

**JOHNSTON COUNTY, OKLAHOMA  
SPECIAL-PURPOSE FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2004**

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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, 2004. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in black ink, reading "Jeff A. McMahon". The signature is stylized with a large, flowing "J" and "M".

JEFF A. McMAHAN  
State Auditor and Inspector

JOHNSTON COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

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**JOHNSTON COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

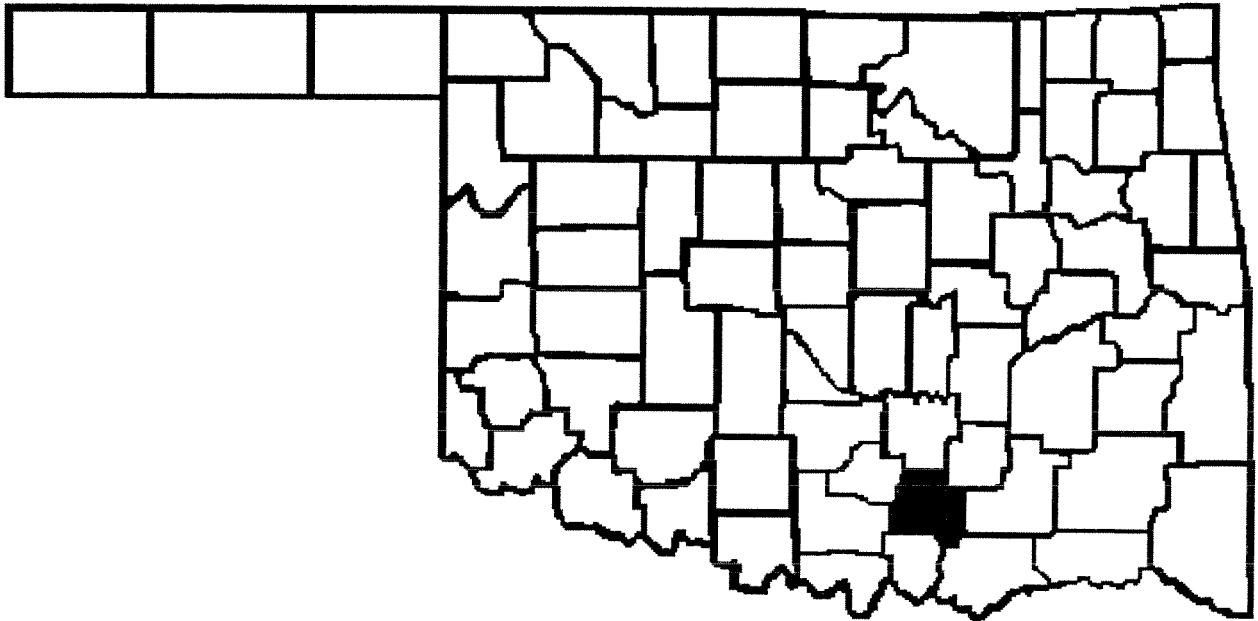
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REPORT TO THE CITIZENS  
OF  
JOHNSTON COUNTY, OKLAHOMA

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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**

Kathy Ross  
(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.

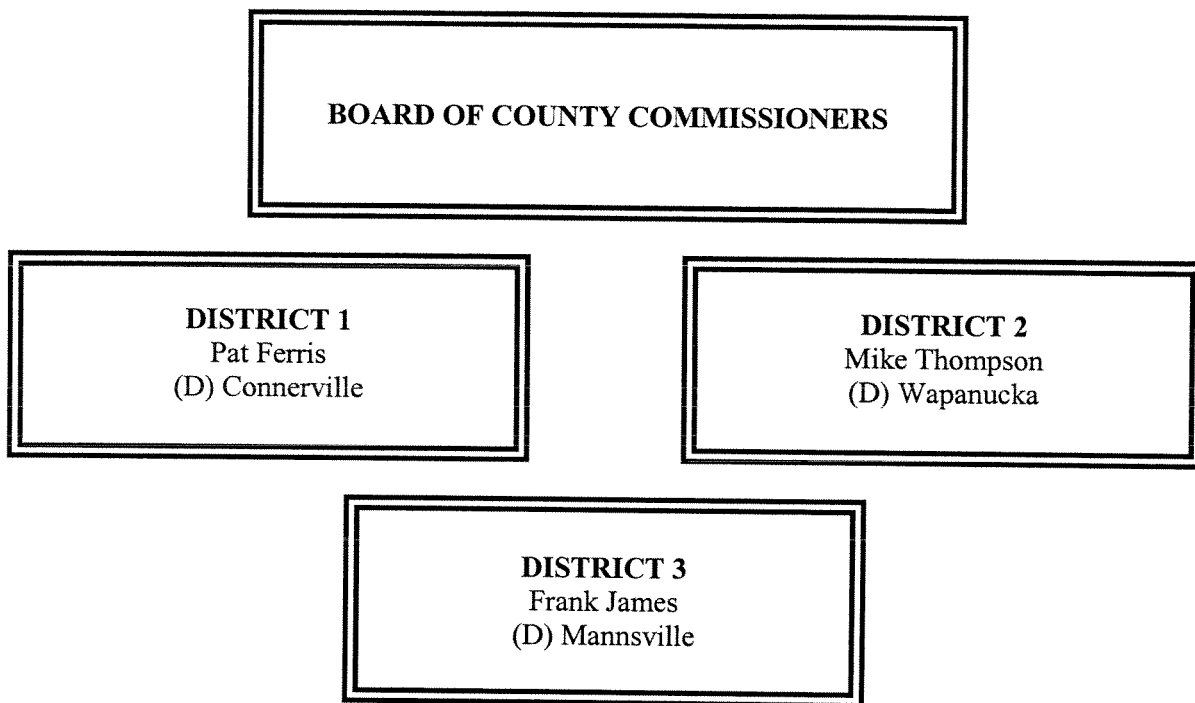
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county.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

Rana Gilpin  
(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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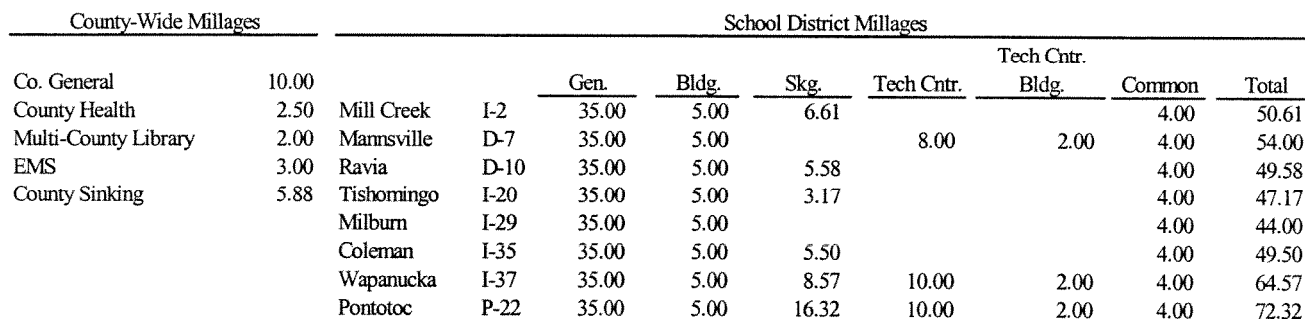
**ELECTION BOARD SECRETARY**

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.



See independent auditor's report.

## **Financial Section**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Independent Auditor's Report**

TO THE OFFICERS OF  
JOHNSTON COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Johnston County, Oklahoma, as of and for the year ended June 30, 2004, 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. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

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, 2004, 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, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

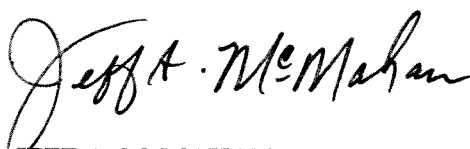
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Johnston County, Oklahoma, taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Section* has not been audited by us, and accordingly, 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. McMaham". The signature is written in a cursive, flowing style.

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, 2004**

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
County General Fund	\$ 920,909	\$ 1,131,796	\$ 1,076,621	\$ 976,084
T-Highway	724,287	1,577,442	1,662,391	639,338
Resale Property	12,581	44,102	25,543	31,140
County Health	139,331	115,828	119,896	135,263
Sheriff Cash Fund	83,783	102,727	103,714	82,796
Sheriff Unclaimed Property	733	1,867	1,105	1,495
DARE Grant	247	1		248
Treasurer's Mortgage Certification Fee	3,578	2,677	4,223	2,032
County Clerk Fee Fund	1,964	3,857	3,623	2,198
Community Service Sentencing Program	1,029			1,029
Visual Inspection	2	6,906	6,906	2
Assessor's Revolving	1,551	4,193	1,776	3,968
Johnston County Courthouse Building	2,293		2,140	153
Sheriff Drug Fund	13,395	4,117	11,070	6,442
Waste Grant	4,830		425	4,405
Fair Barn Grant	296			296
Fair Barn Grant 2001	43,877	10,185	26,097	27,965
Fair Barn Reap	40,000		40,000	
COPS Grant	35,869	15,994	25,541	26,322
CIP	500			500
Reward Fund	500			500
County Clerk Preservation	22,150	12,480	2,840	31,790
CDBG 10504 Community Revitalization		115,500	109,680	5,820
EMS 10769 CDBG		81,508	7,900	73,608
Fair Barn 10769 CDBG		34,683	28,072	6,611
Fair Barn 10205 CDBG		40,000	22,537	17,463
Oklahoma Housing Finance Agency		204,797	204,083	714
Individual Redemption	327	27,012	25,300	2,039
Individual Redemption Fee		220		220
Schools	89,950	2,454,915	2,525,273	19,592
Cities and Towns	5,960	89,221	88,086	7,095
Law Library	9,219	13,921	5,860	17,280
Emergency 911	6,762	306,493	245,621	67,634
Emergency Medical Service	5,175	133,007	136,192	1,990
Hospital One-Cent Sales Tax	20,696	294,301	290,609	24,388
Multi-County Library	2,319	86,887	87,734	1,472
District Attorney Council Grant	148	1		149
Johnston County Industrial Park	750			750
Jail One-Cent Sales Tax	238,940	99,660	44,370	294,230
Official Depository	167,145	1,555,594	1,553,067	169,672

continued on next page

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



**JOHNSTON COUNTY, OKLAHOMA  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - ALL FUNDS  
FOR THE YEAR ENDED, JUNE 30, 2004**

continued from previous page

<u>All County Funds</u>	<u>Beginning Cash Balances July 1, 2003</u>	<u>Receipts Apportioned</u>	<u>Disbursements</u>	<u>Ending Cash Balances June 30, 2004</u>
Jail Bond Construction Account	1,335,877	5,447	1,042,930	298,394
Unapportioned Tax		1,526	1,519	7
Protest Tax	61,659	166	61,825	
EMS Reap 03-145	8,390		8,390	
JCIA Lodging Tax		2,808	528	2,280
Hazard Mitigation Grant		7,000	7,000	
Sinking Fund	198,908	267,010	65,725	400,193
<b>Total County Funds</b>	<u><u>\$4,205,930</u></u>	<u><u>\$8,855,849</u></u>	<u><u>\$9,676,212</u></u>	<u><u>\$3,385,567</u></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**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 920,914	\$ 920,914	\$ 920,909	\$ (5)
Less: Prior Year Outstanding Warrants	(51,959)	(51,959)	(52,411)	(452)
Less: Prior Year Encumbrances	(24,944)	(24,944)	(23,687)	1,257
Beginning Cash Balances, Budgetary Basis	844,011	844,011	844,811	800
Receipts:				
Ad Valorem Taxes	399,783	399,783	439,222	39,439
Sales Tax	225,000	225,000	392,212	167,212
Charges for Services	33,071	33,071	49,231	16,160
Intergovernmental Revenues	42,681	42,681	204,465	161,784
Miscellaneous Revenues		26,749	46,666	19,917
Total Receipts, Budgetary Basis	700,535	727,284	1,131,796	404,512
Expenditures:				
District Attorney	7,000	7,000	4,441	2,559
Total District Attorney	7,000	7,000	4,441	2,559
County Sheriff	213,786	213,786	207,986	5,800
Capital Outlay		1		1
Total County Sheriff	213,786	213,787	207,986	5,801
County Treasurer	51,040	51,040	51,000	40
Capital Outlay		1		1
Total County Treasurer	51,040	51,041	51,000	41
County Clerk	79,290	79,290	74,855	4,435
Capital Outlay		1		1
Total County Clerk	79,290	79,291	74,855	4,436
Court Clerk	53,400	53,400	51,000	2,400
Capital Outlay	1	1		1
Total Court Clerk	53,401	53,401	51,000	2,401
County Assessor	40,000	40,000	36,600	3,400
Capital Outlay		1		1
Total County Assessor	40,000	40,001	36,600	3,401

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, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	101,870	107,127	71,796	35,331
Capital Outlay	30,233	30,233	11,581	18,652
Total Revaluation of Real Property	132,103	137,360	83,377	53,983
General Government	83,240	83,235	67,216	16,019
Total General Government	83,240	83,235	67,216	16,019
Excise-Equalization Board	2,400	2,400	1,950	450
Total Excise-Equalization Board	2,400	2,400	1,950	450
County Election Board	32,264	33,421	32,145	1,276
Total County Election Board	32,264	33,421	32,145	1,276
Insurance	109,071	103,969	102,215	1 754
Total Insurance	109,071	103,969	102,215	1,754
Sales Tax:				
City and Rural Fire	137,893	131,775	52,429	79 346
Ambulance	49,095	49,095	49,095	
General	45,890	45,890	15,043	30 847
DHS	22,173	22,173	7,500	14 673
Emergency Management	27,546	28,111	2,301	25 810
Sheriff's Reserve Deputy	5,831	5,831	2,737	3 094
OSU Extension	35,110	33,349	33,300	49
Youth Shelter	84,819	84,819	9,800	75 019
Free Fair	10,964	12,964	7,356	5 608
General	83,282	80,978	32,938	48 040
Senior Citizens	66,618	67,076	21,551	45 525
Courthouse Renovation and Maintenance	50,114	50,114	43,482	6 632
Support of County Offices	78,286	78,286	55,763	22 523
General	38,933	71,531	68,973	2 558
Total Sales Tax	736,554	761,992	402,268	359,724
County Audit Budget	4,397	4,397	4,397	
Total County Audit Budget	4,397	4,397	4,397	-

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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, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Total Expenditures, Budgetary Basis	<u>1,544,546</u>	<u>1,571,295</u>	<u>1,119,450</u>	<u>451,845</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	857,157	<u>\$ 857,157</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			25,471	
Add: Current Year Outstanding Warrants			<u>93,456</u>	
Ending Cash Balance			<u>\$ 976,084</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, 2004**

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 139,331	\$ 139,331	\$ 139,331	\$ -
Less: Prior Year Outstanding Warrants	(1,023)	(1,023)	(1,023)	
Less: Prior Year Encumbrances	(7,529)	(7,529)	(7,400)	129
Beginning Cash Balances, Budgetary Basis	130,779	130,779	130,908	129
Receipts:				
Ad Valorem Taxes	99,939	99,939	109,179	9,240
Miscellaneous Revenues		21,700	6,649	(15,051)
Total Receipts, Budgetary Basis	99,939	121,639	115,828	(5,811)
Expenditures:				
Health and Welfare	185,000	206,694	113,939	92,755
Capital Outlay	45,718	45,724		45,724
Total Expenditures, Budgetary Basis	230,718	252,418	113,939	138,479
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	132,797	\$ 132,797
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			1,233	
Add: Current Year Outstanding Warrants			1,233	
Ending Cash Balance			\$ 135,263	

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, 2004**

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Beginning Cash Balance	<u>\$ 198,908</u>
Receipts:	
Ad Valorem	262,823
Miscellaneous	<u>4,187</u>
Total Receipts	<u>267,010</u>
Disbursements:	
Interest and Fees	<u>65,725</u>
Total Disbursements	<u>65,725</u>
Ending Cash Balance	<u><u>\$ 400,193</u></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, 2004**

Official Depository Accounts	Beginning Cash Balances	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances
	July 1, 2003				June 30, 2004
County Health	\$	\$ 22,914	\$ 22,914		\$
District Attorney Victim/Witness Fund	1,154	36,265	37,390	300	329
State Victim/Witness Fund	412				412
Bogus Check	6	3,344	3,350		
District Attorney Drug Fund					
Deferred Prosecution Agreement		640	640		
District Attorney Incarceration Fees		126	126		
County Clerk		93,743	116,140	22,397	
Tishomingo Family Clinic					
Johnston County Memorial Hospital					
Election Board	1,410	24,299	22,492	1,468	4,685
Sheriff Bond Fund		260,809	267,212	6,403	
Sheriff Foreign Service	155	1,350	915		590
Court Clerk	100,615	845,335	835,712	133	110,371
Court Clerk Revolving	8,116	8,578	5,681	70	11,083
Court Fund	36,302	229,043	241,836	172	23,681
Special Equipment Encumbrance - Court Clerk	9,859				9,859
Official Interest		627	665	38	
Motor Vehicle Stamps	91	1,509	1,561		39
Treasurer's Tax Trust	9,025	27,012	27,900	486	8,623
<b>Total Official Depository Accounts</b>	<b>\$ 167,145</b>	<b>\$ 1,555,594</b>	<b>\$ 1,584,534</b>	<b>\$ 31,467</b>	<b>\$ 169,672</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, 2004

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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, 2004.

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, 2004**

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.

JOHNSTON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004

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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 \$3,385,567 and the bank balance was \$3,438,754. 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.

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

JOHNSTON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004

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Detailed Notes on Funds and Account Balances (continued)

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.

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.

**JOHNSTON COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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Detailed Notes on Funds and Account Balances (continued)

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.

EMS 10769 CDBG – accounts for federal funds used for the construction of a new EMS building.

Fair Barn 10769 CDBG – accounts for federal funds used for the construction of a community facility building.

Fair Barn 10205 CDBG – accounts for federal funds used for the construction of a community facility building.

Oklahoma Housing Finance Agency – accounts for federal funds to be used for the construction of homes for low-income families.

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, 2004

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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.

JCIA Lodging Tax – accounts for lodging taxes to be used by the Johnston County Industrial Authority for economic development purposes.

Hazard Mitigation Grant – accounts for grant funds received from the Federal Emergency Management Agency. Disbursements are made to individuals for safe room projects.

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.

**JOHNSTON COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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Detailed Notes on Funds and Account Balances (continued)

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.

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.

Deferred Prosecution Agreement – accounts for the collection of restitution from defendants that is reimbursed to the victims.

District Attorney Incarceration Fees – accounts for collections of probation fees for supervision.

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.

**JOHNSTON COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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Detailed Notes on Funds and Account Balances (continued)

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.

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, 2003, was approximately \$43,973,106.

The County levied 10.00 mills (the legal maximum) for general fund operations, 2.50 mills for the county health department, 2.00 mills for the multi-county library, 5.88 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, 2004, were approximately 96.90 percent of the tax levy.



**JOHNSTON COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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Detailed Notes on Funds and Account Balances (continued)

D. Pension Plan

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

E. Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free. However, starting in January 1997, ODOT began charging a one-time fee of 3% 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%	\$1,650,000
Total		\$1,650,000

Annual debt service requirements to maturity for general obligation bonds, including interest of \$261,963, are as follows:

**JOHNSTON COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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Detailed Notes on Funds and Account Balances (continued)

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	200,000	29,275	229,275
2010-2014	650,000	40,238	690,238
Total	<u>\$1,650,000</u>	<u>\$261,963</u>	<u>\$1,911,963</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.

## **Internal Control and Compliance Section**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

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

TO THE OFFICERS OF  
JOHNSTON COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Johnston County, Oklahoma, as of and for the year ended June 30, 2004, 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, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 an opinion 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 2004-1, 2004-2, 2004-3, and 2004-4.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 2004-1 and 2004-4 to be material weaknesses.

### Compliance and Other Matters

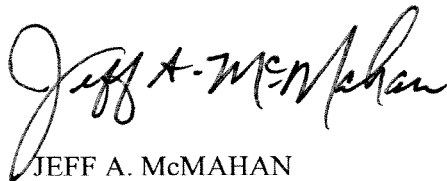
As part of obtaining reasonable assurance about whether Johnston County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a matter that we reported to management of Johnston County and is included in Section 2 of the schedule of findings, contained within this report.

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. McMahen". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

JEFF A. McMAHAN  
State Auditor and Inspector

November 22, 2004

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

**Finding 2004-1 - 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 2004-2 - Written Disaster Recovery Plan (Repeat Finding)**

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 2004-3 - Written Policies and Procedures (Repeat Finding)**

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 2004-4 - Sheriff's Official Depository (Repeat Finding)**

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
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.

**JOHNSTON COUNTY, OKLAHOMA**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2004**

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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 Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, 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 2004-5 - Fixed Assets Inventory (Repeat Finding)**

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.



**Finding 2004-6 - Estimate of Needs (Repeat Finding)**

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, 2004  
(UNAUDITED)**

<b>TAXPAYER NAME</b>	<b>ASSESSED VALUE</b>	<b>% OF TOTAL NET VALUATION</b>
Meridian Aggregates Co.	\$ 2,115,936	4.81%
TXI Operations LP	2,099,280	4.77%
Southwestern Bell Telephone	1,621,748	3.68%
Sundowner Trailer Co.	1,493,677	3.40%
OG&E	1,489,408	3.39%
Seaway Crude Pipeline	1,034,538	2.35%
US Silica	1,026,863	2.34%
Natural Gas Pipeline of America	924,273	2.10%
Alltel Oklahoma Inc.	891,909	2.03%
Koch Pipeline/Okie Pipeline	798,612	1.82%
Total	<u>\$ 13,496,244</u>	<u>30.69%</u>

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

**JOHNSTON COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE YEAR ENDED JUNE 30, 2004  
(UNAUDITED)**

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Total net assessed value as of January 1, 2003		<u>\$ 43,973,106</u>
Debt limit - 5% of total assessed value		2,198,655
Total bonds outstanding	1,650,000	
Total judgments outstanding	-	
Less cash in sinking fund	<u>400,193</u>	<u>1,249,807</u>
Legal debt margin		<u>\$ 948,848</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, 2004**  
**(UNAUDITED)**

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	<u>2004</u>
Estimated population	<u>10,513</u>
Net assessed value as of January 1, 2003	<u>\$ 43,973,106</u>
Gross bonded debt	1,650,000
Less available sinking fund cash balance	<u>400,193</u>
Net bonded debt	<u>\$ 1,249,807</u>
Ratio of net bonded debt to assessed value	<u>2.84%</u>
Net bonded debt per capita	<u>\$ 119</u>

**JOHNSTON COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE YEAR ENDED JUNE 30, 2004  
(UNAUDITED)**

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Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2003	\$10,401,550	\$9,366,556	\$26,955,267	\$2,750,267	\$43,973,106	\$382,182,682