinquency Prevention – accounts for grant funds received from the U.S. Department of Justice disbursed as restricted by the grant agreement.

Courthouse Retrofit Fund – accounts for monies received from the Office of the Secretary of Energy for stripper well oil overcharge refund and may be disbursed for the renovation of the courthouse.

Sheriff VAWA Grant – accounts for grant funds received from the U.S. Department of Justice disbursed as restricted by the grant agreement.

Insurance Fund – accounts for the receipts and disbursements of insurance collections.

Trash COP – accounts for grant funds received from the State of Oklahoma for the enforcement of trash and litter laws.

Sheriff's Annex Surplus – accounts for the surplus of funds from the operation of the Sheriff's annex.

Sheriff's Drug Cash – accounts for donations to be disbursed for drug awareness.

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

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

Detailed Notes on Account Balances (continued)

Cities and Towns - accounts for monies collected on behalf of the cities and towns in Jefferson County from ad valorem taxes, state and local revenues, and remitted to them monthly.

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

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

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

Electronic Federal Tax Payment System - accounts for federal tax withholdings electronically remitted to the federal government.

District Attorney Task Force - accounts for monies set aside for law enforcement sting operations.

District Attorney Evidence Trust - accounts for collection from fines, fees, and forfeitures and disbursements of funds restricted by court orders and state statutes.

Free Fair Special - accounts for revenue derived from the rental of the fair building.

Court Order Investment #1-98 - accounts for collection from cash bonds for civil case. Disbursements of funds are restricted by court orders.

Court Clerk Trust - accounts for collections from cash bonds for civil cases. Disbursements of funds are restricted by court orders.

Excess Resale - accounts for the proceeds of sale of property in excess of tax against property to be held in trust for a two-year period.

Protest Tax - accounts for tax collections that have been paid under protest by the taxpayer. These funds will be held in trust until the court case has been settled.

INS Account - accounts for the receipt and disbursement of monies for the INS Detention Facility.

Officers Change - accounts for officers cash on hand.

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

Detailed Notes on Account Balances (continued)

Additionally, the following official depository accounts are described below:

District Attorney Incarceration - accounts for collections received from inmates to reimburse for incarceration expense.

Court Clerk Trust - accounts for the collection of bond money, court fines, and fees. Money is disbursed for fees and restitution.

Court Fund - accounts for fees transferred from district court and interest. Money is disbursed for the purpose of fees for various entities, salaries, and the operation of the office.

District Attorney Bogus Check - accounts for the collection of bogus checks and district attorney fees to be disbursed to the merchant as restricted by state statutes.

County Clerk - accounts for the collection of filing fees and disbursed to the Oklahoma Tax Commission and general fund.

County Sheriff - accounts for all collection of foreign service fees and bonds. Monies are vouchered out at the end of the month to the sheriff service fee account and Court Clerk.

County Treasurer - accounts for the collection of motor vehicle stamps. Disbursements are for the purpose of motor vehicle collection distribution.

County Health Department - accounts for the collection of state funds and charges for services. Money is disbursed on a monthly basis to be transferred to the county health department cash account.

Assessor Fees - accounts for the collection for copies and proceeds from sale of ownership books to be disbursed at the end of the month and deposited in the Assessor revolving fund.

Election Board - accounts for reimbursement of elections and is disbursed for refunds of election fees and maintenance and operation of the office.

Jefferson County Hospital - accounts for revenues collected by the hospital deposited daily to the county and remitted monthly to the hospital.

District Attorney Merchant - accounts for the collection of bogus checks to be disbursed to merchants.

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

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

Detailed Notes on Account Balances (continued)

Ad Valorem Over/Short – accounts for the receipt of overpayments on ad valorem collections.

Sheriff Unclaimed Property – accounts for the collection of unclaimed property and disbursements as restricted by court orders and state statutes.

Court Clerk Revolving – accounts for a charge of \$5.00 for each warrant. Money is disbursed in the same manner as the court fund.

Sheriff Seizure - accounts for the collections from forfeitures and disbursements of funds restricted by court orders and state statutes.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2002, was approximately \$27,344,484.

The County levied 10.00 mills (the legal maximum) for general fund operations and 2.50 mills for the county health department. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

Taxes are due on November 1 following the levy date, although, they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

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

Current year tax collections for the year ended June 30, 2003, were approximately 95.20 percent of the tax levy.

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

Detailed Notes on Account Balances (continued)

D. Pension Plan

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

E. Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free. However, starting in January 1997, ODOT began charging a one-time fee of 3 percent on all subsequent pieces of machinery acquired.

F. Fuel Tax

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

4. Contingent Liabilities

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

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

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

5. Sales Tax

The voters of Jefferson County approved a 1% sales tax effective December 1, 1992. The voters approved the tax with no termination date. This sales tax was established to provide revenue to the general operations of the County government, and for support of County Civil Defense, OSU Extension Services, County Law Enforcement, countywide rural fire protection, and fair board maintenance and operations. The voters also passed a 1% sales tax effective November 1, 2000, for a period of 5 years. This sales tax was established to provide revenue to the Jefferson County Healthcare Authority for the purpose of planning and construction associated with the Jefferson County Hospital or related medical facilities.

Schedule of Expenditures of Federal Awards

**JEFFERSON COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed Through Oklahoma State Treasurer:			
Flood Control Project	12.112		\$ 1,625
Total U.S. Department of Defense			<u>1,625</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payment in Lieu of Taxes	15.226		14,468
Total U.S. Department of Interior			<u>14,468</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through Oklahoma Office of Juvenile Affairs:			
Juvenile Justice and Delinquency Prevention Act	16.540	2000-PV-12-20	8,923
Passed Through Oklahoma District Attorney's Council:			
Domestic Violence Awareness Program	16.558	V01-323	6,151
Domestic Violence Awareness Program	16.558	V02-365	4,471
Direct Grant:			
Local Law Enforcement Block Grant	16.592	LE01-741	3,016
Local Law Enforcement Block Grant	16.592	LE02-871	4,756
Total U.S. Department of Justice			<u>27,317</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Oklahoma State Department of Civil Emergency Management:			
Public Assistance Grants	83.544		627,760
Total Federal Emergency Management Agency			<u>627,760</u>
Total Expenditures of Federal Awards			<u>\$ 671,170</u>

**JEFFERSON COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

Basis of Presentation

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

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
JEFFERSON COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Jefferson County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 28, 2003. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Jefferson County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jefferson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2003-1, 2003-2, 2003-3, 2003-4, and 2003-5.

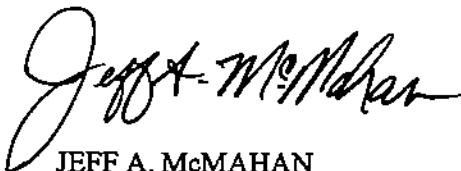
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider items 2003-1, 2003-2, 2003-3, 2003-4, and 2003-5 to be material weaknesses.

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

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff A. McMahar". The signature is fluid and cursive, with the first name "Jeff" being more prominent.

JEFF A. McMAHAN
State Auditor and Inspector

October 28, 2003

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
JEFFERSON COUNTY, OKLAHOMA

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

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

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

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff A. McMahar". The signature is fluid and cursive, with a large initial "J" and "M".

JEFF A. McMAHAN
State Auditor and Inspector

October 28, 2003

Schedule of Findings and Questioned Costs

**JEFFERSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Internal control over financial reporting: Unqualified

• Material weakness(es) identified? Yes

• Reportable condition(s) identified
that are not considered to be
material weaknesses? None reported

Noncompliance material to financial
statements noted? No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? No

• Reportable condition(s) identified
that are not considered to be
material weakness(es)? None reported

Type of auditor's report issued on
compliance for major programs: Unqualified

Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133? No

Identification of Major Programs

CFDA Number(s)

Name of Federal Program or Cluster

83.544

Public Assistance Grants

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

**JEFFERSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

SECTION 2 - Financial Statement Findings

Finding 2003-1 - Segregation of Duties

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping, and reconciliation is an important element of effective internal control over public assets and resources. The most effective controls lie in management's knowledge of County operations and a periodic review of operations.

Condition: The limited number of office personnel within several County offices prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control.

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

Management's Response: We concur with the auditors' findings. Management does have knowledge of County operations and will perform a periodic review of these operations.

Finding 2003-2 - Timesheets

Criteria: Effective accounting procedures include preparation of timesheets, a review for accuracy, and filing with the payroll department prior to payroll checks being issued. The County's Personnel Policy Handbook and the Fair Labor Standards Act requires that employers keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid.

Condition: The Sheriff's Department and the Custodian did not prepare timesheets and /or records, which should reflect accumulated leave balances, should be signed and approved by the Officer, and filed with the County Clerk at the end of the month as required by the County's Personnel Policy Handbook.

Recommendation: We recommend that all employees prepare timesheets with information of time worked, any leave taken during the month, overtime worked, and accumulated leave balances, in order to comply with the County's Personnel Policy Handbook and the Fair Labor Standards Act. Also, the officer should sign and approve each timesheet and file with the County Clerk's Office.

Management's Response: We concur with the auditors' findings. We have implemented procedures for the accurate accountability of employee leave balances and compensatory time.

**JEFFERSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

Finding 2003-3 – Receipts and Deposits

Criteria: Effective accounting procedures are necessary to ensure stewardship and accountability of public funds. Further, Title 19 O.S. 2001, § 682 states, "It shall be the duty of each and every county officer, county board, county commission and all members and employees of either thereof, to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, funds, rentals, penalties, costs, proceeds of sale of property, fees, forfeitures and public charges of every kind received or collected by virtue or under color of office..." In addition, Title 28 O.S. 2001, § 9 states, "Every officer charging fees shall give a receipt therefore."

Condition: The Sheriff does not always receipt all monies collected and does not always deposit all monies received. It was noted during cash compositions that receipts were not written for monies received. During cash bond test work, it was noted that receipts were not written for all deposits made and four receipts were not deposited.

Recommendation: We recommend all monies collected under the color of office be receipted and deposited daily.

Management's Response: Management is implementing procedures to correct this issue.

Finding 2003-4 – Disaster Recovery Plan

Criteria: According to the standards of the Information Systems Audit and Control Association's (Cobit) Delivery and Support Control Objective (DS4), management should have procedures in place to ensure continuous computer services. Plans should be developed and tested to minimize business disruption during times of disaster or hardware failure. The Disaster Recovery Plan should include all of the following:

- Guidelines on how to use the recovery plan,
- Emergency procedures to ensure the safety of all affected staff members,
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel,
- Listing of systems requiring alternatives (hardware, peripherals, software),
- Listing of highest to lowest priority applications, required recovery times and expected performance norms,
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution,
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc. and a source and alternative source defines,
- Training and/or awareness of individual and group roles in continuity plan,
- Listing of contracted service providers,

**JEFFERSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

- Logistical information on location of keys resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation,
- Current names, addresses, telephone/pager numbers of key personnel,
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

Condition: Our review of the Treasurer's and Clerk's system backups and plans for ensuring continuous computer service found no written disaster recovery plan for either office. The Clerk's office does not store any of the backup tapes offsite.

Recommendation: We recommend the County establish a Disaster Recovery Plan to ensure the safekeeping and integrity of the County's financial and non-financial data. Adequate backups of the data and programs are an essential part of any Recovery Plan. The file server should be backed up every workday. One day a week the backup tape should be stored offsite at a location away from the courthouse. Other tapes used during the week should be stored in a fireproof container in the County office. There should be complete month end backup tapes for at least three months of prior work, giving the County officer the ability to restore data and programs if the need arises.

Management's Response: The County Treasurer and Clerk are working on a Disaster Recovery Plan and have implemented an offsite backup site since the end of audit fieldwork.

Finding 2003-5 – Information Security

Criteria: According to the standards of the Information Systems audit and control Association's (Cobit) Delivery and support Control Objectives (DS7) management should educate and train users to ensure that users are making effective use of technology and are aware of their risks and responsibilities.

Condition: Our review of the Treasurer's and Clerk's offices found that they did not have policies and procedures addressing computer security and have not provided security awareness training to their employees.

Recommendation: We recommend the County establish Information Security policies and procedures that define the acceptable and unacceptable users for the office computers. A security awareness-training program should be established requiring all the employees using computers to participate.

Management's Response: The County Treasurer and Clerk will begin work on policy and procedures for proper computer usage.

SECTION 3 – Federal Award Findings and Questioned Costs

No matters were reported.

**Statistical Data
(Unaudited)**

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

	TAXPAYER	JANUARY 1, 2002 NET ASSESSED VALUATION	% OF TOTAL NET VALUATION
1	Southwestern Bell	\$ 1,536,398	5.62%
2	Terral Telephone	805,260	2.94%
3	Teppco Crude Pipeline	716,981	2.62%
4	Shamrock Logistics	666,380	2.44%
5	Union Pacific Railroad	636,940	2.33%
6	Public Service of Oklahoma	451,652	1.65%
7	Oklahoma Natural Gas	355,605	1.30%
8	Equilon Pipeline	329,455	1.20%
9	BP Pipeline	279,126	1.02%
10	Eott Energy Pipeline	245,052	0.90%
	Total	<u>\$ 6,022,849</u>	<u>22.02%</u>

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

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

Total net assessed value as of January 1, 2002		<u><u>\$ 27,344,484</u></u>
Debt Limit - 5% of total assessed value		1,367,225
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal Debt Margin		<u><u>\$ 1,367,225</u></u>

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

	<u>2003</u>
Estimated population	<u>6,818</u>
Net assessed value	<u>\$ 27,344,484</u>
Gross bonded debt	-
Less available sinking fund cash balance	<u>-</u>
Net bonded debt	<u>\$ -</u>
Ratio of net bonded debt to assessed value	<u>0.00%</u>
Net bonded debt per capita	<u>\$ -</u>

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

<u>Tax Year</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
2003	\$ 3,608,446	\$ 7,424,582	\$ 17,910,075	\$ 1,598,619	\$ 27,344,484	\$ 213,544,189