

COUNTY AUDIT

# ALFALFA COUNTY

For the fiscal year ended June 30, 2008



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**ALFALFA COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

May 16, 2011

TO THE CITIZENS OF  
ALFALFA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Alfalfa County, Oklahoma for the fiscal year ended June 30, 2008. 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 blue ink, appearing to read "Gary A. Jones".

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

**ALFALFA COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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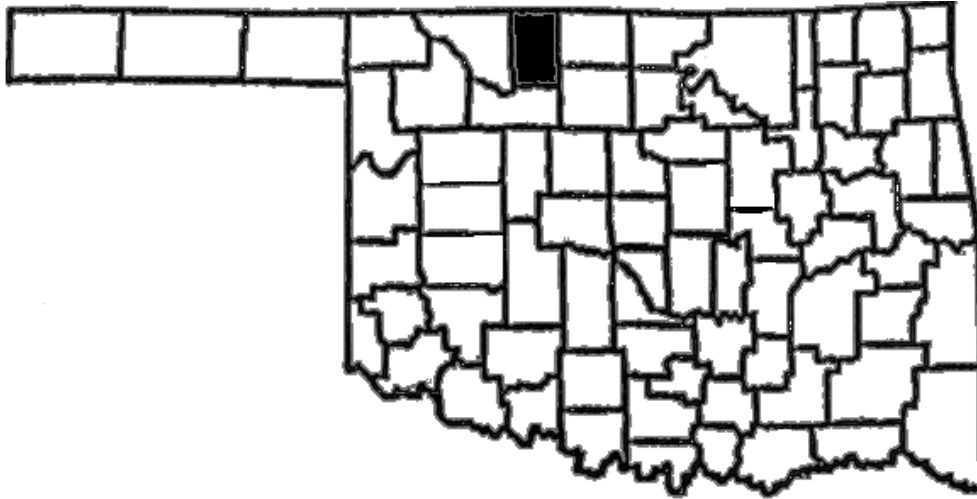
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**REPORT TO THE CITIZENS  
OF  
ALFALFA COUNTY, OKLAHOMA**

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Alfalfa County is named for William H. —Alfalfa Bill” Murray, president of the Oklahoma Constitutional Convention and ninth governor of the State of Oklahoma. Principal contributions to the county's economy are wheat and grain sorghums, cattle raising, and oil production. Alfalfa County boasts such attractions as the Cherokee Salt Plains, located on the Salt Fork of the Arkansas River east of Cherokee; the Great Salt Plains Recreation Area, famous for its camping facilities, fishing, boating and crystal digs; the Sod House Museum in Aline; and the Game Reserve, noted for its Canadian geese, whooping cranes and other waterfowl.

County Seat - Cherokee

Area – 881.44 Square Miles

County Population - 5,725  
(2005 est.)

Farms - 666

Land in Farms - 461,288 acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

**ALFALFA COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**COUNTY ASSESSOR**

Sonya Booher

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**

Bruce Martin

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.

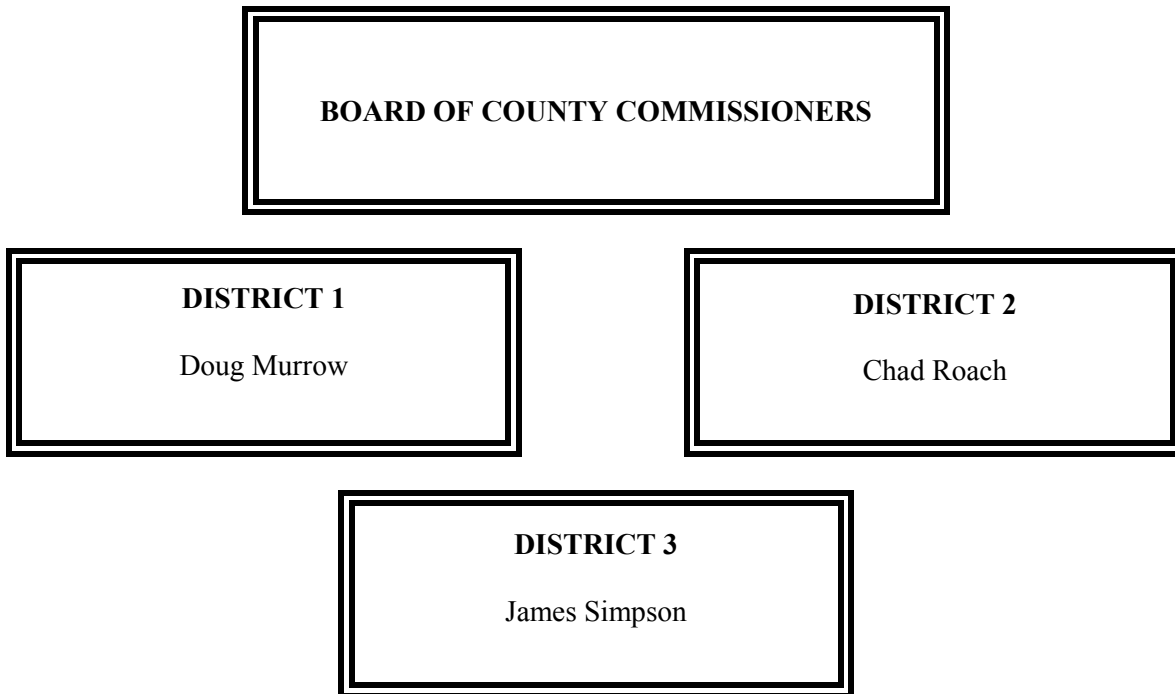
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county.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

**ALFALFA COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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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.

**ALFALFA COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**COUNTY SHERIFF**

Charles Tucker

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**

Carolyn Stands

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.

See independent auditor's report.



**ALFALFA COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**COURT CLERK**

Lori Irwin

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.

**DISTRICT ATTORNEY**

Hollis Thorp

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.

**ALFALFA COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**ELECTION BOARD SECRETARY**

Joyce Thornburgh

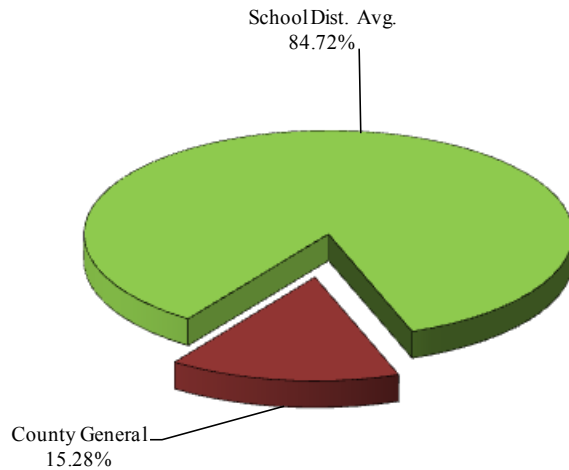
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

**ALFALFA COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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.



<u>County-Wide Millages</u>		<u>School District Millages</u>						
County General	10.87	Gen.	Bldg.	Skg.	Technology Center	Common	Total	
Byron, Amorita, Burlington	I-1	38.06	5.44				4.35	47.85
Cherokee	I-46	39.03	5.58	3.74			4.35	52.70
Helena, Jet, Goltry, Nash	I-93	38.15	5.45	8.75			4.35	56.70
Ringwood	JT-1	35.28	5.04	19.71	13.65		4.35	78.03
Carmen/Alva	JT-1	36.58	5.22	4.69	13.65		4.35	64.49
Aline/Cleo	JT-4	37.06	5.29	17.39	13.65		4.35	77.74
Wakita	JT-33	35.13	5.02	1.78			4.35	46.28
Chisholm	JT-42	35.00	5.00	14.16			4.35	58.51

See independent auditor's report.

**ALFALFA COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

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Total net assessed value as of January 1, 2007		<u>\$ 49,895,890</u>
Debt limit - 5% of total assessed value		2,494,795
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 2,494,795</u>

See independent auditor's report.

**ALFALFA COUNTY, OKLAHOMA  
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED  
VALUE AND NET BONDED DEBT PER CAPITA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

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	2008
Estimated population	5,725
Net assessed value as of January 1, 2007	\$ 49,895,890
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.

**ALFALFA COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

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Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2007	\$13,061,915	\$7,375,917	\$30,815,925	\$1,357,867	\$49,895,890	\$387,656,416

See independent auditor's report.

## **FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521-3495 • Fax: 405-521-3426

## Independent Auditor's Report

TO THE OFFICERS OF  
ALFALFA COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Alfalfa County, Oklahoma, as of and for the year ended June 30, 2008, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Alfalfa 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.

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 Alfalfa County as of June 30, 2008, 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 Alfalfa County for the year ended June 30, 2008, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2011, on our consideration of Alfalfa 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. 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.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

April 25, 2011

## **Basic Financial Statement**

**ALFALFA COUNTY, OKLAHOMA  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 (WITH COMBINING INFORMATION)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Beginning Cash Balances July 1, 2007	Receipts Apportioned	Disbursements	Transfer Out	Ending Cash Balances June 30, 2008
Combining Information:					
County General Fund	\$ 842,712	\$ 2,332,022	\$ 1,412,708	\$ 812,290	\$ 949,736
County Highway Cash	3,598,321	2,614,611	3,173,525		3,039,407
Resale Property	113,191	20,029	39,952		93,268
Sheriff Service Fee	13,181	37,556	20,936		29,801
Sheriff Revolving Fee	55,043	43,561	61,485		37,119
Treasurer Mortgage Tax Certification Fee	1,297	1,120	732		1,685
County Clerk Lien Fee	26,989	23,510	8,562		41,937
Community Service Sentencing Program	3,017				3,017
County Clerk Records Preservation Fee	35,470	20,790	3,504		52,756
Assessor Visual Inspection	3,038	3,398	2,378		4,058
Assessor Revolving Fee	3,710	79	275		3,514
<b>Combined Total--All County Funds</b>	<b>\$ 4,695,969</b>	<b>\$ 5,096,676</b>	<b>\$ 4,724,057</b>	<b>\$ 812,290</b>	<b>\$ 4,256,298</b>

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

**ALFALFA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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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 Alfalfa County, Oklahoma. The financial statement referred to includes only the primary government of Alfalfa County, Oklahoma, and does not include financial information for any of the primary government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. 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.

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

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

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

Sheriff Revolving Fee – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of maintaining the jail.

**ALFALFA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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Treasurer Mortgage Tax 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.

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

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

County Clerk Records Preservation Fee - accounts for fees collected for instruments filed in the County Clerk's office as restricted by statute for preservation of records.

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

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

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities and school districts. 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. Any trust or agency funds maintained by the County are not included in this presentation.

**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.

**D. Budget**

Under current Oklahoma Statutes, a general fund and a 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 for the respective fund by 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.

**ALFALFA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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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

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.

All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

**ALFALFA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**G. Compensated Absences**

The County's policy for leave benefits reads as follows:

Annual Leave - 80 hours of vacation benefits are earned by the employee on their anniversary date of employment. The employees have one full year to use their annual leave. No balances may be carried over from one year to the next.

Sick Leave - accrues at the rate of 8 hours for each full calendar month worked for the County. Each employee may accumulate up to a maximum of 30 days of sick leave.

**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, 2007, was approximately \$49,895,890.

Per Article 10, § 8A, with the repeal of personal property tax, the millage with the adjustment factor is 10.87 mills for general fund operations. In addition, the County collects the ad valorem taxes assessed by 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.

Current year tax collections for the year ended June 30, 2008, were approximately 98.05 percent of the tax levy.

**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

**ALFALFA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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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>		

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 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, but have a one-time fee of 3% on all pieces of machinery acquired.



**ALFALFA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**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 8.5% and 13.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 13.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2008, 2007, and 2006, were \$185,880, \$167,455, and \$124,450, respectively, equal to the required contributions for each year.

2.5% Step-Up. Members have the option to elect to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service.

**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. Amounts, if any, of expenditures that may be disallowed by the grantor cannot be determined, although, the County expects such amounts, if any, to be immaterial.

**ALFALFA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

**9. Sales Tax**

On July 27, 2004, the citizens of Alfalfa County voted on and approved a ½ cent sales tax for the purpose pertaining to the health and well-being of the people; a 3/8 cent sales tax for general operations and improvements of the government and library; and a 3/8 cent sales tax for construction and maintenance of the Alfalfa County fairgrounds. The total sales tax approved was 1¼ cent. Sales tax shall continue until December 31, 2008.

**10. Restatement of Prior Year Cash Balance**

Due to a timing difference in posting checks paid by the Treasurer for the fiscal year ended June 30, 2007, the ending balance as reported is different than the fiscal year 2008 beginning balance. The checks that cleared the bank for the month of June 2007 were not posted as paid by the Treasurer until July 2007. The beginning cash balance is decreased by \$459,746.

Prior Year Ending Balance as Reported	\$5,155,715
Adjustment to Prior Balance	<u>(459,746)</u>
Prior Year Ending Balance, as Restated	<u>\$4,695,969</u>

**11. Interfund Transfers**

The interfund transfer of \$812,290 from the General Fund to the Oklahoma Tax Commission Sales Tax Fund, represents sales tax remitted to Alfalfa County in error that was returned in this fiscal year.

**OTHER SUPPLEMENTARY INFORMATION**

**ALFALFA 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, 2008**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 1,027,621	\$ 1,027,621	\$ 842,712	\$ (184,909)
Less: Prior Year Outstanding Warrants	(247,231)	(247,231)	(62,322)	184,909
Less: Prior Year Encumbrances	(79,231)	(79,231)	(61,695)	17,536
Beginning Cash Balances, Budgetary Basis	<u>701,159</u>	<u>701,159</u>	<u>718,695</u>	<u>17,536</u>
Receipts:				
Ad Valorem Taxes	493,062	493,062	545,417	52,355
Sales Tax	360,000	360,000	1,356,064	996,064
Intergovernmental Revenues	38,100	45,740	65,490	19,750
Charges for Services	126,825	126,825	155,803	28,978
Miscellaneous Revenues	195,075	195,075	209,248	14,173
Total Receipts, Budgetary Basis	<u>1,213,062</u>	<u>1,220,702</u>	<u>2,332,022</u>	<u>1,111,320</u>
Expenditures:				
District Attorney	1,000	1,000	963	37
County Sheriff	261,857	261,857	231,941	29,916
County Treasurer	65,877	65,877	65,843	34
OSU Extension	19,600	19,600	19,432	168
County Clerk	86,252	86,252	85,942	310
Court Clerk	61,575	61,575	61,575	
County Assessor	59,810	59,810	58,919	891
Revaluation of Reap Property	63,581	63,581	55,771	7,810
General Government	153,889	153,639	146,950	6,689
Excise Equalization Board	2,550	2,550	2,194	356
County Election Board	50,625	51,068	48,644	2,424
Insurance Benefits	263,800	263,800	238,179	25,621
Superintendent of Health	1	1		1
Public Health	1	1		1
Charity	1	251	250	1
Firefighting Services	251	251	184	67
County Audit Budget	9,360	9,360	9,360	
Library	7,001	7,001	6,283	718
County Hospital	45,566	80,566	77,249	3,317

continued on next page

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

**ALFALFA 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, 2008**

continued from previous page

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Free Fair Budget	7,000	7,000	6,990	10
Sales Tax:				
Jet Responders	20,562	20,562	850	19,712
Carmen Rescue	26,726	26,726	1,513	25,213
Aline Fire & Rescue	26,108	26,108	8,557	17,551
Cherokee Fire & Rescue	11,079	11,079	5,173	5,906
Helena Rescue	25,038	25,038	7,459	17,579
Goltry Rescue	27,685	27,685	18,715	8,970
Amorita-Byron Rescue	17,646	19,375	8,518	10,857
Nescatunga Rescue	11,141	12,141	9,147	2,994
Burlington Fire & Rescue	25,676	25,676	5,899	19,777
Emergency Reserve	212,542	149,813		149,813
Cherokee Ambulance	77,339	109,344	81,074	28,270
Helena Emergency Medical Service	70,001	70,193	22,604	47,589
Fairground Improvement	155,717	155,717	124,776	30,941
Courthouse Improvement	47,364	47,364	27,919	19,445
Total Expenditures, Budgetary Basis	1,914,221	1,921,861	1,438,873	482,988
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	1,611,844	\$ 1,611,844
Other Sources/Uses				
Transfer Out			(812,290)	
Transfers Out Total			(812,290)	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			84,579	
Add: Current Year Outstanding Warrants			65,603	
Ending Cash Balance			\$ 949,736	

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

**ALFALFA COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**Budgetary Schedule**

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the 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 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.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

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## **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  
ALFALFA COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Alfalfa County, Oklahoma, as of and for the year ended June 30, 2008, which comprises Alfalfa County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated April 25, 2011. 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. 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 Alfalfa County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting. 2008-1 and 2008-7



A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. 2008-2, 2008-3, 2008-4, and 2008-8

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alfalfa 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*.

Alfalfa County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Alfalfa County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

April 25, 2011

**ALFALFA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**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 2008-1 – Segregation of Duties**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Condition: The County Treasurer has two full-time deputies; however, the County Treasurer performs the duties of preparing the daily report, preparing the general ledger, preparing the monthly apportionment ledger, and reconciling all bank statements except for the official depository account. The County Treasurer and the two employees issue receipts, prepare the deposits and the County Treasurer makes the deposits with the financial institutions. There is no formal segregation of duties within the Treasurer's office.

Effect: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of these conditions 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 overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and management review and approval of accounting functions.

Views of responsible officials and planned corrective actions: We will have two people examine and initial the reconciliations. In a three man office it is not easy to segregate duties. We will have more than one person do the jobs required for daily business.

**Finding 2008-2 – Bank Reconciliations**

Criteria: Accountability is an overall goal of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of reconciling the county general ledger to the bank statements and the approval of the reconciliation should be segregated.

**ALFALFA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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Condition: Based on the observation of bank reconciliations at June 30, 2008, it was noted there is no review and approval of the reconciliation by someone other than the preparer.

Effect: The condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

Recommendation: OSAI recommends the Treasurer cross-train deputies to prepare bank reconciliations and that she then examine and approve those reconciliations to provide effective internal controls over cash balances.

Views of responsible officials and planned corrective actions: We will accept OSAI's recommendations. We will cross-train deputies to prepare bank reconciliations and the Treasurer will examine and two people will initial those reconciliations to provide effective internal controls over cash balances.

**Finding 2008-3 – Unsecured Treasurer's Office**

Criteria: Accountability is an overall goal of management in the accounting of funds. To help ensure a proper accounting of funds, the offices of County Officers should not be left unattended at anytime during working hours of the Courthouse.

Condition: On October 28, 2010, at 1:35p.m., the Treasurer's office was left unattended and unlocked with two bank bags visibly present on a desk and the cash box under the counter unsafeguarded.

Effect: The condition could result in funds being misappropriated.

Recommendation: OSAI recommends the Treasurer's office implement a policy of maintaining one person in the office at all times during working hours. Additionally, funds not yet deposited should be locked in the safe to provide effective internal controls over the county's assets.

Views of responsible officials and planned corrective actions: We regret the office was unsecured and money was left open to the public and the money box was unlocked and the door was unlocked with no employees in the office. This will not happen again.

**Finding 2008-4 – Timely Posting of Checks Paid**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper cut off, accurate recording of dates is necessary when posting information to the disbursement system.

Condition: The County Treasurer's office uses the date of the bank reconciliation rather than the date that the check cleared the bank when posting information to the disbursement system.

**ALFALFA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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Effect: This practice could result in the overstatement of cash balances at month end.

Recommendation: OSAI recommends the Treasurer use the date the checks cleared the bank when posting them as paid to provide an accurate recording of cash balances.

Views of responsible officials and planned corrective actions: We have already changed our procedure at the end of the month to include the warrants on the last day of business.

**Finding 2008-7 – Control Environment**

Criteria: An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the environment established by management. In addition, management attitude, qualifications, and operating style become the foundation of all other internal control components.

Condition: As part of our risk assessment, we reviewed the county-wide controls and assessed the entity and its environment. Through conversation and interaction with county officials and employees it is our determination that there is a lack of communication and cooperation between the elected officials. Additionally, during the course of the audit, we had difficulty in obtaining complete and accurate documentation regarding the County's federal grant expenditures for Disaster Grants-Public Assistance in order to report these expenditures on the County's Schedule of Expenditures of Federal Assistance. The County Officials have not made a determination regarding the preparation of the Schedule of Federal Expenditures.

Effect: This lack of cooperation and communication has resulted in the County's inability to initiate, authorize, record, process, or report financial data reliably.

Recommendation: OSAI recommends management be aware of these conditions and realize the most effective controls lie in management's attitude and operating style with regard to effective internal controls of which communication is an important part.

Views of responsible officials and planned corrective actions: We have addressed this in a public meeting May 2, 2011. We have urged all County offices to cooperate and to get along when dealing with financial data and other record keeping.

**Finding 2008-8 – Footnote Disclosure**

Criteria: The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. Statement on Auditing Standards (SAS) No. 115 indicates that a control deficiency exists when management does not have adequate expertise to apply accounting principles to the financial statements or to review financial statements prepared on their behalf by others to ensure they are prepared in accordance with these principles. Professional audit standards preclude the

**ALFALFA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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external financial statement auditor from performing any part of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

Condition: Internal controls have not been developed to prevent or detect misstatements in a timely manner or to ensure all required disclosures are presented with the financial statement.

Effect: The potential exists for misstatements to go undetected, specifically for the completeness of financial statement disclosures.

Recommendation: OSAI recommends the County consider one or more of the following controls:

- Having at least one staff member with sufficient skills necessary to understand the application of accounting principles in regards to the preparation of financial statements.
- Contract an outside firm or individual to review or prepare the financial statements and accompanying notes to the financial statements to ensure appropriate disclosures are presented.

Views of responsible officials and planned corrective actions: We have attempted to contact a budget maker to prepare our financial statement, but he has not returned our calls yet. If he doesn't want to prepare a financial statement for us, we will hire someone qualified to prepare a statement.



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