

**JOHNSTON COUNTY, OKLAHOMA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2002**

This publication is printed and issued by the State Auditor and Inspector as authorized by 19 O.S. § 171. Pursuant to 74 O.S. § 3105, 35 copies have been prepared and distributed at a cost of \$109.20. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

October 8, 2003

TO THE CITIZENS OF
JOHNSTON COUNTY, OKLAHOMA

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

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

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

Sincerely,

JEFF A. McMAHAN
State Auditor and Inspector

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Johnston County.....	iii
County Officials and Responsibilities.....	iv
Ad Valorem Tax Distribution.....	ix

FINANCIAL SECTION

Report of State Auditor and Inspector.....	1
Special-Purpose Financial Statements:	
Statement of Receipts, Disbursements, and Changes in Cash Balances - All Funds.....	3
Comparative Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund.....	4
Comparative Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - County Health Department	7
Detailed Statement of Receipts, Disbursements, and Changes in Cash Balances - Sinking Fund.....	8
Detailed Statement of Receipts, Disbursements, and Changes in Cash Balances - Official Depository Accounts	9
Notes to the Financial Statements.....	10

SUPPLEMENTARY SCHEDULE

Schedule of Expenditures of Federal Awards	21
Notes to the Schedule of Expenditures of Federal Awards	22

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

COMPLIANCE/INTERNAL CONTROL SECTION

Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards 23

Report on Compliance With Requirements Applicable to Each Major Program
and Internal Control Over Compliance in Accordance With OMB Circular A-133 25

Schedule of Findings and Questioned Costs 27

STATISTICAL DATA (Unaudited)

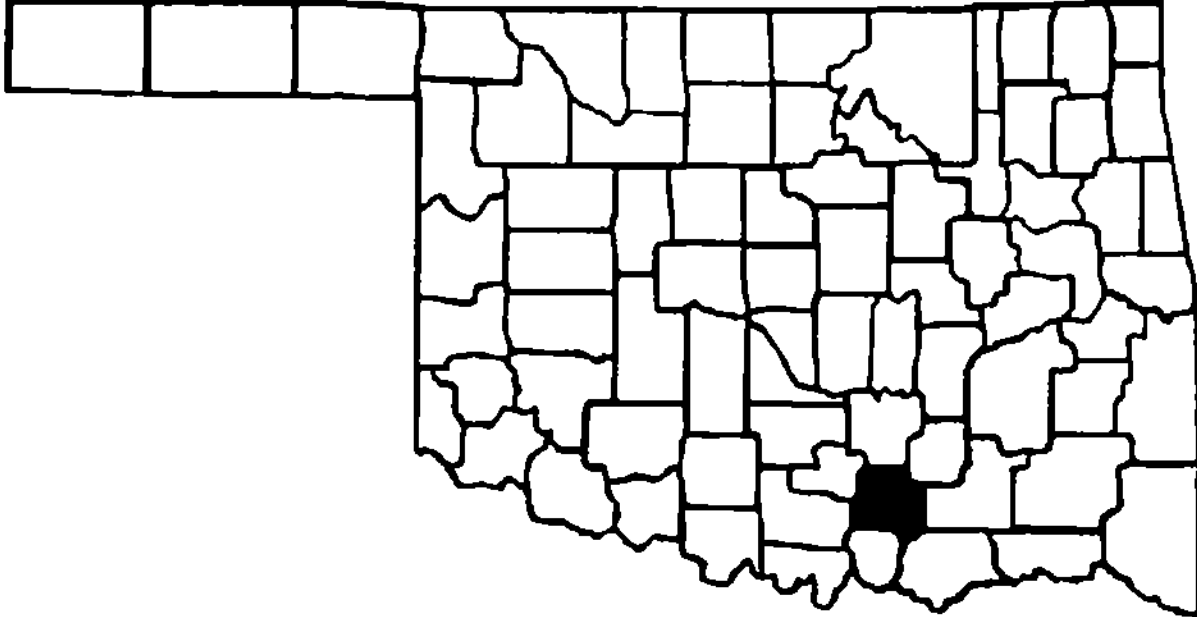
Top Ten Taxpayers..... 31

Computation of Legal Debt Margin 32

Ratio of Net General Bonded Debt to Assessed Value and
Net Bonded Debt Per Capita 33

Assessed Value of Property 34

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



Johnston County was named for Douglas H. Johnston, governor of the Chickasaw Nation. The county seat, Tishomingo, was the original capital of the Chickasaw Nation, and the old granite Chickasaw capital building was used as the Johnston County Courthouse.

Major industries in the County are Meridian Aggregates, Unimin, and U.S. Silica. Tishomingo is the home of Murray State College.

County Seat – Tishomingo

Area – 644.6 Square Miles

County Population – 10,310
(1999 est.)

Farms – 624

Land in Farms – 334,041 Acres

Source: Oklahoma Almanac 2001-2002

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Eugenia M. Wood
(D) Tishomingo

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
Delores Muse
(D) Tishomingo

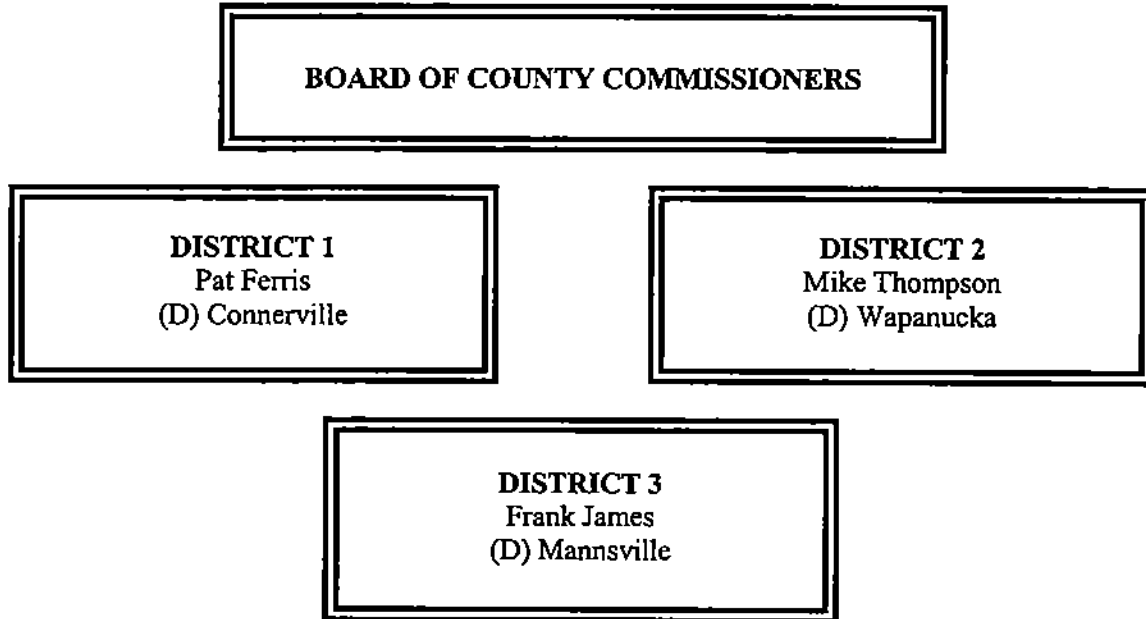
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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

Jon Smith
(D) Ravia

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

Myrna McDonald
(D) Tishomingo

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
Judy Beavers
(D) Tishomingo

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
Mitch Sperry
(D) Ardmore

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**

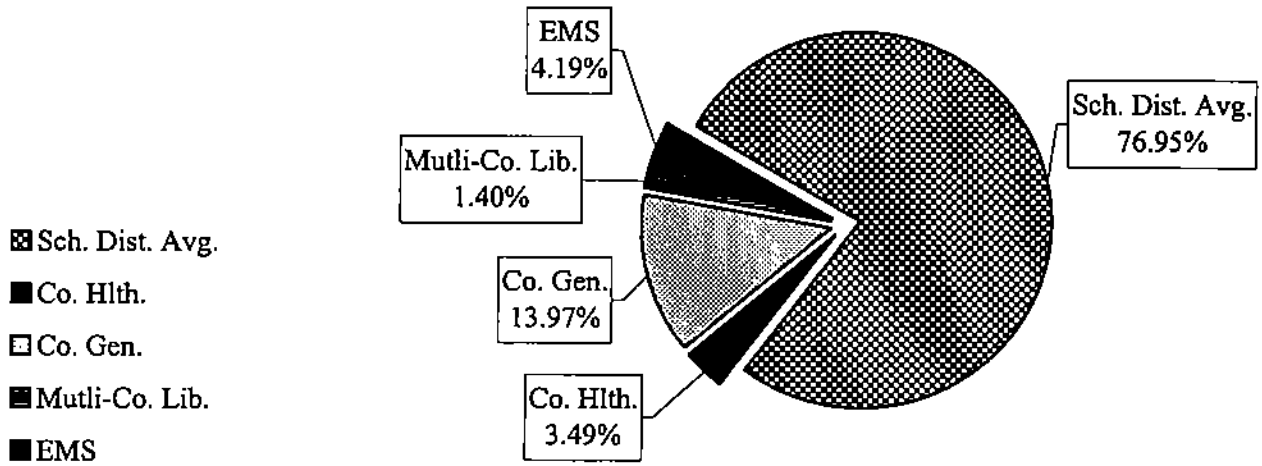
ELECTION BOARD SECRETARY
Janis Stewart
(D) Tishomingo

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
JOHNSTON COUNTY, OKLAHOMA
SHARE OF THE AVERAGE MILLAGE**

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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Vo-Tech	Common	Total
Co. General	10.00								
County Health	2.50	Mill Creek	I-2	35.00	5.00	8.01		4.00	52.01
Multi-Co. Library	1.00	Mannsville	D-7	35.00	5.00		10.00	4.00	54.00
EMS	3.00	Ravia	D-10	35.00	5.00	6.56		4.00	50.56
		Tishomingo	I-20	35.00	5.00	3.58		4.00	47.58
		Milburn	I-29	35.00	5.00			4.00	44.00
		Coleman	I-35	35.00	5.00	5.72		4.00	49.72
		Wapanucka	I-37	35.00	5.00	8.58	12.00	4.00	64.58
		Pontotoc	P-22	35.00	5.00	22.36	12	4.00	78.36

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
JOHNSTON COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Johnston County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These special-purpose financial statements are the responsibility of Johnston 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 Johnston 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 Johnston 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 Johnston 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, 2002, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2003, on our consideration of Johnston 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.

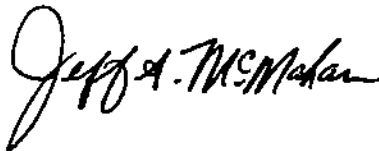
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Johnston County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits 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,



JEFF A. McMAHAN
State Auditor and Inspector

August 7, 2003

Special-Purpose Financial Statements

**JOHNSTON COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

All County Funds	Beginning Cash Balances July 1, 2001	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2002
County General Fund	\$ 704,223	\$ 1,035,325	\$ 946,826	\$ 792,722
T-Highway	988,079	1,632,457	1,929,158	691,378
County Health	63,723	102,777	65,602	100,898
Resale Property	18,484	38,786	43,926	13,344
County Clerk Fee Fund	5,070	3,014	6,767	1,317
County Clerk Preservation		13,445	3,155	10,290
Sheriff Cash Fund	76,773	116,025	75,853	116,945
Treasurer's Mort Cert Fee	2,314	2,633	1,046	3,901
Sheriff Unclaimed Property	1,443	472	1,182	733
Sheriff Drug Fund	17,749	1,041	4,314	14,476
Emergency 911	41,607	37,840	45,771	33,676
CENA		1,500	1,500	
Waste Grant	6,672	43,780	45,622	4,830
CIP		500		500
COPS Grant	3,243	46,448	24,035	25,656
Reward Fund	500			500
CSSP	1,029			1,029
Visual Inspection	702	10	710	2
Assessor's Revolving	541	556	518	579
Fair Barn Grant	350			350
Fair Barn Grant 2001		50,000	23,803	26,197
DA Council Grant	134	3		137
DARE Grant	457	9	221	245
CDBG Industrial Authority		200,000	200,000	
HUD Housing Grant		77,448	77,448	
Water Grant		4,241	4,241	
Sinking Fund	685	919		1,604
Jail One-Cent Sales Tax	234,219	95,519	82,963	246,775
Jail Bond Const Account		1,663,382	475	1,662,907
Johnston Co. Courthouse Bldg	167	2,200		2,367
Official Depository	50,512	3,973,411	3,888,876	135,047
Individual Redemption Fee	210	181	41	350
Individual Redemption		10,189	10,189	
Schools	16,103	2,287,795	2,271,031	32,867
Cities and Towns	6,129	86,625	86,621	6,133
EMS	704	123,331	122,350	1,685
Law Library	9,696	12,009	13,063	8,642
Multi-County Library	828	41,110	40,783	1,155
Johnston Co. Industrial Park	750			750
Hospital One-Cent Sales Tax	20,270	271,970	269,460	22,780
Free Fair	483		483	
Unapportioned Tax	6,222	208	6,388	42
Total County Funds	\$ 2,280,071	\$ 11,977,159	\$ 10,294,421	\$ 3,962,809

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

**JOHNSTON COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 704,221	\$ 704,221	\$ 704,223	\$ 2
Less: Prior Year Outstanding Warrants	(51,539)	(51,539)	(51,989)	(450)
Less: Prior Year Encumbrances	(21,311)	(21,311)	(19,853)	1,458
Beginning Cash Balances, Budgetary Basis	<u>631,371</u>	<u>631,371</u>	<u>632,381</u>	<u>1,010</u>
Receipts:				
Ad Valorem Taxes	360,712	360,712	397,633	36,921
Sales Tax	225,000	225,000	361,993	136,993
Charges for Services	40,000	40,000	48,645	8,645
Intergovernmental Revenues	65,170	65,169	110,152	44,983
Miscellaneous Revenues	45,000	54,859	116,902	62,043
Total Receipts, Budgetary Basis	<u>735,882</u>	<u>745,740</u>	<u>1,035,325</u>	<u>289,585</u>
Expenditures:				
District Attorney	7,000	7,000	7,000	
Total District Attorney	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>-</u>
County Sheriff	206,106	206,706	193,625	13,081
Capital Outlay	1	1		1
Total County Sheriff	<u>206,107</u>	<u>206,707</u>	<u>193,625</u>	<u>13,082</u>
County Treasurer	49,360	49,960	46,920	3,040
Capital Outlay	1	1		1
Total County Treasurer	<u>49,361</u>	<u>49,961</u>	<u>46,920</u>	<u>3,041</u>
OSU Extension				
Capital Outlay	1	1		
Total OSU Extension	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>
County Clerk	72,560	73,160	72,270	890
Capital Outlay		1		1
Total County Clerk	<u>72,560</u>	<u>73,161</u>	<u>72,270</u>	<u>891</u>
Court Clerk	48,720	49,320	46,920	2,400
Total Court Clerk	<u>48,720</u>	<u>49,320</u>	<u>46,920</u>	<u>2,400</u>

continued on next page

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

**JOHNSTON COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	47,520	48,120	48,120	
Capital Outlay	1	1		1
Total County Assessor	<u>47,521</u>	<u>48,121</u>	<u>48,120</u>	<u>1</u>
Revaluation of Real Property	95,000	94,955	49,751	45,204
Capital Outlay	19,502	19,502	73	19,029
Total Revaluation of Real Property	<u>114,502</u>	<u>114,457</u>	<u>50,224</u>	<u>64,233</u>
General Government	68,240	65,202	52,228	12,974
Total General Government	<u>68,240</u>	<u>65,202</u>	<u>52,228</u>	<u>12,974</u>
Excise-Equalization Board	2,400	2,400	1,500	900
Total Excise-Equalization Board	<u>2,400</u>	<u>2,400</u>	<u>1,500</u>	<u>900</u>
County Election Board	31,048	31,438	31,059	379
Total County Election Board	<u>31,048</u>	<u>31,438</u>	<u>31,059</u>	<u>379</u>
Insurance	105,008	105,039	105,671	(632)
Total Insurance	<u>105,008</u>	<u>105,039</u>	<u>105,671</u>	<u>(632)</u>
Sales Tax				
City and Rural Fire	107,270	107,011	30,115	76,896
Ambulance	45,165	45,165	45,165	
General	32,926	32,926	417	32,509
DHS	25,230	25,230	11,250	13,980
Emergency Management	20,833	20,833	180	20,653
Sheriff's Reserve Deputy	7,837	7,837	6,449	1,388
OSU Extension	35,454	35,517	35,514	3
Youth Shelter	67,058	67,058	6,801	60,257
Free Fair	10,676	12,676	8,711	3,965
General	55,043	59,040	717	58,323
Senior Citizens	53,252	53,511	10,744	42,767
Courthouse Renovation and Maintenance	44,113	41,113	21,081	20,032
Support of County Offices	75,820	79,241	78,780	461
General	30,140	30,140	21,902	8,238
Total Sales Tax	<u>610,817</u>	<u>617,298</u>	<u>277,826</u>	<u>339,472</u>

continued on next page

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

**JOHNSTON COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002**

continued from previous page

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
County Audit Budget	3,968	7,006	6,738	268
Total County Audit Budget	<u>3,968</u>	<u>7,006</u>	<u>6,738</u>	<u>268</u>
 Total Expenditures, Budgetary Basis	 <u>1,367,253</u>	 <u>1,377,111</u>	 <u>940,101</u>	 <u>437,010</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 <u>\$ -</u>	 727,605	 <u>\$ 727,605</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			13,449	
Add: Current Year Outstanding Warrants			<u>51,668</u>	
 Ending Cash Balance			 <u>\$ 792,722</u>	

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

**JOHNSTON COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL -
COUNTY HEALTH DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2002**

	County Health Department			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 63,723	\$ 63,723	\$ 63,723	\$ -
Less: Prior Year Outstanding Warrants	(2,575)	(2,575)	(2,575)	
Less: Prior Year Encumbrances	(4,572)	(4,572)	(1,874)	2,698
Beginning Cash Balances, Budgetary Basis	<u>56,576</u>	<u>56,576</u>	<u>59,274</u>	<u>2,698</u>
Receipts:				
Ad Valorem Taxes	90,178	85,911	99,424	13,513
Miscellaneous Revenues			3,353	3,353
Total Receipts, Budgetary Basis	<u>90,178</u>	<u>85,911</u>	<u>102,777</u>	<u>16,866</u>
Expenditures:				
Health and Welfare	120,000	123,225	63,223	60,002
Capital Outlay	26,754	19,262		19,262
Total Expenditures, Budgetary Basis	<u>146,754</u>	<u>142,487</u>	<u>63,223</u>	<u>79,264</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	98,828	<u>\$ 98,828</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			777	
Add: Current Year Outstanding Warrants			<u>1,293</u>	
Ending Cash Balance			<u>\$ 100,898</u>	

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

**JOHNSTON COUNTY, OKLAHOMA
DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2002**

Beginning Cash Balance	<u>\$ 685</u>
Receipts:	
Ad Valorem Tax	11
Miscellaneous	<u>908</u>
Total Receipts	<u>919</u>
Disbursements:	
G.O. Bonds	
County Judgments	
Interest Paid	
Total Disbursements	<u>-</u>
Ending Cash Balance	<u>\$ 1,604</u>

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

**JOHNSTON COUNTY, OKLAHOMA
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2002**

Official Depository Accounts	Beginning Cash Balances July 1, 2001	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2002
Ambulance	\$	\$ 3,574	\$ 3,574	\$	\$
County Health		4,385	4,385		
D.A. Victim/Witness Fund		33,906	36,803	2,997	100
State Victim/Witness Fund	686	500	805		381
Bogus Check	6				6
D.A. Drug Fund	266				266
County Clerk		82,201	107,411	25,210	
Tishomingo Family Clinic		6,854	6,913	59	
Johnston Co. Memorial Hospital		2,591,497	2,603,406	11,909	
Election Board	784	19,257	22,169	2,688	560
Sheriff Bond Fund		345,512	351,367	5,855	
Sheriff Foreign Service	285	2,106	1,882	495	1,004
Court Clerk	5,140	669,787	574,316	2,045	102,656
Court Clerk Revolving	563	3,924	579		3,908
Court Fund	19,525	184,953	199,896	36	4,618
Special Equip. Encumbrance - Court Clerk	13,614		3,755		9,859
Official Interest		1,792	1,919	127	
Motor Vehicle Tax Stamps	88	1,036	1,029		95
Treasurer's Tax Trust	9,555	22,127	21,237	1,149	11,594
Total Official Depository Accounts	<u>\$ 50,512</u>	<u>\$ 3,973,411</u>	<u>\$ 3,941,446</u>	<u>\$ 52,570</u>	<u>\$ 135,047</u>

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

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 Johnston 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.

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, 2002.

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-Insured	
- Vehicle	Group. (See ACCO-SIG.)	

**JOHNSTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

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-Insured 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 Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed authorized deductibles, the County would have surcharges assessed to pay the excess claims.

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.

OPEH&WP - The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. The pool has assessed additional premiums to be paid by its members in the current fiscal year.

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

Each January, employees who have worked for the County one full year earn ten days of vacation. Employees may not carry over more than five days of vacation per year. Any additional accrued vacation is lost if not used.

Sick leave shall accumulate at the rate of 10 hours for each full calendar month of service to the County and shall accrue up to a maximum of 45 days. When terminating employment, an employee may not collect pay for accrued 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 \$3,962,809 and the bank balance was \$3,955,991. 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

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

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

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.

County Clerk Fee Fund - 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.

Sheriff Cash Fund - accounts for the collection and disbursements of Sheriff process service fees as restricted by statute.

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

Sheriff Unclaimed Property - accounts for monies generated as a result of the sale of unclaimed property and the disbursements of the funds as restricted by statutes.

Sheriff Drug Fund - accounts for the collection of the Sheriff's percentage of drug forfeitures.

Emergency 911 - accounts for grant funds received for the purpose of a 911 service.

CENA - accounts for state grant funds received for the maintenance and operation of Senior Citizens Centers within the County.

Waste Grant - accounts for federal grant monies received for solid waste stations across the County.

CIP - accounts for state grant funds received for the purpose of capital improvements within the County.

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

**JOHNSTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Detailed Notes on Account Balances (continued)

Reward Fund - accounts for donations to be used as a reward for information leading to the arrest of vandals.

CSSP - accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

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.

Fair Barn Grant - accounts for state grant monies used for improvements to the Fair Barn.

Fair Barn Grant 2001 - accounts for state grant monies received used to construct a new Fair Barn.

DA Council Grant - accounts for grant monies received for the purchase of patrol cars.

DARE Grant - accounts for donations received by the Sheriff's office to administer the DARE program.

CDBG Industrial Authority - accounts for Community Development Block Grant monies received for the purpose of construction and renovation of industrial buildings.

HUD Housing Grant - accounts for federal grant monies received for the construction of homes for qualified applicants within the County.

Water Grant - accounts for federal grant monies received for the purpose of constructing a water tower.

Debt Service Fund - accounts for the payment of interest and principal on the matured portion of long-term bonded debt and civil judgments. Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

Jail One-Cent Sales Tax - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Jail Bond Construction Account - accounts for monies generated from the sale of bonds to construct a county jail.

Johnston County Courthouse Building - accounts for monies used for maintenance of the Johnston County Courthouse.

**JOHNSTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Detailed Notes on Account Balances (continued)

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

Individual Redemption Fee - accounts for fees collected from individual redemption.

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

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

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

EMS - accounts for monies collected on behalf of the EMS from ad valorem taxes and remitted to them monthly.

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

Multi-County Library - accounts for monies collected on behalf of the multi-county library from ad valorem taxes and remitted to them monthly.

Johnston County Industrial Park - accounts for monies collected from the Johnston County Industrial Authority to be used for the payment of utilities for the Industrial Park.

Hospital One-Cent Sales Tax - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Free Fair - accounts for the collection of revenue generated from building rent, booth rental, and other fees.

Unapportioned Taxes - accounts for taxes collected and being held for apportionment to various government entities.

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

Detailed Notes on Account Balances (continued)

Additionally, the following official depository accounts are described below:

Ambulance - accounts for daily collections of the ambulance service, deposited daily to the County and remitted monthly to the Ambulance service.

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

District Attorney Victim/Witness Fund - accounts for the collection of restitution and disbursements to victims.

State Victim/Witness Fund - accounts for collections received from the state to reimburse the County for witness expenses.

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

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

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

Tishomingo Family Clinic - accounts for daily collections of the Tishomingo Family Clinic, deposited daily to the County and remitted monthly to the Tishomingo Family Clinic.

Johnston County Memorial Hospital - accounts for daily collections of the Hospital. Money is disbursed back to the Hospital.

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

Sheriff Bond Fund - accounts for the collection of cash bonds and disbursed by court order.

Sheriff Foreign Service - accounts for all collection of foreign service fees. Monies are vouchered out at the end of the month to the Sheriff's service fee account.

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

Detailed Notes on Account Balances (continued)

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

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.

Court Clerk Special Equipment Encumbrance - accounts for a special encumbrance from the court fund approved by the Chief Justice of Oklahoma for the purpose of purchasing computer equipment.

Official Interest - accounts for interest earned on the official depository demand account.

Motor Vehicle Tax Stamps - accounts for collection derived from the sale of motor vehicle stamps. Two percent of collections is disbursed to OTC. The remaining 98 percent is divided equally between county general and schools.

Treasurer Tax Trust - accounts for miscellaneous collections held in trust for disbursements.

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, 2001, was approximately \$39,678,319.

The County levied 10.00 mills (the legal maximum) for general fund operations, 2.50 mills for the county health department, 1.00 mills for the multi-county library, and 3.00 mills for the emergency medical service. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

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

Detailed Notes on Account Balances (continued)

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

D. Pension Plan

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

E. Capital Leases

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

F. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

Johnston County, Oklahoma County Jail Bond of 2001 - The bonds in the amount of \$1,650,000 were issued November 1, 2001, for the purpose of erecting, equipping, and furnishing a new county jail.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 25 years from the date of issue. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Johnston County, Oklahoma County Jail Bond of 2001	3.899587%	<u>\$1,650,000</u>
Total		<u>\$1,650,000</u>

**JOHNSTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Detailed Notes on Account Balances (continued)

Annual debt service requirements to maturity for general obligation bonds, including interest of \$425,150, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$	\$ 97,913	\$ 97,913
2004		65,275	65,275
2005	200,000	59,975	259,975
2006	200,000	51,275	251,275
2007	200,000	44,275	244,275
2008-2012	1,050,000	106,437	1,156,437
Total	<u>\$1,650,000</u>	<u>\$425,150</u>	<u>\$2,075,150</u>

G. Fuel Tax

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

4. Contingent Liabilities

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

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

5. Sales Tax

The voters of Johnston County passed a two-cent (\$.02) sales tax. Fifty percent (1¢) is designated to fund various County functions, ¾¢ is designated for the County hospital, and the remaining ¼¢ is designated for construction of the County jail facility.

Schedule of Expenditures of Federal Awards

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

<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 HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grant	14.228	8730 CDBG-98	S 45,485
Community Development Block Grant	14.228	8936 CDBG-98	4,241
Community Development Block Grant	14.228	10083 CDBG ED 01	200,000
Passed Through Oklahoma Housing Finance Agency:			
Home Investment Partnerships Program	14.239	8884 HOME 00	<u>77,448</u>
Total U.S. Department of Housing and Urban Development			<u>327,174</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Payment in Lieu of Taxes	15.226		<u>63,377</u>
Total U.S. Department of Interior			<u>63,377</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Community Oriented Policing Services (COPS in School)	16.710	2001 UMWX 0225	<u>21,448</u>
Total U.S. Department of Justice			<u>21,448</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Oklahoma State Department of Civil Emergency Management:			
Public Assistance Grants	83.544		<u>150,938</u>
Total Federal Emergency Management Agency			<u>150,938</u>
Total Expenditures of Federal Awards			<u>\$ 562,937</u>

**JOHNSTON COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Johnston 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
JOHNSTON COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Johnston County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated August 7, 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 Johnston 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 Johnston 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 2002-1, 2002-2, 2002-3, 2002-4, and 2002-5.

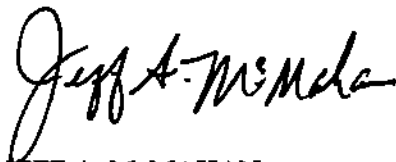
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 2002-1, 2002-2, 2002-3, 2002-4, and 2002-5 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,



JEFF A. McMAHAN
State Auditor and Inspector

August 7, 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
JOHNSTON COUNTY, OKLAHOMA

We have audited the compliance of Johnston 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, 2002. Johnston 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 Johnston County's management. Our responsibility is to express an opinion on Johnston 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 Johnston 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 Johnston County's compliance with those requirements.

In our opinion, Johnston 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, 2002.

Internal Control Over Compliance

The management of Johnston 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 Johnston 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.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Johnston County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2002-6.

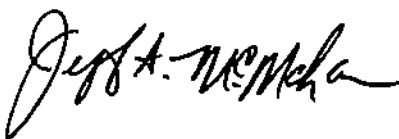
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to 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. Our consideration of the internal control over compliance 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 believe the reportable condition described above is a material weakness.

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

August 7, 2003

Schedule of Findings and Questioned Costs

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

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?	Yes
• 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)

14.228

15.226

Name of Federal Program or Cluster
Community Development Block Grant
Payment in Lieu of Taxes

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

No

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

SECTION 2 - Financial Statement Findings

Finding 2002-1 – Fixed Assets Inventory

Criteria: An aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, effected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguard assets from loss, damage, or misappropriation. Further, Title 19 O.S. 2001, § 178.1 states, "The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made apart of lands and buildings, the cost of which as to each complete working unit thereof is more than Two Hundred Fifty Dollars (\$250.00), and therefore maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter..."

Condition: The County does not perform a biennial verification of the fixed asset inventory.

Recommendation: We recommend that the Board of County Commissioners cause a biennial inventory to be taken of all working tools, apparatus, machinery, and equipment belonging to the County. We also recommend that these inventories be documented on form #3512.

Management's Response: All officers are currently updating inventory records and will complete the form #3512.

Finding 2002-2 – Accumulated Leave Balances

Criteria: Effective internal control includes procedures which provide support and documentation for accounting records. Timesheets and leave balance records should provide supporting documentation for payroll claims.

Condition: During a review of accumulated leave balances it was noted that as of June 30, 2002, an employee for the Sheriff's office had a negative sick leave balance of 171.80 hours.

Recommendation: We recommend the payroll clerk implement procedures to assure that employees' leave balances do not decrease below a zero balance. Furthermore, we recommend employees that exceed their balance enter into leave without pay status.

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

Finding 2002-3 – Johnston County Estimate of Needs

Criteria: Title 68 O.S. 2001, § 3002(A) states, "Each board of county commissioners and the board of education of each school district, shall meet on the first Monday in August of each year, and they shall, respectively, make, in writing, a financial statements, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and prior to September 1, shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statement shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct.

Condition: Upon review of the County's estimate of needs, we determined the following: Collections per the estimate of needs within the general and health funds do not agree to the County Treasurer's apportionments; twenty special revenue funds were omitted from the estimates of needs; outstanding warrants per the estimate of needs do not agree to the Treasurer's warrants issued for the highway fund.

Recommendation: We recommend the County review the estimate of needs prior to approval to ensure that all funds are present and accurate.

Management's Response: We concur with the auditors' findings. We have implemented procedures to ensure that all funds are presented accurately on the estimate of needs.

Finding 2002-4 – Cash Bond Receipts

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, fines, forfeitures and public charges of every kind received or collected by virtue or under color of office ..." Effective internal controls should provide for procedures wherein receipts for the monies collected are maintained and available for inspection.

Condition: The cash bond receipt book containing receipts dated July 1, 2001 thru October 4, 2001, was missing and not available for audit.

Recommendation: We recommend all monies collected be deposited daily. We further recommend that all records for each fiscal year be maintained and available for audit.

Management's Response: We concur with the auditors' findings. The Sheriff's office is researching this matter and has implemented procedures to ensure that records are maintained.

Finding 2002-5 – Encumbrances in Excess of Appropriations

Criteria: Effective accounting procedures are necessary to ensure stewardship and accountability of public funds. Further, Title 62 O.S. 2001, § 310.2 states, “No purchase order shall be paid until approved by the officer, board or commission having charge of the office or department for which the appropriation is available and from which such payment is proposed to be made, provided that no indebtedness for any purpose shall be incurred in excess of the appropriation for that purpose”

Condition: We noted the County encumbered funds in excess of appropriations for insurance benefits in the general fund by \$632.

Recommendation: We recommend the County follow procedures to ensure indebtedness is not incurred in excess of budgeted appropriations.

Management’s Response: We concur with the auditors’ findings. County officials will make a greater effort to adhere to purchasing procedures outlined in state statutes.

SECTION 3 – Federal Award Findings and Questioned Costs

Finding 2002-6

Criteria: OMB Circular 102 subpart C states, “Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligated balances, assets, unobligated balances, assets, liabilities, outlays or expenditures, and income.” In addition, the CDBG-EDIF Administration Agreement states, “The Contractor (Johnston County) is charged with the supervision, oversight, and review of the administration of the CDBG-EDIF loan and project, regardless of the delegation of certain administrative functions as set forth in this agreement.”

Condition: During a review of CDBG project #10083 ED 01, it was noted that the County Clerk did not maintain a grant file including a grant agreement or supporting documentation. Additionally, we reviewed documentation from a monitoring visit conducted by the Oklahoma Department of Commerce that states upon their review the programmatic files were not present at the courthouse.

Recommendation: We recommend that the County maintain records including but not limited to the grant agreement, documentation for the purchase of the land and building, the state environmental review, and quarterly job status reports.

Management’s Response: We concur with the auditors’ findings. Management has implemented procedures to ensure that grant files are maintained in the courthouse and include all supporting documentation.

**Statistical Data
(Unaudited)**

**JOHNSTON COUNTY, OKLAHOMA
TOP TEN TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2002
(UNAUDITED)**

<u>TAXPAYER</u>	<u>JANUARY 1, 2001 NET ASSESSED VALUATION</u>	<u>% OF TOTAL NET VALUATION</u>
1 Meridian Aggregates Co.	\$ 2,189,218	5.52%
2 Sundowner Trailers	1,738,416	4.38%
3 OG&E	1,474,058	3.71%
4 Southwestern Bell	1,284,339	3.24%
5 Unimin Corp	1,007,253	2.54%
6 Seaway Pipeline Co	981,641	2.47%
7 Koch/Okie Pipeline	943,077	2.38%
8 Alltel Okla Inc.	932,298	2.35%
9 U.S. Silica	887,293	2.24%
10 Natural Gas Pipeline of America	841,724	2.12%
Total	<u>\$ 12,279,317</u>	<u>30.95%</u>

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

**JOHNSTON COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2002
(UNAUDITED)**

Total net assessed value as of January 1, 2001		<u>\$ 39,678,319</u>
Debt Limit - 5% of total assessed value		1,983,916
Total bonds outstanding	1,650,000	
Less cash in sinking fund	<u>1,604</u>	<u>1,648,396</u>
Legal Debt Margin		<u>\$ 335,520</u>

**JOHNSTON COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE YEAR ENDED JUNE 30, 2002
(UNAUDITED)**

	2002
Estimated population	10,310
Net assessed value	\$ 39,678,319
Gross bonded debt	1,650,000
Less available sinking fund cash balance	1,604
Net bonded debt	\$ 1,648,396
Ratio of net bonded debt to assessed value	4.15%
Net bonded debt per capita	\$ 160

**JOHNSTON COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE YEAR ENDED JUNE 30, 2002
(UNAUDITED)**

<u>Tax Year</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
2002	\$ 8,526,105	\$ 9,052,660	\$ 24,870,528	\$ 2,770,974	\$ 39,678,319	\$ 319,453,730