

**KINGFISHER COUNTY, OKLAHOMA
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2002**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

April 15, 2003

TO THE CITIZENS OF
KINGFISHER COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

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

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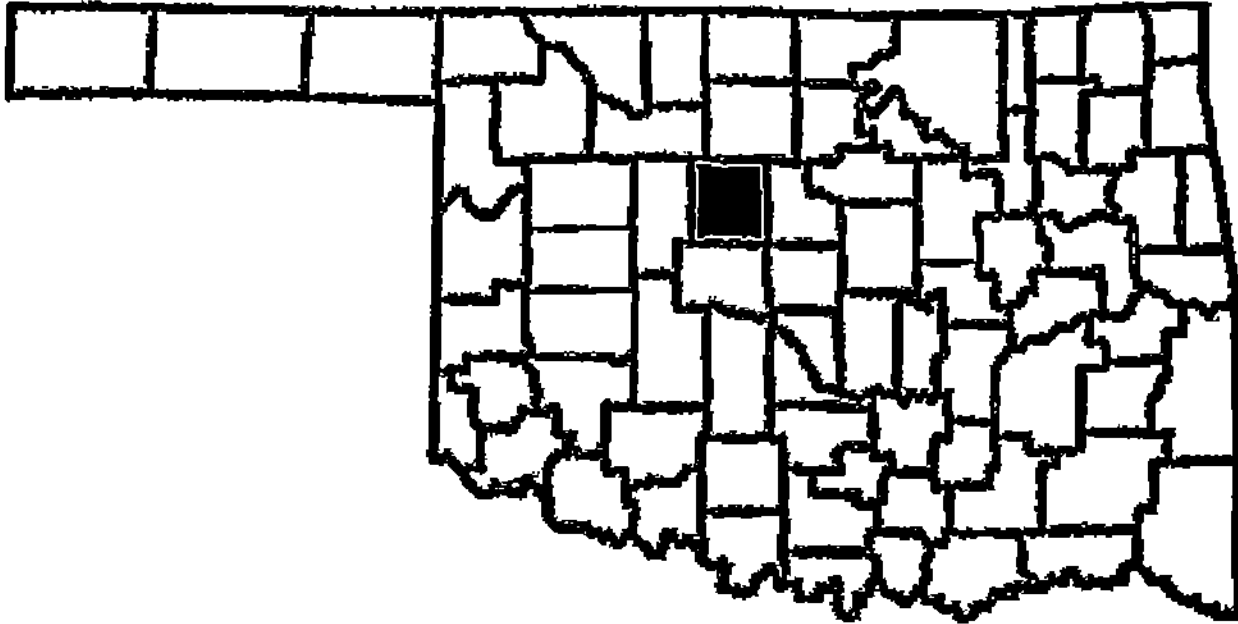
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REPORT TO THE CITIZENS
OF
KINGFISHER COUNTY, OKLAHOMA



Kingfisher County was originally a part of the Unassigned Lands opened for settlement during the Land Run of April 22, 1889. Created at statehood, the County was named for King Fisher, a settler who operated a trading station on the Chisholm Trail.

Kingfisher is the site of the Seay Mansion, restored home of Oklahoma's second territorial governor, A.J. Seay. Built in 1892, it features furnishings from that period. Also located in Kingfisher is the Chisholm Trail Museum, which traces the history of the Chisholm Trail and features Indian artifacts, a restored log cabin, schoolhouse, church, and bank.

Agriculture is central to the economy of the area, with wheat being the major crop.

County Seat – Kingfisher

Area – 903.1 Square Miles

County Population – 13,496
(1999 est.)

Farms – 998

Land in Farms – 554,988 Acres

Source: Oklahoma Almanac 2001-2002

See independent auditor's report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Eloise McCully
(D) Kingfisher

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
Judy Grellner
(R) Kingfisher

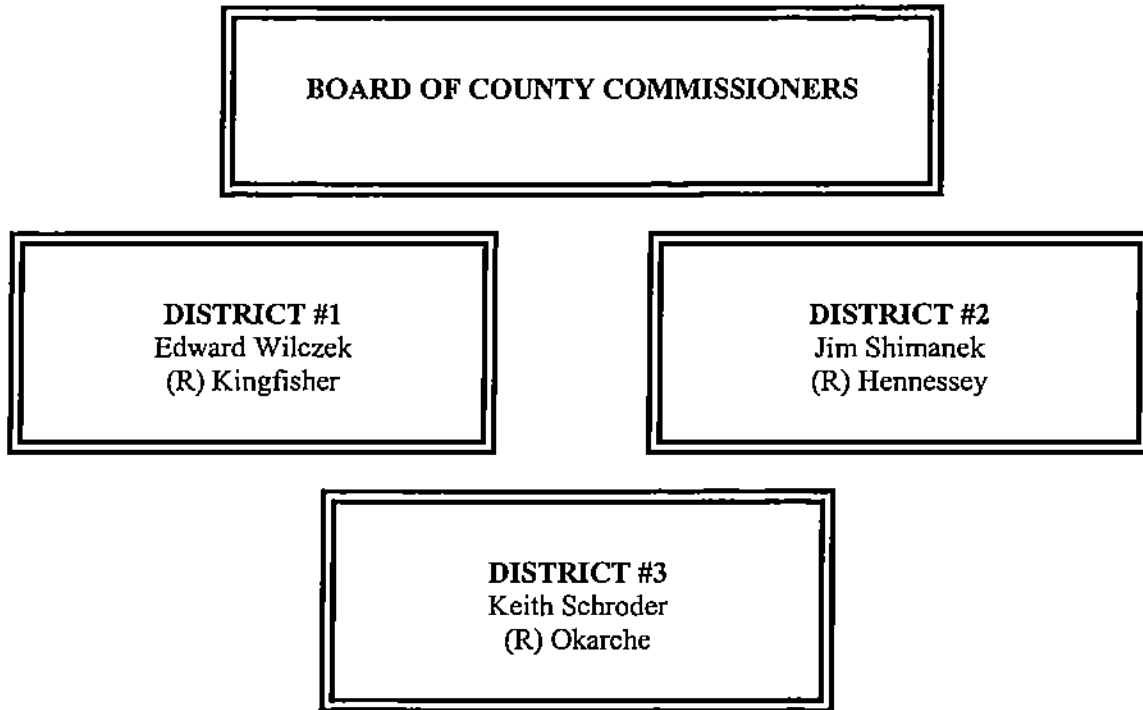
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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

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

See independent auditor's report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**



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

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

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

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
Danny Graham
(R) Kingfisher

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
Karen Mueggenborg
(R) Kingfisher

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

See independent auditor's report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Yvonne Dow
(R) Okarche

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
Cathy Stocker
(R) Enid

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.

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

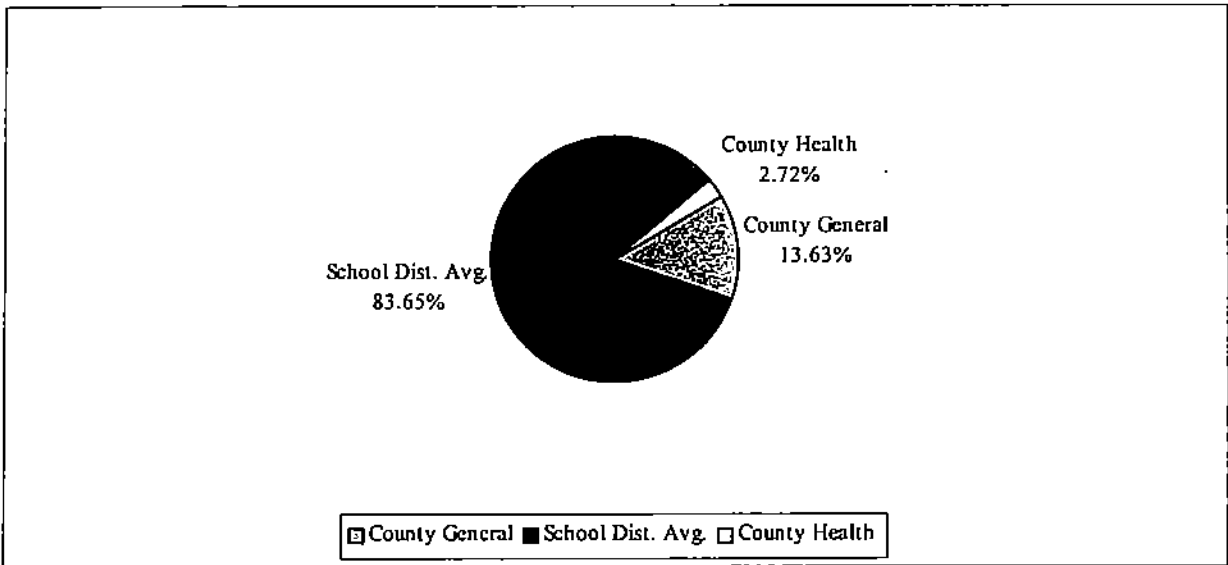
ELECTION BOARD SECRETARY
Sharon K. O'Hern
(D) Dover

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

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

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



| County-Wide Millages | | School District Millages | | | | | | | | |
|----------------------|-------|--------------------------|-------|-------|-------|-------|---------|--------------|--------|-------|
| Co. General | 10.27 | | | Gen. | Bldg. | Skg. | Vo-Tech | Vo-Tech Bldg | Common | Total |
| County Health | 2.05 | | | | | | | | | |
| | | Dover | I-2 | 35.99 | 5.14 | 16.71 | | | 4.11 | 61.95 |
| | | Loyal | J1-3 | 35.93 | 5.13 | 12.07 | 10.15 | | 4.11 | 67.39 |
| | | Kingfisher | I-7 | 36.04 | 5.15 | 12.20 | 10.15 | | 4.11 | 67.65 |
| | | Hennessey | I-16 | 35.94 | 5.13 | 3.38 | | | 4.11 | 48.56 |
| | | Cashion | I-89 | 35.49 | 5.07 | 11.70 | | | 4.11 | 56.37 |
| | | Okarche | I-105 | 36.19 | 5.17 | 9.08 | | | 4.11 | 54.55 |
| | | Piedmont | J-22 | 35.23 | 5.03 | 24.31 | 10.07 | 5.03 | 4.11 | 83.78 |
| | | Okeene | 9B | 35.72 | 5.10 | 8.06 | | | 4.11 | 52.99 |
| | | Crescent | J1-2 | 36.27 | 5.18 | 13.50 | 10.36 | 5.18 | 4.11 | 74.60 |
| | | Cimarron | I-92 | 35.00 | 5.00 | 4.56 | 10.22 | 5.09 | 4.11 | 63.98 |
| | | Garfield | I-85 | 35.67 | 5.10 | 7.99 | | | 4.11 | 52.87 |
| | | Marshall | I-94 | 35.88 | 5.13 | 11.48 | 10.22 | 5.09 | 4.11 | 71.91 |

See independent auditor's report



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
KINGFISHER COUNTY, OKLAHOMA

We have audited the accompanying general-purpose financial statements of Kingfisher County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of Kingfisher County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Kingfisher County Industrial Authority, which represent 100% of the assets and revenues of the discretely presented component unit column. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Kingfisher County Industrial Authority is based solely on the report of the other auditors.

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 and the report of the other auditors provide a reasonable basis for our opinion.

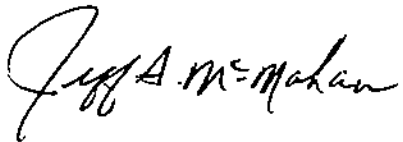
As explained in Note (1H), the general-purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, based on our audit and the report of the other auditors, except for the effect on the general-purpose financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Kingfisher County, Oklahoma, as of June 30, 2002, and the results of its operations and the cash flows of its nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2003, on our consideration of Kingfisher County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

March 31, 2003

General-Purpose Financial Statements

KINGFISHER COUNTY, OKLAHOMA
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUP
AND DISCRETELY PRESENTED COMPONENT UNIT
JUNE 30, 2002

| | GOVERNMENTAL FUND TYPES | | FIDUCIARY FUND TYPE | ACCOUNT GROUP | TOTAL | COMPONENT UNIT | TOTAL REPORTING ENTITY |
|--|----------------------------|---------------------|------------------------|--------------------------------|----------------------|-------------------|---------------------------|
| | GENERAL | SPECIAL REVENUE | AGENCY | GENERAL LONG - TERM DEBT | (MEMORANDUM ONLY) | | (MEMORANDUM ONLY) |
| ASSETS | | | | | | | |
| Cash and investments | \$ 1,836,931 | \$ 1,464,516 | \$ 4,184,001 | \$ | \$ 7,485,448 | \$ 160,956 | \$ 7,646,404 |
| Ad valorem taxes receivable | 9,629 | 1,922 | 57,525 | | 69,076 | | 69,076 |
| Sales tax receivable | 42,618 | | | | 42,618 | | 42,618 |
| Due from other governments | 12,116 | 264,339 | 130,890 | | 407,345 | | 407,345 |
| Accrued interest receivable | 4,262 | 422 | 5,731 | | 10,415 | | 10,415 |
| Amount to be provided for compensated absences | | | | 41,953 | 41,953 | | 41,953 |
| Amount to be provided for capitalized lease purchase agreements | | | | 865,320 | 865,320 | | 865,320 |
| Total assets | <u>\$ 1,905,556</u> | <u>\$ 1,731,199</u> | <u>\$ 4,378,147</u> | <u>\$ 907,273</u> | <u>\$ 8,922,175</u> | <u>\$ 160,956</u> | <u>\$ 9,083,131</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Warrants payable | \$ 107,559 | \$ 260,663 | \$ | \$ | \$ 368,222 | \$ | \$ 368,222 |
| Accounts payable | 40,325 | 108,000 | | | 148,325 | | 148,325 |
| Due to other taxing units | | | 4,066,752 | | 4,066,752 | | 4,066,752 |
| Due to others | | | 311,395 | | 311,395 | | 311,395 |
| Current portion of long-term obligations | | | | | | 5,000 | 5,000 |
| Long-term debt | | | | | | 20,000 | 20,000 |
| Compensated absences payable | | | | 41,953 | 41,953 | | 41,953 |
| Capitalized lease obligations payable | | | | 865,320 | 865,320 | | 865,320 |
| Total liabilities | <u>147,884</u> | <u>368,663</u> | <u>4,378,147</u> | <u>907,273</u> | <u>5,801,967</u> | <u>25,000</u> | <u>5,826,967</u> |
| Fund balances: | | | | | | | |
| Reserved for encumbrances | 20,874 | 171,549 | | | 192,423 | | 192,423 |
| Unreserved: | | | | | | | |
| Undesignated | 1,736,798 | 1,190,987 | | | 2,927,785 | 135,956 | 3,063,741 |
| Total fund balances | <u>1,757,672</u> | <u>1,362,536</u> | <u>-</u> | <u>-</u> | <u>3,120,208</u> | <u>135,956</u> | <u>3,256,164</u> |
| Total liabilities and fund balances | <u>\$ 1,905,556</u> | <u>\$ 1,731,199</u> | <u>\$ 4,378,147</u> | <u>\$ 907,273</u> | <u>\$ 8,922,175</u> | <u>\$ 160,956</u> | <u>\$ 9,083,131</u> |

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

KINGFISHER COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

| | GOVERNMENTAL FUND TYPES | | TOTAL (MEMORANDUM ONLY) |
|--|-------------------------|---------------------|-------------------------------|
| | GENERAL | SPECIAL REVENUE | |
| Revenues: | | | |
| Ad valorem taxes | \$ 962,623 | \$ 216,076 | \$ 1,178,699 |
| Sales tax | 459,846 | | 459,846 |
| Charges for services | 104,496 | 84,771 | 189,267 |
| Intergovernmental revenues | 134,112 | 3,040,646 | 3,174,758 |
| Miscellaneous revenues | 238,198 | 32,670 | 270,868 |
| Total revenues | <u>1,899,275</u> | <u>3,374,163</u> | <u>5,273,438</u> |
| Expenditures: | | | |
| Current operating: | | | |
| General government | 932,222 | 129,483 | 1,061,705 |
| Public safety | 505,659 | 84,748 | 590,407 |
| Health and welfare | | 192,161 | 192,161 |
| Culture and recreation | 15,686 | | 15,686 |
| Education | 81,334 | | 81,334 |
| Roads and highways | 268,277 | 3,627,370 | 3,895,647 |
| Total expenditures | <u>1,803,178</u> | <u>4,033,762</u> | <u>5,836,940</u> |
| Excess revenues over (under) expenditures | <u>96,097</u> | <u>(659,599)</u> | <u>(563,502)</u> |
| Other financing sources: | | | |
| Capitalized lease agreements | | 248,680 | 248,680 |
| Total other financing sources | <u>-</u> | <u>248,680</u> | <u>248,680</u> |
| Excess revenues and other sources (over) expenditures | 96,097 | (410,919) | (314,822) |
| Beginning fund balances | <u>1,661,575</u> | <u>1,773,455</u> | <u>3,435,030</u> |
| Ending fund balances | <u>\$1,757,672</u> | <u>\$ 1,362,536</u> | <u>\$ 3,120,208</u> |

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

KINGFISHER COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE
(COUNTY HEALTH DEPARTMENT ONLY) FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

| | General Fund | | | Special Revenue Fund | | |
|---|------------------|--------------------|--------------------|----------------------|------------------|------------------|
| | Budget | Actual | Variance | Budget | Actual | Variance |
| Beginning fund balances, budgetary basis | \$1,532,921 | \$1,532,921 | \$ - | \$ 74,683 | \$ 74,683 | \$ - |
| Revenues: | | | | | | |
| Ad valorem taxes | 877,703 | 962,661 | 84,958 | 175,199 | 192,157 | 16,958 |
| Sales tax | 448,972 | 471,069 | 22,097 | | | |
| Charges for services | 83,019 | 104,496 | 21,477 | 11,602 | 11,665 | 63 |
| Intergovernmental revenues | 94,637 | 140,195 | 45,558 | | | |
| Miscellaneous revenues | 64,595 | 239,462 | 174,867 | | 554 | 554 |
| Total revenue, budgetary basis | <u>1,568,926</u> | <u>1,917,883</u> | <u>348,957</u> | <u>186,801</u> | <u>204,376</u> | <u>17,575</u> |
| Expenditures: | | | | | | |
| General government | 1,816,588 | 950,282 | 866,306 | | | |
| Public safety | 568,757 | 501,973 | 66,784 | | | |
| Health and welfare | 6,000 | | 6,000 | 261,484 | 197,053 | 64,431 |
| Culture and recreation | 23,340 | 15,686 | 7,654 | | | |
| Education | 256,466 | 76,367 | 180,099 | | | |
| Roads and highways | 430,696 | 265,648 | 165,048 | | | |
| Total expenditure, budgetary basis | <u>3,101,847</u> | <u>1,809,956</u> | <u>1,291,891</u> | <u>261,484</u> | <u>197,053</u> | <u>64,431</u> |
| Excess of revenues and beginning fund balances over expenditures, budgetary basis | <u>\$ -</u> | 1,640,848 | <u>\$1,640,848</u> | <u>\$ -</u> | 82,006 | <u>\$ 82,006</u> |
| Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances | | | | | | |
| Add: Ad valorem receivable | | 9,629 | | | 1,922 | |
| Sales tax receivable | | 42,618 | | | | |
| Accrued interest | | 4,262 | | | | |
| Due from other governments | | 12,116 | | | | |
| Reserved for encumbrances | | 20,874 | | | 11,160 | |
| Adjustment to prior year reserved for encumbrances | | 27,325 | | | 95 | |
| Ending fund balances | | <u>\$1,757,672</u> | | | <u>\$ 95,183</u> | |

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

KINGFISHER COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
NONEXPENDABLE TRUST FUND
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2002

| | Kingfisher County Industrial Authority |
|-------------------------------------|--|
| Operating revenues: | |
| Lease finance income | \$ |
| Total operating revenues | - |
| Operating expenses: | |
| Professional fees | 3,407 |
| Commissions | 317 |
| Interest expense | 1,800 |
| Total operating expenses | 5,524 |
| Operating income (expense) | (5,524) |
| Non-operating revenues: | |
| Interest income | 6,879 |
| Total non-operating revenues | 6,879 |
| Net income | 1,355 |
| Fund balance, beginning of the year | 134,601 |
| Fund balance, end of the year | \$ 135,956 |

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

KINGFISHER COUNTY, OKLAHOMA
STATEMENT OF CASH FLOWS - NONEXPENDABLE TRUST FUND
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2002

| | <u>Kingfisher County Industrial Authority</u> |
|---|---|
| Cash flows from operating activities: | |
| Cash received from leases and tax collections | \$ 6,879 |
| Cash paid to bondholder, paying agents and others | (5,524) |
| Net cash provided (used) by operating activities | <u>1,355</u> |
| | |
| Cash flows from investing activities: | |
| Repayment of long-term debt | <u>(10,000)</u> |
| Net cash (used) by investing activities | <u>(10,000)</u> |
| | |
| Net (decrease) in cash | (8,645) |
| Cash at beginning of year | <u>169,901</u> |
| Cash at end of year | <u><u>160,956</u></u> |
| | |
| Reconciliation of cash and investments: | |
| Time deposits | 60,956 |
| Certificates of deposits | <u>100,000</u> |
| Total cash and investments | <u><u>160,956</u></u> |
| | |
| Reconciliation of net income to net cash provided by operating activities: | |
| Net income | 1,355 |
| Net cash provided by operating activities: | <u>\$ <u>1,355</u></u> |

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

Notes to the Financial Statements

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

1. Summary of Significant Accounting Policies

The financial statements of the County are required to be presented in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies and practices are described below.

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.

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, the County is required to present the entities that comprise the primary government and its legally separate component units in the fiscal year 2002 general-purpose financial statements.

Discretely Presented Component Unit

The component unit column in the combined financial statements is for inclusion of the financial data of the County's discretely presented component unit. A separate column is reported to distinguish between the financial data of the primary government and those of the discretely presented component units. The following component unit is included in the reporting entity because the primary government is financially accountable and is able to impose its will on the organization. The Authority is reported in these financial statements as a nonexpendable trust fund and financial statements are available from the Authority.

Kingfisher County Industrial Authority (the Authority) was created as a public trust under applicable Oklahoma Statutes on February 11, 1969. It was created to promote the development of industry within and without the territorial limits of the beneficiary (Kingfisher County), to provide additional employment, and develop and maintain industry and commerce as set forth in the Trust Indenture. The nine board members are appointed by the Board of County Commissioners. On March 11, 1969, the taxpayers of Kingfisher County voted to allow the Authority to incur \$1,600,000 of indebtedness, through the issuance of General Obligation Tax Bonds, for the purpose of securing and developing industry within Kingfisher County. As of June 30, 2002, the Authority has authorized \$850,000 of General Obligation Bonds.

B. Fund Accounting

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent

Summary of Significant Accounting Policies (continued)

assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Governmental entities classify funds into the following categories: governmental, proprietary, and fiduciary. Each category in turn is divided into separate fund types.

Governmental Funds

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, when the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) except for those that conflict with GASB pronouncements.

Fiduciary Funds

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust, or

Summary of Significant Accounting Policies (continued)

an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds are generally used to account for assets that the government holds on behalf of others as their agent.

Account Groups

General Fixed Assets Account Group (GFAAG) - Generally accepted accounting principles (GAAP) require that those fixed assets of a government not reported in a proprietary fund or a trust fund be reported in a general fixed assets account group (GFAAG). This account group is not a fund. It does not have a balance sheet as such, nor does it report operations. Instead, the GFAAG serves as a list of the government's fixed assets and is designed to ensure accountability.

General Long-Term Debt Account Group (GLTDAG) - The general long-term debt account group (GLTDAG) is used to account for a government's unmatured long-term indebtedness that has not been identified as a specific fund liability of a proprietary or trust fund. In addition to general obligation debt instruments (e.g., bonds, notes, warrants), the GLTDAG is also used to report revenue bonds that will be repaid from general government resources, special assessment debt when the government is "obligated in some manner," special revenue bonds, and certain liabilities that are normally not expected to be liquidated with expendable available financial resources (e.g., capitalized lease-purchase obligations and compensated absences.)

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these fund types present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be quantified, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The

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

Summary of Significant Accounting Policies (continued)

government considers property taxes as available if collected within 60 days after year-end. Expenditures are recorded when incurred and the related fund liability is expected to be paid from available spendable resources. Principal and interest on general long-term debt are recorded as fund expenditures when paid or when amounts for principal and interest have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, interest revenue, sales tax, and other taxes collected and held by the Oklahoma Tax Commission at year-end on behalf of the government. Charges for services are not susceptible to accrual because generally they are not measurable until received in cash.

D. Budgetary Policies and Procedures

Under current Oklahoma Statutes, the general fund and the County Health Department are the only funds required to adopt a formal budget. The budget presented for the general fund and County Health Department includes the originally approved budgeted appropriations for expenditures as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other cash 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 special revenue funds.

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

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

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

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

Summary of Significant Accounting Policies (continued)

approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2002.

F. Receivables

All receivables are reported at their gross value.

G. Interest Receivable

Interest on deposits and investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

H. Fixed Assets

The County presently maintains some individual records of personal property; however, the County does not keep similar records for land, buildings, and improvements. Because the County does not maintain detailed records of its land, buildings, and improvements, a statement of general fixed assets, required by accounting principles generally accepted in the United States of America, is not presented on the Combined Balance Sheet -- All Fund Types and Account Group.

I. 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 - Torts - Errors and Omissions - Law Enforcement - Officers Liability - Vehicle | The County participates in a public entity risk pool - Association of County Commissioners of Oklahoma - Self-Insured Group. (See ACCO-SIG.) | If claims exceed pool assets, the County would have to pay its share of the pool deficit. |
| Physical Plant - Theft - Damage to Assets - Natural Disasters | The County participates in a public entity risk pool. (See ACCO-SIG.) | If claims exceed pool assets, the County would have to pay its share of the pool deficit. |
| Worker's Compensation - Employees' Injuries | The County participates in a public entity risk pool. (See ACCO-SIF) | If claims exceed pool assets, the County would have to pay its share of the pool deficit. |

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

Summary of Significant Accounting Policies (continued)

| <u>Types of Loss</u> | <u>Method Managed</u> | <u>Risk of Loss Retained</u> |
|----------------------|-------------------------|------------------------------|
| Health and Life | The county carries com- | None |
| - Medical | mercial insurance for | |
| - Disability | these types of risk. | |
| - Dental | | |
| - Life | | |

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county will pay a deductible amount (\$1,000 to \$10,000; the County has a \$10,000 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

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

The County continues to carry commercial insurance for employees' health and accident insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2002 fiscal year.

J. Compensated Absences

The County does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and may not be accumulated. Any unused vacation benefits are forfeited on January 1 of each year. Employees with up to 9 years of service earn 10 days per calendar year, employees with 10 to 20 years of service earn 15 days per calendar year, and those employees in excess of 20 years earn 20 days per calendar year. Accumulated unpaid vacation benefits were recorded for the fiscal year ended June 30, 2002, in the amount of \$41,953 in the general long-term debt account group.

K. Long-Term Obligations

The County reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with

Summary of Significant Accounting Policies (continued)

current available financial resources are also reported in the general long-term debt account group.

L. Memorandum Only - Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated from the total column of each financial statement.

M. Grant Revenue

Revenues from federal and state grants are recognized when expenditures are incurred.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Account Balances

A. Deposits

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

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

At year-end, the carrying amount of the County's deposits was \$7,485,448 and the bank balance was \$7,514,764. 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.

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

Detailed Notes on Account Balances (continued)

Cash and Certificates of Deposit – Component Unit

The following is a table of deposits for the Kingfisher County Industrial Authority at June 30, 2002, by risk category.

| | <u>Risk Category</u> | |
|-------------------------------|----------------------|------------|
| | <u>(1)</u> | <u>(2)</u> |
| Cash, including time deposits | \$100,000 | \$60,956 |

Risk categories:

- Category 1 - Deposits that are insured or collateralized with securities held by the Authority or its agent in the Authority's name.
- Category 2 - Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Title 62 O.S. § 72.4a requires public trusts that have the state or a country as a beneficiary must only invest in certificates of deposit or other evidences of deposit.

These restrictions do not apply to the proceeds of bonds issued by the Kingfisher County Industrial Authority or the revenues that service the debt in accordance with part B of Title 62 O.S. § 72.4a, which requires that proceeds, including the revenue stream, relating to bond issues be invested pursuant to the indenture established for such bonds.

B. Receivables

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

The assessed property value as of January 1, 2001, was approximately \$94,009,069.

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

Detailed Notes on Account Balances (continued)

The County levied 10.27 mills (the legal maximum) for general fund operations and 2.05 mills for the County Health Department. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and apportions 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, 2002, were approximately 98 percent of the tax levy.

C. 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 contributed between 5.0% and 10% of earned compensation for fiscal year 2002. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributed 10% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2002, 2001, and 2000 were \$185,286, 173,966, and \$150, 676, respectively, equal to the required contributions for each year.

D. 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

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

Detailed Notes on Account Balances (continued)

January 1997, ODOT began charging a one-time fee of 3% on all subsequent pieces of machinery acquired. The one-time fee will be reported as interest. Oklahoma Statutes prohibit the County from entering into contracts of this nature longer than one year. For this reason, these lease-purchase agreements do not qualify for capitalization until the year the lease-purchase agreements are completed and title to the equipment is transferred to the County. However, it is the County's intent to exercise its right to purchase this property; accordingly, the lease-purchase agreements have been capitalized to conform with generally accepted accounting principles. The unpaid portions of these agreements have been reflected as capitalized lease obligations within the general long-term debt account group.

Providing all capital leases are renewed each year by resolution of the Board of Commissioners, minimum lease commitments under capitalized lease-purchase agreements as of June 30, 2002, are as follows:

| <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|-----------------|------------------|
| 2003 | \$246,122 | \$2,107 | \$248,229 |
| 2004 | 202,072 | 1,728 | 203,800 |
| 2005 | 135,629 | 626 | 136,255 |
| 2006 | 102,838 | 39 | 102,877 |
| 2007 | 95,403 | - | 95,403 |
| 2008 | 67,070 | - | 67,070 |
| 2009 | <u>16,186</u> | <u>-</u> | <u>16,186</u> |
| Totals | <u>\$865,320</u> | <u>\$4,500</u> | <u>\$869,820</u> |

During the year, the County capitalized leases totaling \$248,680 and paid \$292,127 on the outstanding balances of lease-purchase agreements.

E. Long-Term Debt

Changes in Long-Term Liabilities

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term debt account group:

| | <u>Balance July 1, 2001</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2002</u> |
|----------------------|---------------------------------|------------------|-------------------|----------------------------------|
| Capital leases | \$908,767 | \$248,680 | \$292,127 | \$865,320 |
| Compensated absences | <u>44,872</u> | <u>-</u> | <u>2,919</u> | <u>41,953</u> |
| | <u>\$953,639</u> | <u>\$248,680</u> | <u>\$295,046</u> | <u>\$907,273</u> |

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

Detailed Notes on Account Balances (continued)

F. Long-Term Debt – Component Unit

The Authority may issue two types of tax bonds; revenue notes and general obligation tax bonds.

General Obligation Bonds

Funds obtained from the issuance of general obligation tax bonds are used for the construction of facilities and the purchase of equipment. Titles to the facilities and equipment are retained by the Authority for collateral on its bonds.

These assets are leased under long-term agreements which allow for the purchase of the leased property of the lessee upon termination of the lease for nominal amounts.

Payments of the general obligation bonds are guaranteed by the taxpayers of Kingfisher County.

Revenue Notes

Revenue notes are issued through the Authority, but the revenue noteholder's repayment is solely guaranteed by the respective lessee.

Long-Term Debt consists of the following:

1975 Kingfisher County General Obligation-
 Limited Tax Bonds, interest at 6%
 Payable in annual installments ranging
 From \$5,000 to \$10,000 annually through
 2005. (Redwine) (Original issue \$225,000)

| | |
|---------------------------|-----------------|
| Total outstanding debt | \$25,000 |
| Less current maturities | <u>5,000</u> |
| Long-term portion of debt | <u>\$20,000</u> |

Maturities of long-term debt are as follows:

| <u>Year Ended June 30.</u> | <u>Maturities</u> |
|----------------------------|-------------------|
| 2003 | \$ 5,000 |
| 2004 | 10,000 |
| 2005 | <u>10,000</u> |
| Total | <u>\$25,000</u> |

The \$25,000 total debt outstanding consists entirely of general obligation bonds.

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

Detailed Notes on Account Balances (continued)

Status of General Obligation Bonds

1975 General Obligation – Redwine

Redwine Supply, Inc. leased a building and equipment financed by a general obligation bond issue of the Authority and defaulted on their lease agreement in 1980. On August 31, 1983, Redwine Supply, Inc. filed Chapter Seven Bankruptcy. Due to the excess fund balance, a tax levy was not required for fiscal years prior to 1986-1987.

The Authority has collected the following ad valorem taxes because of the deficient fund balance.

| <u>Fiscal Year</u> | <u>Amount</u> |
|--------------------|---------------|
| 1986-87 | \$14,657 |
| 1987-88 | 17,608 |
| 1988-89 | 8,890 |
| 1989-90 | 20,115 |

The facilities originally leased by Redwine have been re-leased to another party. Payments from this lease have been sufficient to keep from levying for ad valorem taxes for the fiscal year 1990-2002.

For 2002-2003 the Authority will not be required to levy an ad valorem tax on the general taxpayers of Kingfisher County.

G. Fund Equity

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance accounts are summarized below.

Reserved for Encumbrances The reserve for encumbrances represents encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the County but not completed as of the close of the fiscal year.

H. Sales Tax

A one-half cent sales tax extending for five years from September 2001, is used to fund county government in the following manner; Roads (29%), General government (16%), OSU Extension (9%), Free Fair (10%), Rural Fire (13%), County Sheriff (15%), Museum (5%), and Libraries (3%). The sales tax apportioned directly to the general fund and remitted to the above named entities, with the exception of the Free Fair, which is directly apportioned. For the fiscal year

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

Detailed Notes on Account Balances (continued)

ending June 30, 2002, \$459,846 was collected and apportioned in sales tax to the general fund. Sales tax of \$53,442 was directly remitted to the Free Fair.

I. 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. The County highway fund is reported herein as "special revenue," and the fuel tax revenue is presented as "intergovernmental."

4. Contingent Liabilities

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

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

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
KINGFISHER COUNTY, OKLAHOMA

We have audited the general-purpose financial statements of Kingfisher County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated March 31, 2003. We qualified our opinion because the general fixed assets account group was not included in the financial statements. We did not audit the financial statements of Kingfisher County Industrial Authority, which represent 100% of the assets and revenues of the discretely presented component unit column. Those financial statements were audited by other auditors, whose report thereon has been furnished to us. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

Finding 99-2 – General Fixed Assets

Criteria: Generally accepted accounting principles for a governmental entity using governmental fund types require the presentation of the general fixed assets account group (GFAAG) in the financial statements.

Condition: Information is not available for reporting general fixed assets in accordance with generally accepted accounting principles for a government entity. The general fixed assets control account is not accurate.

Effect: This component of internal control is not effective. Accordingly, there is a greater risk that a fixed asset may not be properly accounted for and safeguarded against loss.

Recommendation: We recommend records include acquisition cost, a complete description, purchase date, location of such assets, and that a control total of cost of these assets be maintained and reconciled annually.

Finding 2002-1 – Segregation of Duties

Criteria: Good internal controls dictate that employees who process cash transactions be segregated from the duties of depositing funds, posting bookkeeping records, and reconciling reports of collection activity.

Condition: One deputy in the Sheriff's office and one deputy in the County Clerk's office perform all the cash collections, posting, and reconciling activities.

Recommendation: We recommend that management be aware of the possibility of weakened internal controls when all collection activity duties are the responsibility of one employee. Although it is not feasible to divide these duties to the extent described above, it is desirable to review transactions and cross train employees to perform these duties to provide adequate control over funds collected in each office.

Finding 2002-2 – Consumable Inventory Reports

Criteria: In accordance with Title 19 O.S. 2001, § 1505 and § 1502, a county is required to file a monthly summary of road or bridge inventory items or materials used and an inventory of road and bridge materials on hand with its county clerk.

Condition: In our examination of consumable inventories for the fiscal year ended June 30, 2002, we noted that commissioners District 1 and District 2 did not file reports of road and bridge materials on hand consumed. It was noted that District 1 began submitting these required reports subsequent to June 30, 2002.

Effect: Consumable inventories may not be easily tracked; balances may be misstated; financial statements are not accurate; or necessary adjustments could be overlooked.

Recommendation: We recommend that each highway district file with the County Clerk a monthly summary of road or bridge inventory items or materials used and an inventory of road and bridge materials on hand. The report should contain a record of the date, place, and purpose for the use of the road or bridge items or materials, as prescribed in Title 19 O.S. 2001, § 1505 and § 1502, and should also include beginning and ending quantities and balances for each inventory item purchased in lots \$500 or more.

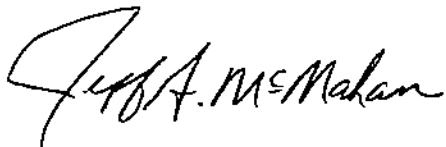
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 99-2 to be a material weakness.

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

This report is intended solely for the information and use of 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 the Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

March 31, 2003

Management Response



KINGFISHER COUNTY COMMISSIONERS

Edward Wilczek, District 1
Jim Shimanek, District 2
Keith Schroder, District 3
April 4, 2003

Phone: (405) 375-3808
Fax: (405) 375-2366

Kingfisher County Courthouse
101 S. Main, Room #9
Kingfisher, OK 73750

Office of the State Auditor & Inspector
Attention: Jeff A McMahan
1401 Lera, Suite 9,
Rt 2
Weatherford OK 73096

SUBJECT: Response to Auditor's Reportable Conditions

Dear Ms. Merle:

Finding 1999-2 General Fixed Assets

We concur with the auditor's findings and are implementing the following procedural changes: Kingfisher County Commissioners employed an experienced, past county clerk land records employee to update Kingfisher County records to include acquisition cost, complete description, purchase date, location of such assets, and a control total of cost and total will be maintained and reconciled annually. We are prepared to complete the general fixed asset report for fiscal year 2002-03

Finding 2002-1 Segregation of Duties

Good internal controls dictate that employees who process cash transactions be segregated from the duties of depositing funds, posting bookkeeping records, and reconciling reports of collection activity. The deputy in the County Clerk's office does have support help with cash collections, posting, and reconciling activities on an irregular basis. All staff members receive money at different intervals. We will make a special effort to make sure collection activity duties are not the responsibility of one employee. In the sheriff's office, management is aware of the importance of cross training. Hopefully, in the future, funds will allow for additional staffing creating opportunities for more than one person to collect, post, and reconcile financial reports. Also, I would like to add that all offices handling funds do take a one week vacation consecutive.

Finding 2002-2 Consumable Inventory Reports

In accordance with Title 19 O.S. 2001, Paragraph 1505, a county is required to file a monthly summary of road or bridge inventory items or materials used and an inventory of road and bridge materials on hand with its county clerk. In an effort to tract the consumable inventories, Kingfisher County Districts I, II, & III will file with the County Clerk a monthly summary of road or bridge inventory items or materials used and an inventory of road & bridge materials on hand.

Thank you for helping us to comply with Oklahoma State Statutes.

Sincerely

Edward Wilczek

Mr. Edward Wilczek, District I
Chairman, Kingfisher County Board of Commissioners