

**BLAINE COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2001**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR  
OKLAHOMA CITY

CLIFTON H. SCOTT  
State Auditor and Inspector

2300 N. Lincoln Blvd.  
100 State Capitol  
Oklahoma City, OK 73105-4896  
405/521-3495

May 22, 2002

TO THE CITIZENS OF  
BLAINE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Blaine County, Oklahoma, for the fiscal year ended June 30, 2001. 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, appearing to read "Clifton H. Scott".

CLIFTON H. SCOTT  
State Auditor and Inspector

BLAINE COUNTY, OKLAHOMA  
 FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2001

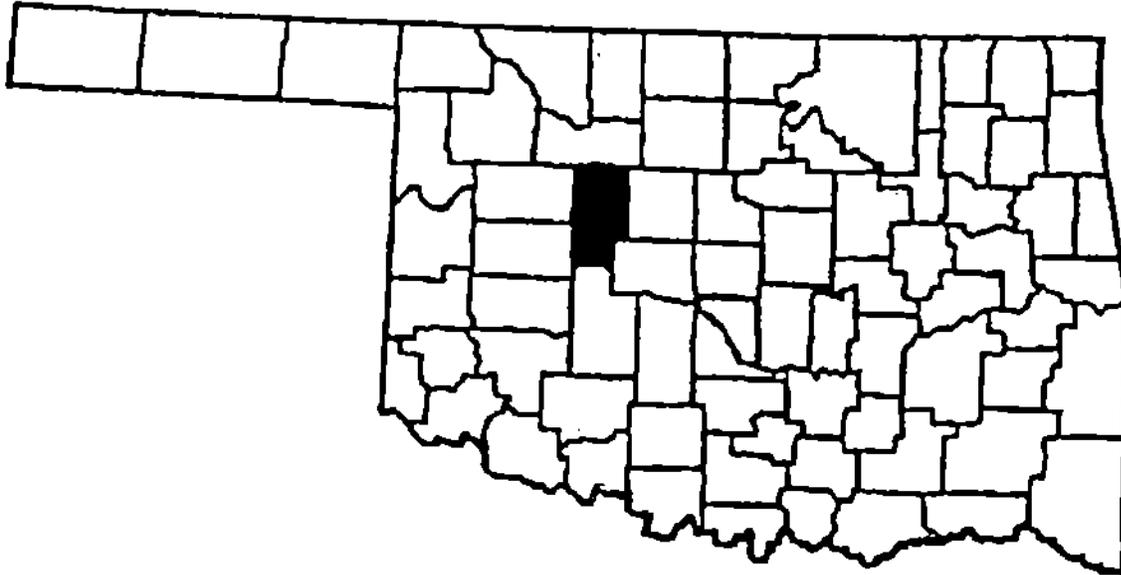
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# REPORT TO THE CITIZENS

OF

## BLAINE COUNTY



Originally designated as "C" County in 1890, Blaine was adopted as the county name in November 1892, in honor of James G. Blaine, U.S. Senator, House Speaker, and Republican presidential candidate in 1884.

Blaine County is the site of the first gypsum mill in Oklahoma Territory, the Ruby Stucco Mill. Southard, located in the north central part of the county, is the site of one of the purest gypsum deposits in the United States. The U.S. Gypsum Company is the largest industrial plant in the county.

The internal Association of Rattlesnake Hunters has headquarters in Okeene, which is also the site of its Jaycees Annual Rattlesnake Hunt. The Canton Lake Walleye Pike Rodeo and Fishing Derby occur annually. Roman Nose State Park is located seven miles north of Watonga.

County Seat - Watonga

Area - 920 Square Miles

County Population - 10,900  
(1995 est.)

Farms - 825

Land in Farms - 513,975 Acres

Source: Oklahoma Almanac 2000 - 2001  
See independent auditor's report.

COUNTY ELECTED OFFICIALS  
AND RESPONSIBILITIES

COUNTY ASSESSOR  
Rosemary Neely  
(D) Geary

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, and assesses it at no more than 35 percent of its fair cash value.

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  
Sharon R. Gates  
(D) Watonga

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.

BOARD OF COUNTY COMMISSIONERS

DISTRICT #1  
Louis Hood  
(R) Greenfield

DISTRICT #2  
Jonathon Cross  
(D) Okeene

DISTRICT #3  
Farrol Boyd  
(R) Watonga

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 SHERIFF  
Ricky G. Ainsworth  
(R) Watonga

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.

See independent auditor's report.

COUNTY TREASURER  
Donna Hoskins  
(R) Watonga

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.

COURT CLERK  
Rebekah Haney  
(R) Hitchcock

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. When any county in the district is involved in civil litigation, the District Attorney serves as its defender or prosecutor. 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.

ELECTION BOARD SECRETARY  
Jane Crawford  
(D) Watonga

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.

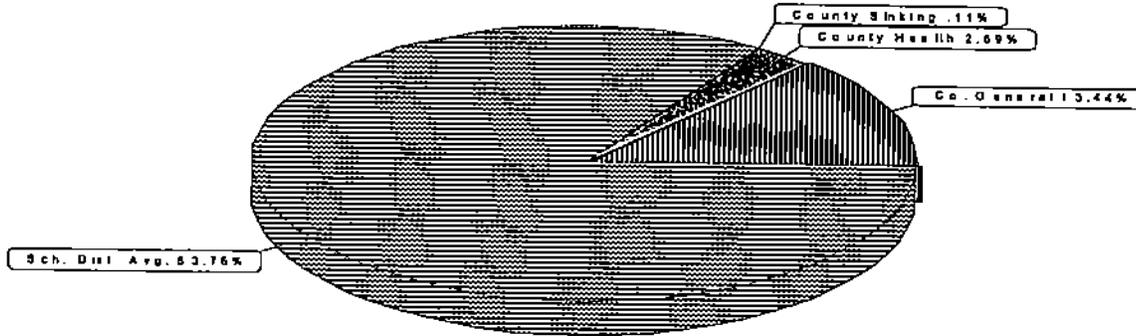
See independent auditor's report.

**AD VALOREM TAX DISTRIBUTION**

**BLAINE 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

Co. General	10.00
County Health	2.00
County Sinking	.81

<u>EMS Millages</u>	
Canton-Longdale	3.00

School District Millages

	<u>Gen.</u>	<u>Bldg.</u>	<u>Sk.</u>	<u>Vo-Tech</u>	<u>Common</u>	<u>Total</u>
I-9 Okeene	35.00	5.00	7.08		4.00	51.08
I-9 Okeene HR	35.00	5.00	7.08	10.00	4.00	61.08
I-42 Watonga	35.00	5.00	10.29	10.00	4.00	64.29
I-80 Geary	35.00	5.00	.08		4.00	44.08
I-105 Canton	35.00	5.00	9.94	13.00	4.00	66.94
I-84 Major	35.00	5.00	12.92	13.00	4.00	69.92
I-92 Major	35.00	5.00	7.34	14.00	4.00	65.34
J-3 Kingfisher	35.00	5.00	11.91	10.00	4.00	65.91
J-7 Custer	35.00	5.00	2.66		4.00	46.66
J-11 Caddo	35.00	5.00	23.08	11.00	4.00	78.08
J-3 Caddo	35.00	5.00	5.85	11.00	4.00	63.85

See independent auditor's report.



STATE OF OKLAHOMA

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OKLAHOMA CITY

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INDEPENDENT AUDITOR'S REPORT

TO THE OFFICERS OF  
BLAINE COUNTY, OKLAHOMA

We have audited the accompanying primary government financial statements of Blaine County, Oklahoma, as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of Blaine County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As explained in Note (1A), the financial statements referred to above do not include the financial statements of the Blaine County Industrial Authority, a component unit of Blaine County, which should be included in order to conform with accounting principles generally accepted in the United States of America. Those financial statements, which are prepared by other auditors, were not available for inclusion in our report.

As explained in Note (1H), the primary government 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.

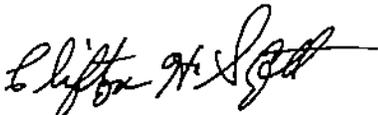
A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, except for the effects on the primary government financial statements of the omission described in the preceding paragraph, the primary government financial statements referred to above present fairly, in all material respects, the financial position of the primary government of Blaine County, Oklahoma, as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements, because they do not include the financial data of component units of Blaine County, Oklahoma, do not purport to, and do not, present fairly the financial position of Blaine County, Oklahoma, as of June 30, 2001, and the results of its operations for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2002, on our consideration of Blaine 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 primary government financial statements of Blaine 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,



CLIFTON H. SCOTT  
State Auditor and Inspector

April 15, 2002

## **FINANCIAL STATEMENTS**

BLAINE COUNTY, OKLAHOMA  
 COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUP  
 JUNE 30, 2001

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	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	ACCOUNT GROUP	TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	AGENCY	GENERAL LONG - TERM DEBT	
<b>ASSETS</b>						
Cash and investments	\$ 607,210	\$ 3,633,863	\$ 9,904	\$ 4,697,299	\$	\$ 8,948,276
Ad valorem taxes receivable	3,636	687	335	24,164		28,822
Due from other governments	1,718	283,199		133,183		418,100
Accrued interest receivable	11,971	4,159		18,570		34,700
Amount available in debt service fund					10,239	10,239
Amount to be provided for retirement of general long-term debt					226,761	226,761
Amount to be provided for capitalized lease purchase agreements					641,266	641,266
Amount to be provided for compensated absences					40,145	40,145
<b>Total assets</b>	<u>\$ 624,535</u>	<u>\$ 3,921,908</u>	<u>\$ 10,239</u>	<u>\$ 4,873,216</u>	<u>\$ 918,411</u>	<u>\$ 10,348,309</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Warrants payable	\$ 43,736	\$ 117,447	\$	\$	\$	\$ 161,183
Accounts payable	23,527	45,981				69,508
Due to other taxing units				3,736,592		3,736,592
Due to others				1,136,624		1,136,624
Capitalized lease obligations payable					641,266	641,266
Bonds payable					237,000	237,000
Compensated absences					40,145	40,145
<b>Total liabilities</b>	<u>67,263</u>	<u>163,428</u>	<u>-</u>	<u>4,873,216</u>	<u>918,411</u>	<u>6,022,318</u>
<b>Fund balances:</b>						
Reserved for encumbrances	1,399	9,060				10,459
Reserved for debt service			10,239			10,239
<b>Unreserved:</b>						
Undesignated	555,873	3,749,420				4,305,293
<b>Total fund balances</b>	<u>557,272</u>	<u>3,758,480</u>	<u>10,239</u>	<u>-</u>	<u>-</u>	<u>4,325,991</u>
<b>Total liabilities and fund balances</b>	<u>\$ 624,535</u>	<u>\$ 3,921,908</u>	<u>\$ 10,239</u>	<u>\$ 4,873,216</u>	<u>\$ 918,411</u>	<u>\$ 10,348,309</u>

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

BLAINE COUNTY, OKLAHOMA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	GOVERNMENTAL FUND TYPES			TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	
<b>Revenues:</b>				
Ad valorem taxes	\$ 604,918	\$ 147,195	\$ 49,760	\$ 801,873
Charges for services	76,399	70,105		146,504
Intergovernmental revenues	215,424	5,145,495		5,360,919
Miscellaneous revenues	194,536	75,231	5,216	274,983
Total revenues	<u>1,091,277</u>	<u>5,438,026</u>	<u>54,976</u>	<u>6,584,279</u>
<b>Expenditures:</b>				
Current operating:				
General government	857,935	52,977		910,912
Public safety	190,282	231,650		421,932
Health and welfare		111,510		111,510
Education	12,271			12,271
Roads and highways	15,952	2,601,820		2,617,772
Debt Service:				
Principal retirement			32,000	32,000
Interest and fiscal agent charges			16,140	16,140
Total expenditures	<u>1,076,440</u>	<u>2,997,957</u>	<u>48,140</u>	<u>4,122,537</u>
Excess revenues over expenditures	<u>14,837</u>	<u>2,440,069</u>	<u>6,836</u>	<u>2,461,742</u>
Beginning fund balances	542,435	1,318,411	3,403	1,864,249
Ending fund balances	<u>\$ 557,272</u>	<u>\$ 3,758,480</u>	<u>\$ 10,239</u>	<u>\$ 4,325,991</u>

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

BLAINE 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, 2001

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 510,930	\$ 510,930	\$ -	\$ 34,590	\$ 34,590	\$ -
Revenues:						
Ad valorem taxes	581,879	607,593	25,714	116,376	121,360	4,984
Charges for services	72,520	76,399	3,879		5,134	5,134
Intergovernmental revenues	104,361	215,424	111,063		556	556
Miscellaneous revenues	44,068	203,177	159,109		166	166
Total revenue, budgetary basis	<u>802,828</u>	<u>1,102,593</u>	<u>299,765</u>	<u>116,376</u>	<u>127,216</u>	<u>10,840</u>
Expenditures:						
General government	1,022,028	858,182	163,846			
Public safety	191,267	189,689	1,578			
Health and welfare	3,500		3,500	150,966	110,983	39,983
Education	12,400	12,271	129			
Roads and highway	84,563	15,952	68,611			
Total expenditures, budgetary basis	<u>1,313,758</u>	<u>1,076,094</u>	<u>237,664</u>	<u>150,966</u>	<u>110,983</u>	<u>39,983</u>
Excess of revenues and beginning fund balances over expenditures, budgetary basis	\$ -	\$ 537,429	\$ 537,429	\$ -	\$ 50,823	\$ 50,823
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add:						
Ad valorem receivable		3,636			687	
Due from other governments		1,718				
Interest receivable		11,971				
Reserved for encumbrances		1,399			978	
Adjustment to prior year reserved for encumbrances		1,119			445	
Ending fund balances		<u>\$ 557,272</u>			<u>\$ 52,933</u>	

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

**NOTES TO THE FINANCIAL STATEMENTS**

BLAINE COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

1. Summary of Significant Accounting Policies

The financial statements of Blaine County are required to be presented in conformity with accounting principles generally accepted in the United States of America 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 the 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 2001 general-purpose financial statements.

Excluded Component Unit

Blaine County Industrial Authority: The Authority is a public trust created under Title 60 of the Oklahoma Statutes on July 5, 1967. The purpose of the trust is to hold property, proceeds, rents and profits for the use and benefits of Blaine County in order to promote development of industry within the County. On August 7, 2000, the Blaine County Board of County Commissioners passed a resolution allowing the remaining debt of \$260,347.54 to be added to the tax levy for Blaine County and the remaining \$5,000.15 to be transferred to the General Sinking Fund. The Authority is not included in the County's financial statements because financial statements are not available.

Related Organizations Excluded From the Reporting Entity

The County's officials are responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. These organizations are not included in the financial statements.

BLMA Solid Waste Disposal Authority: Board members are appointed by Blaine and Major counties. Board members are all-authoritative. The County is not responsible for approving budgets, contracts, key personnel, fiscal matters, or day-to-day operations of the Authority. The Authority was inactive during the fiscal year audited.

Blaine County Economic Development Authority: Two Board members are appointed by the County and three by the City. Board members are all-authoritative. The county is not responsible for approving budgets, contracts, key personnel, fiscal matters, or day-to-day operations of the Authority. The Authority was inactive during the fiscal year.

BLAINE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

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 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.

Funds are classified into the following categories: governmental 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.

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. 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.

BLAINE COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

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 and expendable trust funds 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.

The modified-accrual basis of accounting is used by all governmental fund types, expendable trust funds 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 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, sales tax, interest revenue, 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 is required to adopt a formal budget. The budget presented for the general fund and special revenue (County Health Department only) funds include 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.

BLAINE COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

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 and Special Revenue (County Health Department only) Funds 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 approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2001.

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

While the County presently maintains some individual records of personal property, it does not keep similar records for land, buildings, and improvements. For this reason, a Statement of General Fixed Assets, required by generally accepted accounting principles, is not presented on the Combined Balance Sheet - All Fund Types and Account Group.

BLAINE COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

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.	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of risk.	None

ACCO-SIG The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county pays a deductible amount (\$1,000 to \$10,000; Blaine County has a \$2,500 deductible) for each insured event as stated in the County's

"Certificate of Participation." The risk pool pays 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 pays 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.

BLAINE COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

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. No significant reductions in insurance coverage occurred during the fiscal year ended June 30, 2001.

J. Compensated Absences

The County accrues a liability for future vacation benefits. Vacation benefits are earned by the employee during the year and may be accumulated up to 15 days per year. The liability for compensated absences as reported in the long-term debt group is \$40,145. All full-time County employees shall be entitled to annual leave that is accrued on a monthly basis in accordance with the schedule outlined below:

<u>Years of Service</u>	<u>Annual Leave</u>	<u>Carry Over Limits</u>
1-10 Years	10 days (6.67 hours per month)	5 days
Over 10 Years	15 days (10.00 hours per month)	5 days

The County does accumulate sick leave. From the date of employment, a full-time employee accrues up to 1.25 days of sick leave per month. An employee may accrue up to 19 days of sick leave. No liability for such has been recorded. In management's opinion, such an amount if recorded would not be material to the financial statements.

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 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 or results of operations in conformity with generally accepted accounting principles. Interfund transactions, if any, 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.

BLAINE COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

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 Blaine County Board of County 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. 1996 Supp., § 348.1 authorizes the County Treasurer to invest in:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- General-obligation 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 \$8,948,276, and the bank balance was \$8,998,720. 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.

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. A continuous and systematic program of visual inspection of all taxable real property within the County is required at least once every four years.

The net assessed property value as of January 1, 2000, was \$64,006,742.

The County levied 10 mills (the legal maximum) for general fund operations, 2 mills for the County Health Department, and .81 mills for County Sinking. 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.

BLAINE COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Detailed Notes on Account Balances (continued)

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 before 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, 2001, were approximately 98.3 percent of the levy for tax year 2000.

C. Pension Plan

Plan Description. Blaine 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 2001. 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, 2001, 2000, and 1999, were \$142,095, \$145,082, and \$173,241, respectively, equal to the required contributions for each year.

E. Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. 1991, § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest-free. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all subsequent pieces of machinery acquired. The one-time fee is reported as interest.

BLAINE COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Detailed Notes on Account Balances (continued)

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, because it is the County's intent to exercise its right to purchase this property, the lease-purchase agreements have been capitalized to conform to 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 County Commissioners, minimum lease commitments under capitalized lease-purchase agreements as of June 30, 2001, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 237,857	\$ 29,257	\$ 267,114
2003	235,620	16,350	251,970
2004	129,263	5,030	134,293
2005	38,526	1,211	39,737
Totals	<u>\$ 641,266</u>	<u>\$ 51,848</u>	<u>\$ 693,114</u>

During the year, the County paid \$237,049 on the outstanding balances of lease-purchase agreements.

F. Long-term Debt

The Blaine County Industrial Authority (BCIA) issued \$300,000 in Blaine County General Obligation Limited Tax Bonds, Series 1997 dated April 1, 1997, maturing July 1, 2000, through July 1, 2007. The bond proceeds were loaned to Prestige Cedar Products, Inc. During the fiscal year ending June 30, 1999, Prestige Cedar Products, Inc. voluntarily returned collateral to the BCIA. A public auction was held in December 1998 and proceeds were deposited to the Blaine County Sinking Fund. Funds were inadequate to retire the General Obligation Bonds, but BCIA utilized the proceeds from the sale of the collateral to retire debt on the General Obligation Bonds as scheduled until funds were depleted. The Blaine County Commissioners passed a resolution on August 7, 2000, allowing the remaining debt to be added to the tax rolls until paid.

Prestige Cedar Products, Inc. filed for Bankruptcy Chapter 13 (case no. 00-40295 M) Eastern and Western Districts of Arkansas. The case was dismissed without the debtors receiving a discharge on March 22, 2000. Authority attorneys are pursuing necessary legal action to secure the Authority's interest in remaining assets of Prestige Cedar shareholders.

BLAINE COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Detailed Notes on Account Balances (continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding at June 30, 2001 are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
General Obligation Limited Tax Bonds, Series 1997	6%	237,000

Annual debt service requirements to maturity for general obligations bonds, including interest of \$52,260, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 34,000	\$ 14,220	\$ 48,220
2003	36,000	12,180	48,180
2004	38,000	10,020	48,020
2005	40,000	7,740	47,740
2006	43,000	5,340	48,340
2007	<u>46,000</u>	<u>2,760</u>	<u>48,760</u>
Totals	\$ <u>237,000</u>	\$ <u>52,260</u>	\$ <u>289,260</u>

G. Changes in Long-Term Liabilities

During the year ended June 30, 2001, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2001</u>
Compensated absences	\$ -	\$ 40,145	\$ -	\$ 40,145
Capital leases	878,315	-	237,049	641,266
Bonds payable	-	<u>269,000</u>	<u>32,000</u>	<u>237,000</u>
Total	<u>\$878,315</u>	<u>\$309,145</u>	<u>\$269,049</u>	<u>\$ 918,411</u>

H. Fund Balances

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. Designated fund equity represents tentative plans for future use of financial resources, which are available for appropriation. 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.

BLAINE COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Detailed Notes on Account Balances (continued)

Reserved for Debt Service – The reserve for debt service was established to indicate that the fund balance or portion thereof is required by law to be used for the payment of any outstanding bonds, interest, or judgments against the County.

I. Fuel Taxes

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 the opinion of the government attorney, 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

OKLAHOMA CITY

CLIFTON H. SCOTT  
State Auditor and Inspector

2300 N. Lincoln Blvd.  
100 State Capitol  
Oklahoma City, OK 73105-4896  
405/521-3495

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  
BLAINE COUNTY, OKLAHOMA

We have audited the financial statements of Blaine County, Oklahoma as of and for the year ended June 30, 2001, and have issued our report thereon dated April 15, 2002. 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. The primary government financial statements do not include the Blaine County Industrial Authority, a component unit of Blaine County. We qualified our opinion because the general fixed assets account group was not included in the primary government financial statements.

Compliance

As part of obtaining reasonable assurance about whether Blaine 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 Blaine 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 1996-1 - 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.
- Title 19 O.S. 1991, § 178.1 requires the County to maintain necessary information regarding land, buildings, and improvements.
- 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 in accordance with 19 O.S. 1991, § 178.1.

#### Finding 2001-1 - Component Unit

- Criteria:** Governmental Accounting Standards Board Pronouncement No. 14 requires that a component unit's financial position and activity be included with the financial statements of the reporting entity.
- Condition:** Financial statements for Blaine County Industrial Authority were not available for the fiscal year ending June 30, 2001, for inclusion with the primary government financial statements at the date of our audit.
- Effect:** A component unit for which County management is financially accountable has not been included.
- Recommendation:** We recommend the County require the financial preparers of the above component unit to prepare and present the financial statements compatible for inclusion with the financial statements of the County in a timely manner, so that they may be included in accordance with GASB No. 14.

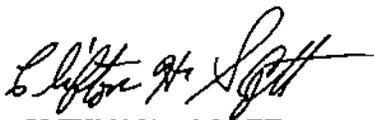
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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, we consider items 96-1 and 2000-1 to be material weaknesses.

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

This report is intended solely for the information and use of the management of the County, and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,



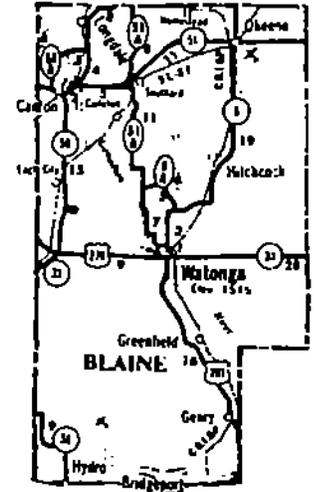
CLIFTON H. SCOTT  
State Auditor and Inspector

April 15, 2002

**MANAGEMENT RESPONSE**

# BLAINE COUNTY COMMISSIONERS

May 10, 2002



Ms. Sherri Merle  
District Manager  
State Auditor & Inspector  
1401 Lera, Suite G  
Weatherford, OK 73096

Dear Ms. Merle:

This letter is in response to the findings of the State Auditor and Inspector's audit of Blaine County records for Fiscal Year 2000-2001.

#### Finding 1996-1 - General Fixed Assets

We were not clear on the information required for this report. Since receiving an explanation of the information required we believe we can supply the information needed.

#### Finding 2001-1 - Component Unit

A Financial Statement for the Blaine County Industrial Authority for Fiscal Year 2000-2001 was not available. We have inquired as to the status of this audit and find that as of this date it has not been completed. The accountant has not received the necessary records from Authority members. We will request that these audits be done in a more timely manner in the future.

We appreciate your staff that does our audit. They are always great to work with and very professional.

Sincerely,

A handwritten signature in cursive script that reads "Louis Hood".

Louis Hood  
Chairman

LH/sg