

**JOHNSTON 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

February 17, 2005

TO THE CITIZENS OF  
JOHNSTON COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMAHAN". The signature is stylized with a large, looped "J" and "M".

JEFF A. McMAHAN  
State Auditor and Inspector

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

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

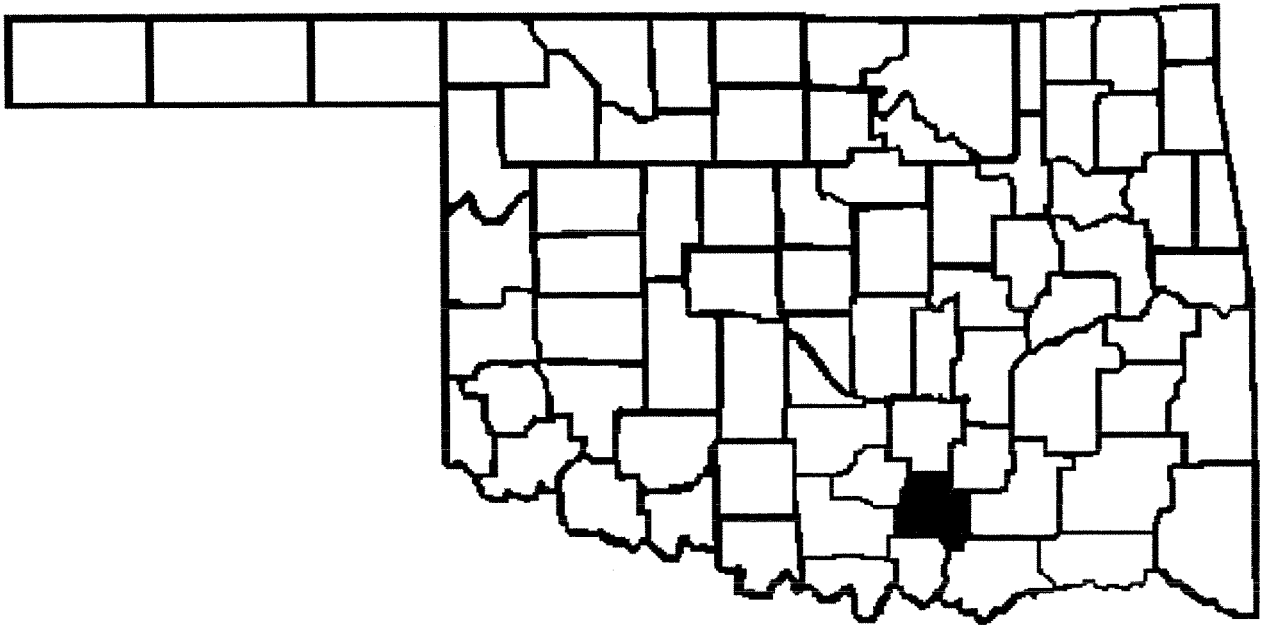
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REPORT TO THE CITIZENS  
OF  
JOHNSTON COUNTY, OKLAHOMA

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Johnston County was created at statehood and named for Douglas H. Johnston, governor of the Chickasaw Nation. The county seat, Tishomingo, is the historic capital of the Chickasaw Nation.

Major industries in the county are Meridian Aggregates, Unimin, U.S. Silica, and Sundowner Trailers. Wildlife and recreational areas include the Tishomingo National Wildlife Refuge, the Federal Fish Hatchery and Catfish Research Center near Reagan, and the Blue River Public Hunting and Fishing are north of Tishomingo. Blue River is stocked with trout every fall and trout derbies are held in February and November each year.

Tishomingo is the home of Murray State College and the Chickasaw Council House Museum. Johnston County was the home of both William H. Murray and son Johnston Murray, governors of Oklahoma; and entertainer Gene Autry.

*Johnston County History* and other books by the Johnston County Historical Society document the history of the area. For additional information, call the county clerk at 580/371-3184.

County Seat – Tishomingo

Area – 644.6 Square Miles

County Population - 10,513 (2000 est.)

Farms – 624

Land in Farms - 334,041 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**JOHNSTON COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**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.

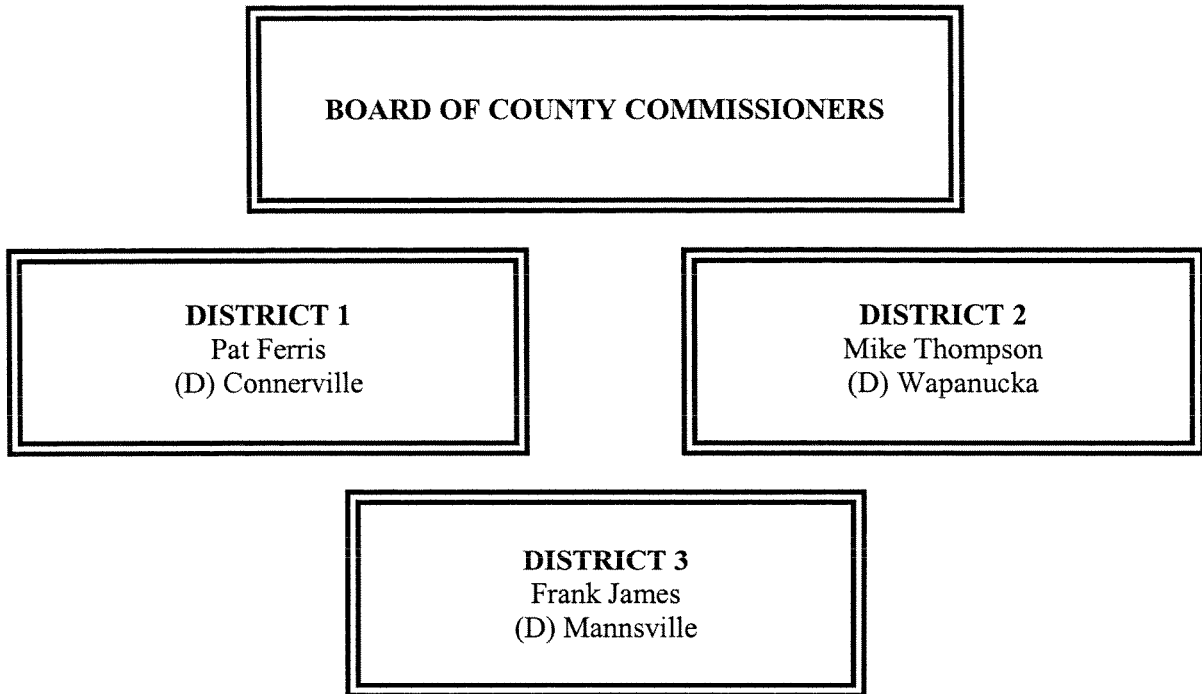
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. 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.

**JOHNSTON COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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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.

**JOHNSTON COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**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.



**JOHNSTON COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**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.

**JOHNSTON COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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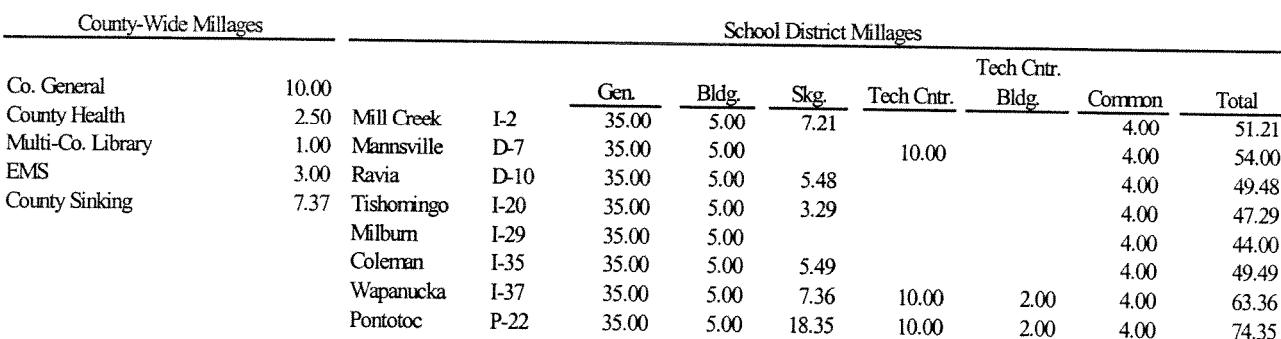
**ELECTION BOARD SECRETARY**

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.

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.



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## **Financial Section**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Independent Auditor's Report**

TO THE OFFICERS OF  
JOHNSTON COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Johnston 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 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 the 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 November 22, 2004, 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, and contracts. 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.

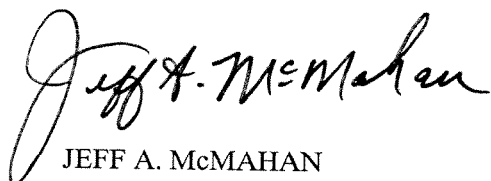
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Johnston County, Oklahoma, taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Section* has not been audited by us, and accordingly, we express no opinion on such information.

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 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. McMAHAN". The signature is written in a cursive style with a large, stylized "J" and "M".

JEFF A. McMAHAN  
State Auditor and Inspector

November 22, 2004

## **Special-Purpose Financial Statements**

**JOHNSTON 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	\$ 792,722	\$ 1,069,281	\$ 941,094	\$ 920,909
T-Highway	691,378	1,607,074	1,574,165	724,287
Resale Property	13,344	37,126	37,889	12,581
County Health	100,898	104,127	65,694	139,331
Sheriff Cash Fund	116,945	80,199	113,361	83,783
Sheriff Unclaimed Property	733			733
DARE Grant	245	2		247
Treasurer's Mortgage Certificate Fee	3,901	2,490	2,813	3,578
County Clerk Fee Fund	1,317	3,056	2,409	1,964
Community Service Sentencing Program	1,029			1,029
Visual Inspection	2			2
Assessor's Revolving	579	972		1,551
Johnston County Courthouse Building	2,367		74	2,293
Sheriff Drug Fund	14,476	1,486	2,567	13,395
HUD Housing Grant		17,952	17,952	
Water Grant		92,934	92,934	
Waste Grant	4,830			4,830
Fair Barn Grant	350	93	147	296
Fair Barn Grant 2001	26,197	24,907	7,227	43,877
Fair Barn Reap		40,000		40,000
COPS Grant	25,656	34,649	24,436	35,869
CIP	500			500
Reward Fund	500			500
County Clerk Preservation	10,290	11,860		22,150
CDBG 10504 Comm. Revitalization		4,500	4,500	
Individual Redemption		10,746	10,419	327
Individual Redemption Fee	350	165	515	
Schools	32,867	2,293,988	2,236,905	89,950
Cities and Towns	6,133	86,906	87,079	5,960
Law Library	8,642	13,859	13,282	9,219
Emergency 911	33,676	39,080	65,994	6,762
Emergency Medical Service	1,685	124,967	121,477	5,175
Hospital One-Cent Sales Tax	22,780	258,832	260,916	20,696
Multi-County Library	1,155	41,651	40,487	2,319
District Attorney Council Grant	137	14,736	14,725	148
Johnston County Industrial Park	750			750
Jail One-Cent Sales Tax	246,775	88,417	96,252	238,940
Official Depository	135,047	2,552,612	2,520,514	167,145
Jail Bond Construction Account	1,662,907	16,027	343,057	1,335,877
Unapportioned Tax	42	828	870	
Protest Tax		61,659		61,659
Emergency Medical Service Reap 03-145		8,390		8,390
Sinking Fund	1,604	295,667	98,363	198,908
<b>Total County Funds</b>	<b>\$ 3,962,809</b>	<b>\$ 9,041,238</b>	<b>\$ 8,798,117</b>	<b>\$ 4,205,930</b>

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, 2003**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 793,171	\$ 779,589	\$ 792,722	\$ 13,133
Less: Prior Year Outstanding Warrants	(51,668)	(51,668)	(51,668)	
Less: Prior Year Encumbrances	(13,449)	(13,449)	(12,303)	1,146
Beginning Cash Balances, Budgetary Basis	<u>728,054</u>	<u>714,472</u>	<u>728,751</u>	<u>14,279</u>
Receipts:				
Ad Valorem Taxes	379,031	379,031	394,912	15,881
Sales Tax	225,000	225,000	350,678	125,678
Charges for Services	40,219	40,219	100,449	60,230
Intergovernmental Revenues	62,000	62,000	69,138	7,138
Miscellaneous Revenues			154,104	154,104
Total Receipts, Budgetary Basis	<u>706,250</u>	<u>706,250</u>	<u>1,069,281</u>	<u>363,031</u>
Expenditures:				
District Attorney	7,000	7,000	6,139	861
Total District Attorney	<u>7,000</u>	<u>7,000</u>	<u>6,139</u>	<u>861</u>
County Sheriff	202,706	204,206	192,971	11,235
Total County Sheriff	<u>202,706</u>	<u>204,206</u>	<u>192,971</u>	<u>11,235</u>
County Treasurer	46,961	46,921	46,920	1
Total County Treasurer	<u>46,961</u>	<u>46,921</u>	<u>46,920</u>	<u>1</u>
County Clerk	74,571	74,576	69,816	4,760
Total County Clerk	<u>74,571</u>	<u>74,576</u>	<u>69,816</u>	<u>4,760</u>
Court Clerk	49,320	49,320	46,920	2,400
Capital Outlay		1		1
Total Court Clerk	<u>49,320</u>	<u>49,321</u>	<u>46,920</u>	<u>2,401</u>
County Assessor	48,120	48,120	48,120	
Capital Outlay		1		
Total County Assessor	<u>48,120</u>	<u>48,121</u>	<u>48,120</u>	<u>-</u>
Revaluation of Real Property	95,000	77,000	37,429	39,571
Capital Outlay	29,233	29,233		29,233
Total Revaluation of Real Property	<u>124,233</u>	<u>106,233</u>	<u>37,429</u>	<u>68,804</u>

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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, 2003**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
General Government	68,240	64,468	62,576	1 892
Total General Government	68,240	64,468	62,576	1,892
Excise - Equalization Board	2,400	2,400	1,650	750
Total Excise - Equalization Board	2,400	2,400	1,650	750
County Election Board	31,438	32,432	31,712	720
Total County Election Board	31,438	32,432	31,712	720
Insurance	64,885	67,062	66,999	63
Total Insurance	64,885	67,062	66,999	63
Sales Tax:				
City and Rural Fire	126,845	120,209	31,400	88 809
Ambulance	49,830	49,830	49,830	
General	39,627	39,627	752	38 875
Department of Human Services	24,658	24,658	13,006	11 652
Emergency Management	24,212	25,210	1,171	24 039
Sheriff's Reserve Deputy	4,947	4,947	2,870	2 077
OSU Extension	41,657	28,693	28,651	42
Youth Shelter	74,495	74,495	3,703	70 792
Free Fair	10,601	12,519	8,661	3 858
General	72,732	82,700	13,446	69 254
Senior Citizens	60,563	60,563	11,267	49 296
Courthouse Renovation and Maintenance	59,185	48,220	47,916	304
Support of County Offices	85,665	105,398	104,025	1 373
General	35,243	36,743	22,358	14 385
Total Sales Tax	710,260	713,812	339,056	374,756
County Audit Budget	4,170	4,170	4,170	
Total County Audit Budget	4,170	4,170	4,170	-
Total Expenditures, Budgetary Basis	1,434,304	1,420,722	954,478	466,244

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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, 2003**

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continued from previous page

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	843,554	<u>\$ 843,554</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			24,944	
Add: Current Year Outstanding Warrants			<u>52,411</u>	
Ending Cash Balance			<u>\$ 920,909</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 FUND**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 101,878	\$ 101,878	\$ 100,898	\$ (980)
Less: Prior Year Outstanding Warrants	(1,293)	(1,293)	(1,293)	
Less: Prior Year Encumbrances	(777)	(777)	(308)	469
Beginning Cash Balances, Budgetary Basis	99,808	99,808	99,297	(511)
Receipts:				
Ad Valorem Taxes	94,757	94,757	101,304	6,547
Miscellaneous		62,687	2,823	(59,864)
Total Receipts, Budgetary Basis	94,757	157,444	104,127	(53,317)
Expenditures:				
Health and Welfare	155,000	177,687	65,495	112,192
Capital Outlay	39,565	79,565	7,150	72,415
Total Expenditures, Budgetary Basis	194,565	257,252	72,645	184,607
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	130,779	\$ 130,779
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			7,529	
Add: Current Year Outstanding Warrants			1,023	
Ending Cash Balance			\$ 139,331	

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, 2003**

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Beginning Cash Balance	<u>\$ 1,604</u>
Receipts:	
Ad Valorem Tax	291,732
Miscellaneous	<u>3,935</u>
Total Receipts	<u>295,667</u>
Disbursements:	
Interest and Fees	<u>98,363</u>
Total Disbursements	<u>98,363</u>
Ending Cash Balance	<u>\$ 198,908</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, 2003**

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
County Health	\$	\$ 63,724	\$ 63,724	\$	\$
District Attorney Victim/Witness Fund	100	23,656	23,954	1,352	1,154
State Victim/Witness Fund	381	300	269		412
Bogus Check	6				6
District Attorney Drug Fund	266		266		
County Clerk		64,480	79,187	14,707	
Tishomingo Family Clinic		854	854		
Johnston County Memorial Hospital		601,894	649,373	47,479	
Election Board	560	26,437	27,680	2,093	1,410
Sheriff Bond Fund		506,200	507,215	1,015	
Sheriff Foreign Service	1,004	1,547	2,396		155
Court Clerk	102,656	1,007,719	1,021,013	11,253	100,615
Court Clerk Revolving	3,908	6,291	2,083		8,116
Court Fund	4,618	219,919	188,269	34	36,302
Special Equipment Encumbrance - Court Clerk	9,859				9,859
Official Interest		4,486	4,486		
Motor Vehicle Stamps	95	1,232	1,236		91
Treasurer's Tax Trust	11,594	23,873	26,497	55	9,025
<b>Total Official Depository Accounts</b>	<b>\$ 135,047</b>	<b>\$ 2,552,612</b>	<b>\$ 2,598,502</b>	<b>\$ 77,988</b>	<b>\$ 167,145</b>

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

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.

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

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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 Comparative Statements of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the 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	deductibles, the County could
- Errors and Omissions	pool; Association of	have to pay its share of the pool
- Law Enforcement	County Commissioners of	deficit. A judgment could be
Officers Liability	Oklahoma-Self-Insurance	assessed for claims in excess
- Vehicle	Group (ACCO-SIG).	of the pool's limits.
Physical Plant		
- Theft		
- Damage to Assets		
- Natural Disasters		



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

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Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Worker's Compensation - Employees' Injuries	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Employee - Medical - Disability - Dental - Life	The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed pool assets, the members 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 chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$50,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

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

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. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Management believes coverage is sufficient to preclude any significant uninsured losses to the County.

G. Compensated Absences

Employees accrue annual leave based on years of service. Accrual rates are: 0 to 1 year of service earn 4 hours per month, employees with 1 to 10 years of service earn 7 hours per month, and employees with 10 plus years of service earn 10 hours per month. Employees are allowed to accumulate a maximum of 40 hours of annual leave. Upon termination of employment, employees will be paid for accumulated annual leave up to the accumulation limit.

Summary of Significant Accounting Policies (continued)

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 Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$4,205,930 and the bank balance was \$4,216,755. 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 and § 348.3 allow the following types of investments:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

B. Description of Funds

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

Detailed Notes on Funds and Account Balances (continued)

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

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

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

Sheriff Cash Fund – accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

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

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

Treasurer's Mortgage Certificate Fee – accounts for the collection of fees by the County Treasurer for mortgage tax certificates and disbursements as restricted by statutes.

County Clerk Fee Fund – accounts for lien collections and disbursements as restricted by statutes.

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

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

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

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

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

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.

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

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Detailed Notes on Funds and Account Balances (continued)

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

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 and used to construct a new Fair Barn.

Fair Barn Reap – accounts for state grant monies received to construct a new Fair Barn.

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

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

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

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

CDBG 10504 Community Revitalization – accounts for federal funds used for community handicap improvements, road improvements, and repairs to district barns.

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

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

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 cities and towns in Johnston County from ad valorem taxes, state and local revenues, and remitted to them monthly.

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

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

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

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Detailed Notes on Funds and Account Balances (continued)

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

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.

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

District Attorney Council Grant – accounts for grant monies received for the purchase of patrol cars.

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.

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.

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

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

Unapportioned Tax – accounts for miscellaneous collections being held for apportionment to various government entities.

Protest Tax – accounts for ad valorem taxes collected in protest.

Emergency Medical Service Reap 03-145 – accounts for state grant funds used for capital improvements for the Emergency Medical Service.

Sinking Fund – accounts for the payment of interest and principal on the matured portion of long-term bonded debt. 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.

The following narrative details the official depository accounts.

County Health – 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.

**JOHNSTON COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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District Attorney Victim/Witness Fund – accounts for the collection of restitution and disbursement to victims.

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

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 Fund – accounts for collections from fines, fees, and forfeitures and disbursement 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.

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

Sheriff Bond Fund – accounts for reimbursement of elections and is disbursed for refunds of election fees and maintenance and operation of the office.

Sheriff Foreign Service – accounts for all collections of foreign services fees. Monies are vouchered out at the end of the month to the sheriff service fee account.

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

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.

Special Equipment Encumbrance – Court Clerk – 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.

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

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Detailed Notes on Funds and Account Balances (continued)

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

Treasurer's Tax Trust – accounts for miscellaneous collections held in trust for disbursement.

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 \$41,693,403.

The County levied 10.00 mills (the legal maximum) for general fund operations, 2.50 mills for the county health department, 1.00 mill for the multi-county library, 7.37 mills for debt service, 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.

Current year tax collections for the year ended June 30, 2003, were approximately 96.54 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,

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

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Detailed Notes on Funds and Account Balances (continued)

establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

E. Capital Leases

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

F. General Obligation Bonds

The government issued 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, 2003**

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Detailed Notes on Funds and Account Balances (continued)

Annual debt service requirements to maturity for general obligation bonds, including interest of \$327,238, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 0	\$ 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	200,000	36,925	236,925
2009-2012	850,000	69,513	919,513
Total	<u>\$1,650,000</u>	<u>\$327,238</u>	<u>\$1,977,238</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.

5. Sales Tax

The voters of Johnston County passed a two-cent (\$.02) sales tax. Fifty percent (\$.01) is designated to fund various County functions, (3/4) is designated for the County hospital, and the remaining (1/4) is designated for construction of the County jail facility.

## **Compliance and Internal Control Section**



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, 2003, and have issued our report thereon dated November 22, 2004. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Johnston County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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*. However, we noted a certain immaterial instance of noncompliance, which we reported to management and is included in Section 2 of the schedule of findings, contained within this report.

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 as items 2003-1, 2003-2, 2003-3, and 2003-4.

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, of the reportable conditions described above, we consider items 2003-1 and 2003-4 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 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, reading "Jeff A. McMahen". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN  
State Auditor and Inspector

November 22, 2004

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

**Finding 2003-1 - Segregation of Duties (Repeat Finding)**

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation is an important element of effective internal control over government assets and resources.

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 structure.

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

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

**Finding 2003-2 - Written Disaster Recovery Plan**

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT Delivery & Support 4.3), management should ensure that a written Disaster Recovery Plan is documented and contains 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 defined,
- Training and/or awareness of individual and group roles in continuity plan,
- Listing of contracted service providers,
- Logistical information on location of key 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: The County does not have a written Disaster Recovery Plan.

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.

Management's Response: Each office will work to implement a formal Disaster Recovery Plan.

#### **Finding 2003-3 - Written Policies and Procedures**

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT Delivery and Support 7), 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: The County does not have a written policies and procedures addressing information security or provide adequate awareness training.

Recommendation: We recommend the County establish Information Security policies and procedures. A security awareness training program should be established and all employees using computers required to participate.

Management's Response: The County officials will work to prepare and implement policies and procedures for the information systems.

#### **Finding 2003-4 - Sheriff's Official Depository**

Criteria: Effective internal controls include that receipts be issued in sequential order for all monies received and that deposits be made in a timely manner. Title 19 O.S. 2001, § 682 states, "It shall be the duty of each and every county officer...to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, property, fees, fines, forfeitures, and public charges of every kind received or collected by virtue or under color of office." Also, all accounting records should be retained and available for audit purposes.

Condition: While performing cash compositions for the Sheriff's Official Depository Account, the following was noted:

1. Receipts are not issued for all monies received,
2. Foreign Service Receipts #530 for \$35 and #351 for \$2 could not be traced to a deposit,
3. Deposits are not being made in a timely manner, and

**JOHNSTON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
JUNE 30, 2003**

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4. Cash Bond receipt books dated July 1, 2002 through November 9, 2002, and March 23, 2003 through October 23, 2003, could not be traced.

Recommendation: We recommend that duplicate, pre-numbered receipts be issued for all monies received in the Sheriff's office and that all collections be deposited daily. Also, receipt books should be safeguarded against loss and retained for the time period required by state statute.

Management's Response: We concur with the auditor's findings and are implementing procedures for the safeguarding and timely deposit of all official depository collections.

**SECTION 2 - Other Findings - This section contains findings not required to be reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, but which we believed were significant enough to bring to the County's attention. We recommend that the County consider these matters and take appropriate corrective action.**

**Finding 2003-5 - Fixed Assets Inventory**

Criteria: 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 a part 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 or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter...."

Condition: All offices, except the County Treasurer and County Clerk, do not perform a biennial verification of the fixed assets 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 will work together to compile a complete listing of County inventory. We will also try to conduct a physical inventory of all items once every two years.

**JOHNSTON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
JUNE 30, 2003**

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**Finding 2003-6 – 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 statement, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30<sup>th</sup>, 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 for the fiscal year ending June 30, 2003, we determined that twenty-two special revenue funds were omitted from the estimate of needs.

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.



**Statistical Section  
(Unaudited)**

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

<b>TAXPAYER NAME</b>	<b>ASSESSED VALUE</b>	<b>% OF TOTAL NET VALUATION</b>
Meridian Aggregates Co.	\$ 2,188,042	5.25%
Sundowner Trailers	1,836,056	4.40%
Southwestern Bell	1,652,900	3.96%
OG&E	1,498,226	3.59%
Seaway Crude Pipeline	1,233,134	2.96%
US Silica	1,014,788	2.43%
Alltell Oklahoma	916,209	2.20%
Natural Gas Pipeline of America	857,116	2.06%
Koch Pipeline/Okie Pipeline	852,750	2.05%
TXI Operations LP	834,030	2.00%
	<u>\$ 12,883,251</u>	<u>30.90%</u>
Total		

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

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

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Total net assessed value as of January 1, 2002		<u>\$ 41,693,403</u>
Debt limit - 5% of total assessed value		2,084,670
Total bonds outstanding	1,650,000	
Total judgments outstanding	-	
Less cash in sinking fund	<u>198,908</u>	<u>1,451,092</u>
Legal debt margin		<u>\$ 633,578</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, 2003**  
**(UNAUDITED)**

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	<u>2003</u>
Estimated population	<u>10,513</u>
Net assessed value as of January 1, 2002	<u>\$ 41,693,403</u>
Gross bonded debt	1,650,000
Less available sinking fund cash balance	<u>198,908</u>
Net bonded debt	<u>\$ 1,451,092</u>
Ratio of net bonded debt to assessed value	<u>3.48%</u>
Net bonded debt per capita	<u>\$ 138</u>

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

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<u>Valuation Date</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>
1/1/2002	\$9,001,145	\$9,795,212	\$25,660,623	\$2,763,577	\$41,693,403	\$359,630,673