

**JEFFERSON COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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March 20, 2006

TO THE CITIZENS OF  
JEFFERSON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Jefferson 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 serving the public interest by providing independent oversight and by issuing 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 cursive script that reads "Jeff A. McMahon". The signature is written in black ink and is positioned above the printed name and title.

JEFF A. McMAHAN  
State Auditor and Inspector

JEFFERSON COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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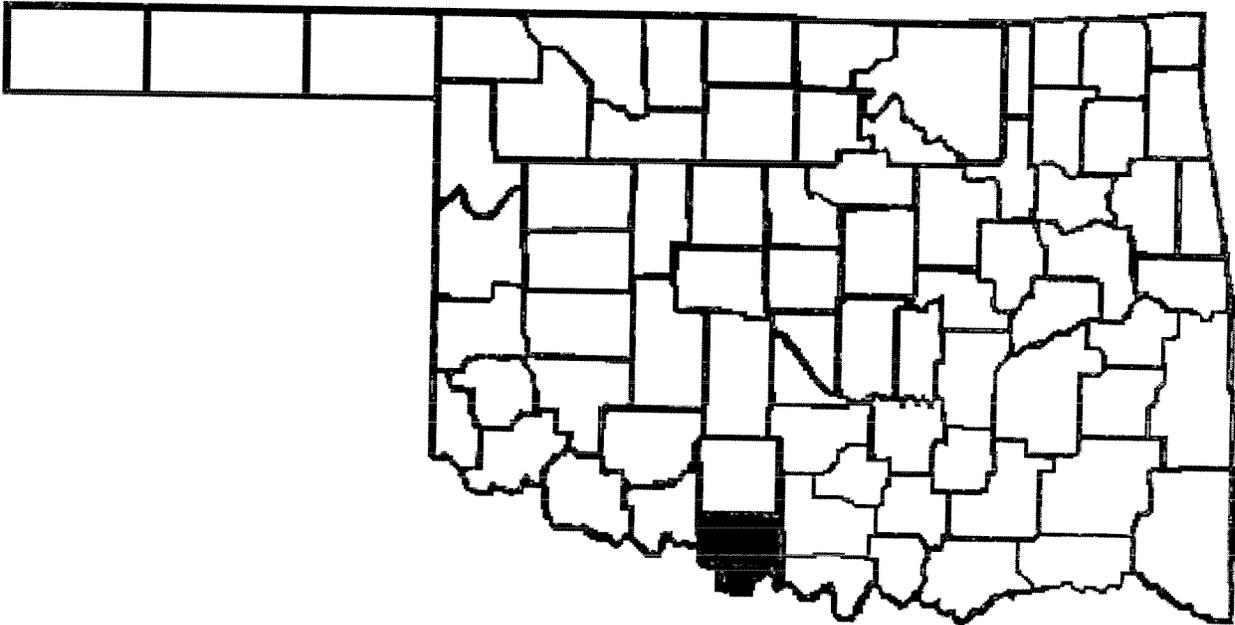
**JEFFERSON COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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REPORT TO THE CITIZENS  
OF  
JEFFERSON COUNTY, OKLAHOMA



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

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

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

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

County Seat – Waurika

Area – 758.9 Square Miles

County Population – 6,818  
(2000 est.)

Farms – 499

Land in Farms – 441,324 Acres

Primary Source: Oklahoma Almanac 2003-2004

See independent auditor’s report.

**JEFFERSON COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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**COUNTY ASSESSOR**

Teresa Tallon  
(D) Waurika

The County Assessor has the responsibility to appraise and assess the real and personal property within the county for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the county. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

**COUNTY CLERK**

Doris Pilgreen  
(D) Waurika

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

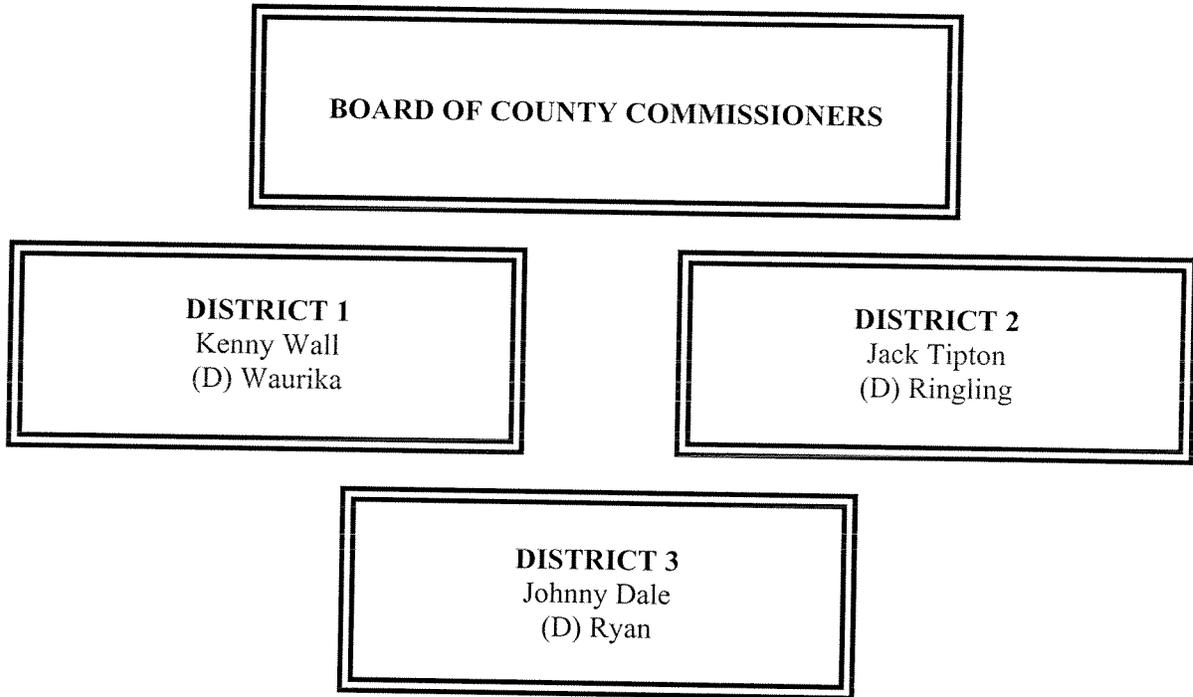
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county.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

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

See independent auditor's report.

**JEFFERSON COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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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.

**JEFFERSON COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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**COUNTY SHERIFF**  
Stanley Barnes  
(D) Ryan  
Michael W. Bryant (3/2004 to present)  
(D) Waurika

The County Sheriff is responsible for preserving the peace and protecting life and property within the county's jurisdiction. As the county's chief law enforcement officer, the Sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the county jail.

The County Sheriff has the responsibility of serving warrants and processing papers ordered by the District Court.

**COUNTY TREASURER**  
Vickie Behrens  
(D) Waurika

All collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. The State Auditor and Inspector's Office prescribes all the forms used by the County Treasurer, and at least twice a year inspects the County Treasurer's accounts.

See independent auditor's report.

**JEFFERSON COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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**COURT CLERK**

Linda Graham  
(D) Addington

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government. Court Clerks use forms and follow procedures prescribed by the Court Administrator's Office, the Oklahoma Supreme Court, and the State Auditor and Inspector.

**DISTRICT ATTORNEY**

Gene Christian  
(D) Duncan

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

**JEFFERSON COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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**ELECTION BOARD SECRETARY**

Mary R. Brown  
(D) Waurika

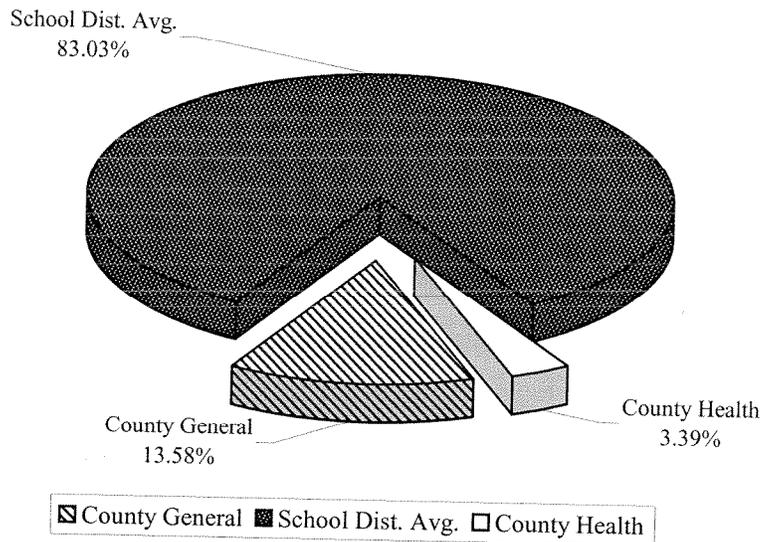
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within the county.

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

See independent auditor's report.

**JEFFERSON COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
Co. General	10.00	Ryan	I-2	35.00	5.00			4.00	44.00
County Health	2.50	Terral	C-03	35.00	5.00		12.00	4.00	56.00
Other:		Ringling	I-14	35.00	5.00		10.00	4.00	54.00
		Waurika	I-23	35.00	5.00		12.00	4.00	56.00
EMS SD 14, 23, JT55	3.00	Comanche	JT-2	35.00	5.00	16.58	12.00	4.00	72.58
		Healdton	JT-55	35.00	5.00	26.11	10.00	4.00	80.11
		Grandview	JT-82	35.00	5.00		12.00	4.00	56.00
		Temple	JT-101	35.00	5.00	14.45	12.00	4.00	70.45

See independent auditor's report.

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

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Total net assessed value as of January 1, 2003		<u>\$ 27,903,835</u>
Debt limit - 5% of total assessed value		1,395,192
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 1,395,192</u>

See independent auditor's report.

**JEFFERSON COUNTY, OKLAHOMA  
 RATIO OF NET GENERAL BONDED DEBT TO ASSESSED  
 VALUE AND NET BONDED DEBT PER CAPITA  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
 (UNAUDITED)**

	2004
Estimated population	6,818
Net assessed value as of January 1, 2003	\$ 27,903,835
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2003	\$3,613,773	\$7,621,667	\$18,221,428	\$1,553,033	\$27,903,835	\$215,894,237

See independent auditor's report.

**FINANCIAL SECTION**

## Independent Auditor's Report

TO THE OFFICERS OF  
JEFFERSON COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Jefferson County, Oklahoma, as of and for the year ended June 30, 2004, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Jefferson County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Jefferson County as of June 30, 2004, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Jefferson County, for the year ended June 30, 2004, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2006, on our consideration of Jefferson County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Finally, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.



JEFF A. McMAHAN  
State Auditor and Inspector

January 19, 2006

## **Basic Financial Statement**

**JEFFERSON COUNTY, OKLAHOMA  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
(WITH COMBINING INFORMATION)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
Combining Information:				
County General Fund	\$ 230,871	\$ 683,076	\$ 718,769	\$ 195,178
T-Highway Fund	593,636	1,794,021	1,730,876	656,781
REAP	44,261	44,978	51,851	37,388
County Health	58,222	71,344	80,103	49,463
Resale Property	27,578	24,848	19,096	33,330
Mortgage Certification Fee	2,752	1,880	1,234	3,398
Assessor Visual Inspection	5,759	72	1	5,830
Assessor Revolving	1,847	2,955	1,452	3,350
Sheriff Service Fee	24,570	122,607	102,607	44,570
Sheriff DOC	4,757	37,816	32,785	9,788
Sheriff Drug Abuse	101	1,558	1,639	20
Sheriff Lake Law	3	5,670	5,673	
Sheriff Annex Account	721		721	
Sheriff Annex Surplus	26,194	45,865	71,391	668
COPS Grant	44			44
Community Development Block Grant		292,814	263,538	29,276
Sheriff Social Security	600		600	
Sheriff's Drug Cash	500		386	114
INS Account	295,938	788,678	1,084,530	86
Community Service Sentencing Program	365			365
Jefferson County Healthcare	17,682	218,828	218,642	17,868
OSU Extension	120		120	
County Clerk Lien Fee	4,369	3,739	2,200	5,908
County Clerk Preservation	17,274	8,915	890	25,299
Sheriff VAWA Grant	1,006	13,434	14,390	50
Insurance Fund	3,732		3,732	
Trash COP	826	5,000	4,792	1,034
REAP Fair Building		1,171	1,171	
Domestic Violence Grant	205			205
Juvenile Justice Delinquency Prevention	5,053		4,565	488
Indigent Grant		1,000	200	800
Free Fair Special	2,724	2,457	494	4,687
<b>Combined Total--All County Funds</b>	<b>\$ 1,371,710</b>	<b>\$ 4,172,726</b>	<b>\$ 4,418,448</b>	<b>\$ 1,125,988</b>

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

JEFFERSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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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 basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Jefferson County, Oklahoma. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds 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 County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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

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

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

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

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

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

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

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

**JEFFERSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

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

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

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

Sheriff Annex Account – accounts for the receipt and disbursement of monies for the INS Detention Facility.

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

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

Community Development Block Grant – accounts for federal grant monies received from the Oklahoma Department of Commerce and disbursements as restricted by the grant agreement.

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

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

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

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

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

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

**JEFFERSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

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

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

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

REAP Fair Building - accounts for state grant funds received for repairs to the fair building.

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

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

Indigent Grant - accounts for monies received from ASCOG to aid in funeral expenses for the indigent.

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

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

**C. Basis of Accounting**

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

**JEFFERSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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**D. Budget**

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved 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.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

**E. Cash**

The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

**F. Investments**

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

- 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

**JEFFERSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured.

**G. Compensated Absences**

Vacation benefits are earned by the employee during the year and may not be accumulated. Employees are entitled 5 to 15 days of vacation depending on the number of years of service.

Sick leave benefits are accrued at the rate of 1 day per month and employees may accumulate up to 45 days. Sick leave is not paid upon termination.

**2. Ad Valorem Tax**

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

The assessed property value as of January 1, 2003, was approximately \$27,903,835.

The County levied 10.00 mills (the legal maximum) for general fund operations and 2.50 mills for county health department. In addition, the County 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 97.50 percent of the tax levy.

**JEFFERSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**3. 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. Risk Management**

The County is exposed to the various risks of loss shown in the following table:

<b>Types of Loss</b>	<b>Method of Management</b>	<b>Risk of Loss Retained</b>
General Liability		
<ul style="list-style-type: none"> <li>• Torts</li> <li>• Errors and Omissions</li> <li>• Law Enforcement Officers Liability</li> <li>• Vehicle</li> </ul>	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant		
<ul style="list-style-type: none"> <li>• Theft</li> <li>• Damage to Assets</li> <li>• Natural Disasters</li> </ul>		
Worker's Compensation		
<ul style="list-style-type: none"> <li>• Employees' Injuries</li> </ul>	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee		
<ul style="list-style-type: none"> <li>• Medical</li> <li>• Disability</li> <li>• Dental</li> <li>• Life</li> </ul>	The County carries commercial insurance.	None

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$10,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible 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

**JEFFERSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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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 and employees' insurance. 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.

**5. Long-term Obligations**

**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 pieces of machinery subsequently acquired.

**6. Pension Plan**

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2004, 2003, and 2002 were \$107,529, \$115,563, and \$100,529, respectively, equal to the required contributions for each year.

**JEFFERSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

**8. Contingent Liabilities**

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

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

**9. Sales Tax**

The voters of Jefferson County approved a 1% sales tax effective December 1, 1992. The voters approved the tax with no termination date. This sales tax was established to provide revenue to the general operations of the County government, and for support of County Civil Defense, OSU Extension Services, County Law Enforcement, countywide rural fire protection, and fair board maintenance and operations. The voters also passed a 1% sales tax effective November 1, 1999, for a period of five years. This sales tax was established to provide revenue to the Jefferson County Healthcare Authority for the purpose of planning and construction associated with the Jefferson County Hospital or related medical facilities.

**OTHER SUPPLEMENTARY INFORMATION**

**JEFFERSON COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
GENERAL FUND**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 230,871	\$ 230,871	\$ 230,871	\$ -
Less: Prior Year Outstanding Warrants	(35,547)	(35,547)	(35,547)	
Less: Prior Year Encumbrances	(8,330)	(8,330)	(6,656)	1,674
Beginning Cash Balances, Budgetary Basis	<u>186,994</u>	<u>186,994</u>	<u>188,668</u>	<u>1,674</u>
Receipts:				
Ad Valorem Taxes	253,671	253,671	282,543	28,872
Charges for Services	22,543	22,543	26,998	4,455
Intergovernmental Revenues	309,942	309,942	356,478	46,536
Miscellaneous Revenues	19,894	34,610	17,057	(17,553)
Total Receipts, Budgetary Basis	<u>606,050</u>	<u>620,766</u>	<u>683,076</u>	<u>62,310</u>
Expenditures:				
District Attorney	4,999	4,729	4,729	
Capital Outlay	1	271	271	
Total District Attorney	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
County Sheriff	148,673	148,673	148,673	
Total County Sheriff	<u>148,673</u>	<u>148,673</u>	<u>148,673</u>	<u>-</u>
County Treasurer	62,092	62,103	61,622	481
Total County Treasurer	<u>62,092</u>	<u>62,103</u>	<u>61,622</u>	<u>481</u>
Charity	1,000	500	500	
Total Charity	<u>1,000</u>	<u>500</u>	<u>500</u>	<u>-</u>
OSU Extension	14,650	13,150	9,496	3,654
Capital Outlay		1,500	1,500	
Total OSU Extension	<u>14,650</u>	<u>14,650</u>	<u>10,996</u>	<u>3,654</u>
County Clerk	62,255	62,255	62,103	152
Total County Clerk	<u>62,255</u>	<u>62,255</u>	<u>62,103</u>	<u>152</u>
Court Clerk	55,060	58,936	58,746	190
Total Court Clerk	<u>55,060</u>	<u>58,936</u>	<u>58,746</u>	<u>190</u>

continued on next page

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.

**JEFFERSON COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	60,652	60,641	59,948	693
Capital Outlay	1	1		1
Total County Assessor	<u>60,653</u>	<u>60,642</u>	<u>59,948</u>	<u>694</u>
Revaluation of Real Property	68,677	63,103	51,331	11,772
Capital Outlay	3,000	3,000	949	2,051
Total Revaluation of Real Property	<u>71,677</u>	<u>66,103</u>	<u>52,280</u>	<u>13,823</u>
General Government	144,723	168,741	107,260	61,481
Capital Outlay		911	870	41
Total General Government	<u>144,723</u>	<u>169,652</u>	<u>108,130</u>	<u>61,522</u>
Excise-Equalization Board	4,100	4,100	3,933	167
Total Excise-Equalization Board	<u>4,100</u>	<u>4,100</u>	<u>3,933</u>	<u>167</u>
County Election Board	44,888	44,667	44,666	1
Capital Outlay	1	1		1
Total County Election Board	<u>44,889</u>	<u>44,668</u>	<u>44,666</u>	<u>2</u>
Insurance	77,187	69,313	69,307	6
Total Insurance	<u>77,187</u>	<u>69,313</u>	<u>69,307</u>	<u>6</u>
County Purchasing Agent	23,295	23,375	23,347	28
Total County Purchasing Agent	<u>23,295</u>	<u>23,375</u>	<u>23,347</u>	<u>28</u>
Firefighting Services	4,000	4,000	3,480	520
Total Firefighting Services	<u>4,000</u>	<u>4,000</u>	<u>3,480</u>	<u>520</u>
Recording Account	4,500	4,500	4,314	186
Total Recording Account	<u>4,500</u>	<u>4,500</u>	<u>4,314</u>	<u>186</u>
County Audit Budget Account	2,790	2,790	2,790	
Total County Audit Budget Account	<u>2,790</u>	<u>2,790</u>	<u>2,790</u>	<u>-</u>
Free Fair Budget	6,500	6,500	6,035	465
Total Free Fair Budget	<u>6,500</u>	<u>6,500</u>	<u>6,035</u>	<u>465</u>
Total Expenditures, Budgetary Basis	<u>793,044</u>	<u>807,760</u>	<u>725,870</u>	<u>81,890</u>

continued on next page

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.

**JEFFERSON COUNTY, OKLAHOMA  
 COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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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>	145,874	<u>\$ 145,874</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			23,137	
Add: Current Year Outstanding Warrants			<u>26,167</u>	
Ending Cash Balance			<u>\$ 195,178</u>	

The accompanying notes to the other supplementary information are an integral part of this schedule.  
 See independent auditor's report.

**JEFFERSON COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 58,222	\$ 58,222	\$ 58,222	\$ -
Less: Prior Year Outstanding Warrants	(673)	(673)	(673)	
Less: Prior Year Encumbrances	(420)	(420)	(55)	365
Beginning Cash Balances, Budgetary Basis	<u>57,129</u>	<u>57,129</u>	<u>57,494</u>	<u>365</u>
Receipts:				
Ad Valorem Taxes	63,418	63,418	70,200	6,782
Charges For Services		551	551	
Intergovernmental			563	563
Miscellaneous Revenues			30	30
Total Receipts, Budgetary Basis	<u>63,418</u>	<u>63,969</u>	<u>71,344</u>	<u>7,375</u>
Expenditures:				
Health and Welfare	100,547	101,098	81,430	19,668
Capital Outlay	20,000	20,000		20,000
Total Expenditures, Budgetary Basis	<u>120,547</u>	<u>121,098</u>	<u>81,430</u>	<u>39,668</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	47,408	<u>\$ 47,408</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			1,968	
Add: Current Year Outstanding Warrants			87	
Ending Cash Balance			<u>\$ 49,463</u>	

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.

**JEFFERSON COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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**1. Budgetary Schedules**

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis, for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year, unencumbered appropriations lapse.

See independent auditor's report.

**JEFFERSON COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed Through Oklahoma State Treasurer:			
Payments to States in Lieu of Real Estate Taxes	12.112		\$ 1,899
Total U.S. Department of Defense			<u>1,899</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through State Department of Commerce:			
Community Development Block Grants - State's Program	14.228	8354 CDBG 98	36,262
Community Development Block Grants - State's Program	14.228	10804 CDBG 03	250,000
Total U.S. Department of Housing and Urban Development			<u>286,262</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		14,839
Total U.S. Department of Interior			<u>14,839</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through Office of Juvenile Affairs:			
Juvenile Justice and Delinquency Prevention Act - Allocation to States	16.540	2000-PV-12-20	4,565
Passed Through Oklahoma District Attorney's Council:			
Violence Against Women Formula Grants	16.588	V-02-365	13,434
Total U.S. Department of Justice			<u>17,999</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through State Department of Civil Emergency Management:			
Disaster Grants - Public Assistance	97.036		224,151
State and Local All Hazards Emergency Operations Planning	97.051		5,000
Total U.S. Department of Homeland Security			<u>229,151</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 550,150</u></u>

The accompanying notes are an integral part of this schedule.  
See independent auditor's report.

**JEFFERSON COUNTY, OKLAHOMA  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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Basis of Presentation

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

See independent auditor's report.

**INTERNAL CONTROL AND COMPLIANCE SECTION**

**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  
JEFFERSON COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Jefferson County, Oklahoma, as of and for the year ended June 30, 2004, which comprises Jefferson County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 19, 2006. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report 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

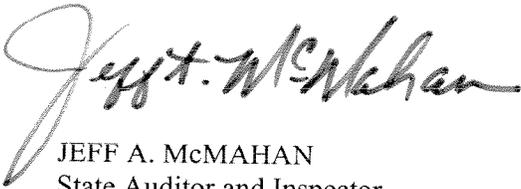
In planning and performing our audit, we considered Jefferson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Jefferson County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-1.

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 statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2004-1 to be a material weakness.

Compliance and Other Matters

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

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive style with a large initial "J".

JEFF A. McMAHAN  
State Auditor and Inspector

January 19, 2006

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

TO THE OFFICERS OF  
JEFFERSON COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Jefferson County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Jefferson County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Jefferson County's management. Our responsibility is to express an opinion on Jefferson County's compliance based on our audit.

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

In our opinion, Jefferson County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in cursive script that reads "Jeff A. McMahar". The signature is written in black ink and is positioned above the printed name and title.

JEFF A. McMAHAN  
State Auditor and Inspector

January 19, 2006

**JEFFERSON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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**SECTION I—Summary of Auditor’s Results**

Financial Statements

Type of auditor's report issued: ..... Adverse as to GAAP; unqualified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified? ..... Yes
- Reportable condition(s) identified that are not considered to be material weaknesses? ..... None reported

Noncompliance material to financial statements noted? ..... No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ..... No
- Reportable condition(s) identified that are not considered to be material weakness(es)? ..... None reported

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

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

Identification of Major Programs

CFDA Number(s) ..... Name of Federal Program or Cluster

14.228 ..... Community Development Block Grants – State’s Program

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

Auditee qualified as low-risk auditee? ..... No

**JEFFERSON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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**SECTION 2—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.

Views of responsible officials and planned corrective actions: We concur with the auditor's findings. Management does have knowledge of office operations and will perform a periodic review of these operations.

**SECTION 3—Findings related to the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.**

No matters were reported.