

**GARFIELD 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

CLIFTON H. SCOTT
STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BLVD.
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OKLAHOMA CITY, OK 73105-4896
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April 19, 2002

TO THE CITIZENS OF
GARFIELD COUNTY, OKLAHOMA

Transmitted herewith is the audit of Garfield 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 that reads "Clifton H. Scott".

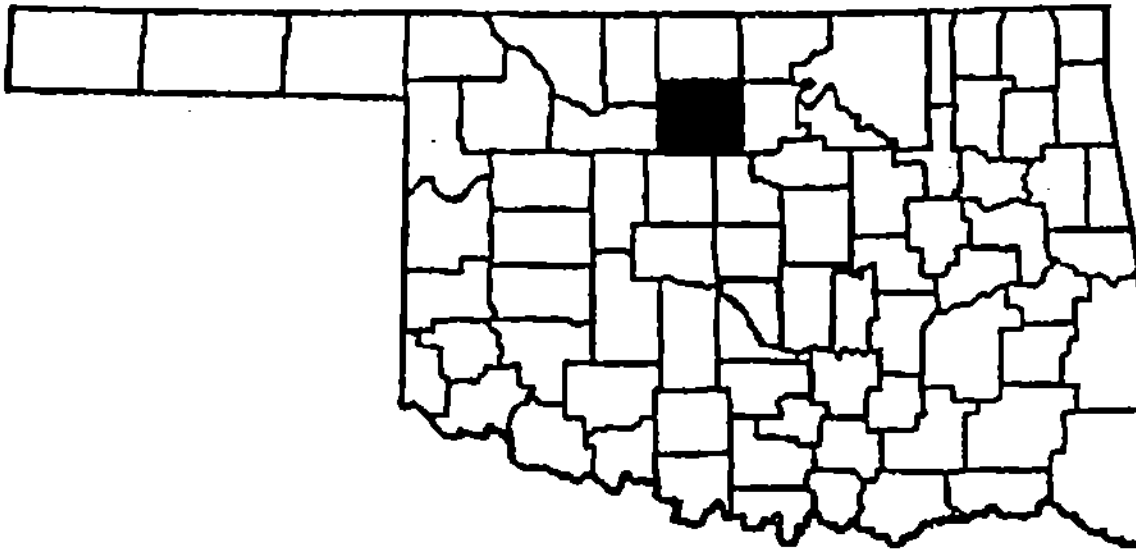
CLIFTON H. SCOTT
State Auditor and Inspector

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

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REPORT TO THE CITIZENS
OF
GARFIELD COUNTY



Garfield County was originally a part of the Cherokee Outlet opened for settlement during the Land Run of September 16, 1893. Garfield County, Oklahoma Territory, was named for President James A. Garfield.

The county has two major employers – Vance Air Force Base and Northrop World Wide Air Services. Local businesses manufacture such products as anhydrous ammonia, petroleum coke, drilling rigs, steel fabricators, dairy goods and processed meats. Although oil has provided a great deal of revenue, Garfield County is best known for its wheat production.

County Seat – Enid

Area - 1,060 Square Miles

County Population - 57,300
(1995 est.)

Farms - 1152

Land in Farms - 662,400 Acres

COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES

COUNTY ASSESSOR
Wade Patterson
(R) North Enid

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
Kathy Hughes
(R) Enid

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 one's 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
Bernie Shimanek
(R) Douglas

DISTRICT #2
Wendell Vencel
(R) Garber

DISTRICT #3
Olin Unruh
(R) Enid

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
Bill Winchester
(R) Enid

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
Shirley Lorenz
(R) Enid

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
Sharon E. Melrose
(R) Enid

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
Wenona R. Marshall
(D) Enid

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. State and County split the election costs, but Counties must pay for any County elections not held concurrently with state elections.

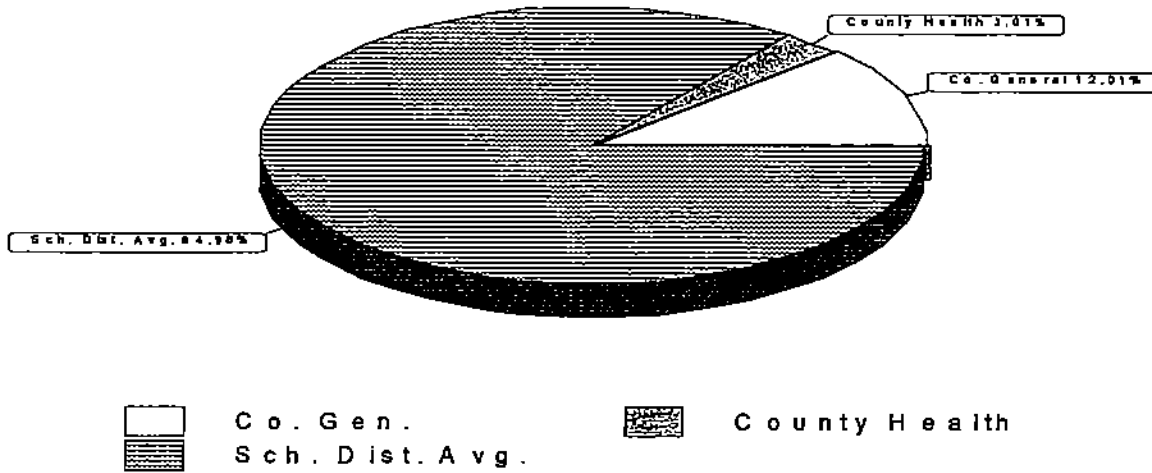
See independent auditor's report.

AD VALOREM TAX DISTRIBUTION

GARFIELD 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	10.54
County Health	2.64

City Millages

Enid	.71
Waukomis	15.79

School District Millages

	<u>Gen.</u>	<u>Bldg.</u>	<u>Skp.</u>	<u>Vo-Tech</u>	<u>Common</u>	<u>Total</u>
Waukomis SD1	37.66	5.38	23.11	14.70	4.22	85.07
Kremlin-Hillsdale SD18	37.91	5.42	19.36	14.70	4.22	81.61
Chisholm SD42	37.07	5.30	17.24	14.70	4.22	78.53
Garber SD47	36.70	5.24	17.10	14.70	4.22	77.96
Pioneer-Pleasant Vale SD56	36.06	5.15		14.70	4.22	60.13
Enid SD57	36.86	5.27	9.01	14.70	4.22	70.06
Drummond SD85	37.27	5.32	8.33	14.70	4.22	69.84
Covington-Douglas SD94	37.03	5.29	12.24	14.70	4.22	73.48

See independent auditor's report.



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INDEPENDENT AUDITOR'S REPORT

TO THE OFFICERS OF
GARFIELD COUNTY, OKLAHOMA

We have audited the accompanying general-purpose financial statements of Garfield 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 Garfield County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Garfield County Regional Health Facilities Authority included in the Special Revenue Fund, which represents .1% of the assets and .01% of the revenues of the Special Revenue Fund. We did not audit the financial statements of the Garfield County Industrial Authority, a component unit of Garfield County. The Authority represents 100% of the assets and revenues of the discretely presented component unit column. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Garfield County Regional Health Facilities Authority and the Garfield County Industrial Authority is based solely on the reports of the other auditors.

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

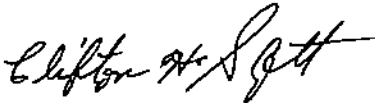
As explained in Note (1A), the financial statements referred to above do not include the financial statements of the Garfield County Fairgrounds Authority, a component unit of Garfield County, which should be included in order to conform with accounting principles generally accepted in the United States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

In our opinion, based on our audit and the reports of other auditors, except for the effects on the financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Garfield County, Oklahoma, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2002, on our consideration of Garfield County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Garfield County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements 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

February 21, 2002

FINANCIAL STATEMENTS

GARFIELD COUNTY, OKLAHOMA
 COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS
 AND DISCRETELY PRESENTED COMPONENT UNIT
 JUNE 30, 2001

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	INTERNAL SERVICE	AGENCY
ASSETS					
Cash	\$ 1,069,717	\$ 5,050,692	\$ 5,335	\$ 2,428,925	\$ 6,054,651
Investments					
Ad valorem taxes receivable	19,322	4,838			124,739
Sales tax receivable		45,808			
Due from other governments	8,075	338,880			144,598
Accrued interest receivable	22,699			27,888	1,851
Notes receivable					
Assets held in trust for debt retirements					
Fixed assets					
Amount to be provided for compensated absences					
Amount to be provided for capitalized lease purchase agreements					
Total assets	<u>\$ 1,119,813</u>	<u>\$ 5,440,218</u>	<u>\$ 5,335</u>	<u>\$ 2,456,813</u>	<u>\$ 6,325,839</u>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Warrants payable	\$ 27,863	\$ 186,855	\$ -	\$ -	\$ 921,791
Accounts payable	83,660	792,231			
Due to other taxing units					4,941,976
Due to others					462,072
Accrued interest payable					
Revenue bonds payable					
Compensated absences payable					
Capitalized lease obligations payable					
Total liabilities	<u>111,523</u>	<u>979,086</u>	<u>-</u>	<u>-</u>	<u>6,325,839</u>
Fund equity:					
Investment in general fixed assets					
Contributed capital				1,260,496	
Retained earnings				1,196,317	
Fund balance:					
Reserved for encumbrances	43,878	287,401			
Unreserved:					
Designated for capital projects			5,335		
Undesignated	964,412	4,173,731			
Total fund equity	<u>1,008,290</u>	<u>4,461,132</u>	<u>5,335</u>	<u>2,456,813</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 1,119,813</u>	<u>\$ 5,440,218</u>	<u>\$ 5,335</u>	<u>\$ 2,456,813</u>	<u>\$ 6,325,839</u>

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

ACCOUNT GROUPS		TOTAL	COMPONENT UNIT	TOTAL REPORTING ENTITY
GENERAL LONG-TERM DEBT	GENERAL FIXED ASSETS	(MEMORANDUM ONLY)		(MEMORANDUM ONLY)
\$	\$	\$ 14,609,320	\$ 188,273 39,854	\$ 14,797,593 39,854
		148,899		148,899
		45,808		45,808
		491,553		491,553
		52,438	238,946	291,384
			55,267,680	55,267,680
			88,723	88,723
	23,291,112	23,291,112	288,069	23,579,181
199,508		199,508		199,508
880,542		880,542		880,542
<u>\$ 1,080,050</u>	<u>\$ 23,291,112</u>	<u>\$ 39,719,180</u>	<u>\$ 56,111,545</u>	<u>\$ 95,830,725</u>
\$	\$	\$ 1,136,509	\$	\$ 1,136,509
		875,891		875,891
		4,941,976		4,941,976
		462,072		462,072
			239,347	239,347
			55,355,000	55,355,000
199,508		199,508		199,508
880,542		880,542		880,542
<u>1,080,050</u>	<u>-</u>	<u>8,496,498</u>	<u>55,594,347</u>	<u>64,090,845</u>
	23,291,112	23,291,112		23,291,112
		1,260,496		1,260,496
		1,196,317	517,198	1,713,515
		331,279		331,279
		5,335		5,335
		5,138,143		5,138,143
-	23,291,112	31,222,682	517,198	31,739,880
<u>\$ 1,080,050</u>	<u>\$ 23,291,112</u>	<u>\$ 39,719,180</u>	<u>\$ 56,111,545</u>	<u>\$ 95,830,725</u>

GARFIELD 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	CAPITAL PROJECTS	
Revenues:				
Ad valorem taxes	\$ 2,765,564	\$ 766,632	\$	\$ 3,532,196
Sales tax		958,224		958,224
Charges for services	242,955	301,862		544,817
Intergovernmental revenues	445,378	4,953,058		5,398,436
Miscellaneous revenues	426,647	119,015		545,662
Total revenues	<u>3,880,544</u>	<u>7,098,791</u>	<u>-</u>	<u>10,979,335</u>
Expenditures:				
General government	2,675,178	452,676		3,127,854
Public safety	764,115	1,502,160		2,266,275
Education	109,709			109,709
Health and welfare	10,025	775,903		785,928
Culture and recreation	39,996			39,996
Roads and highways	152,193	4,457,229		4,609,422
Total expenditures	<u>3,751,216</u>	<u>7,187,968</u>	<u>-</u>	<u>10,939,184</u>
Excess revenue over (under) expenditures	<u>129,328</u>	<u>(89,177)</u>	<u>-</u>	<u>40,151</u>
Other financing sources (uses):				
Transfers in	202			202
Transfers out		(202)		(202)
Sale of equipment		61,239		61,239
Capitalized lease purchase agreements		399,487		399,487
Total other financing sources (uses)	<u>202</u>	<u>460,524</u>	<u>-</u>	<u>460,726</u>
Excess revenue and other sources over (under) expenditures and other uses	<u>129,530</u>	<u>371,347</u>		<u>500,877</u>
Beginning fund balances	<u>878,760</u>	<u>4,089,785</u>	<u>5,335</u>	<u>4,973,880</u>
Ending fund balances	<u>\$ 1,008,290</u>	<u>\$ 4,461,132</u>	<u>\$ 5,335</u>	<u>\$ 5,474,757</u>

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

GARFIELD 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	\$ 764,129	\$ 764,129	\$ -	\$ 751,185	\$ 751,186	\$ 1
Revenues:						
Ad valorem taxes	2,467,391	2,762,337	294,946	618,018	691,677	73,659
Charges for services	253,336	242,955	(10,381)	68,820	68,820	-
Intergovernmental revenues	389,227	445,378	56,151		411	411
Miscellaneous revenues	152,500	421,597	269,097		22,628	22,628
Total revenue, budgetary basis	<u>3,262,454</u>	<u>3,872,267</u>	<u>609,813</u>	<u>686,838</u>	<u>783,536</u>	<u>96,698</u>
Expenditures:						
General government	2,933,955	2,659,168	274,787			
Public safety	770,532	762,647	7,885			
Education	111,383	109,801	8,577	1,438,023	797,400	640,623
Health and welfare	13,540	10,025	3,515			
Culture and recreation	40,000	39,996				
Roads and highway	157,173	152,242	4,931			
Total expenditures, budgetary basis	<u>4,026,583</u>	<u>3,733,879</u>	<u>292,704</u>	<u>1,438,023</u>	<u>797,400</u>	<u>640,623</u>
Excess of revenues and beginning fund balances over expenditures, budgetary basis	\$ -	902,517	\$ 902,517	\$ -	737,322	\$ 737,322
Other financing sources:						
Transfer in		202				
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem receivable		19,322			4,838	
Accrued interest		22,699				
Due from other governments		8,075				
Reserved for encumbrances		43,878			37,339	
Adjustment to prior year reserved for encumbrances		11,597			10,143	
Ending fund balances		<u>\$ 1,008,290</u>			<u>\$ 789,642</u>	

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

GARFIELD COUNTY, OKLAHOMA
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN RETAINED EARNINGS PROPRIETARY FUND TYPE
 AND DISCRETELY PRESENTED COMPONENT UNIT
 FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type		Total (Memorandum Only)
	Primary Government	Component Unit	
	Internal Service Fund	Garfield County Industrial Authority	
Operating Revenues:			
Interest	\$ 122,984	\$ 2,303,556	\$ 2,426,540
Administrative fee		41,299	41,299
Other		6,156	6,156
Total operating revenues	<u>122,984</u>	<u>2,351,011</u>	<u>2,473,995</u>
Operating Expenses:			
Interest		2,291,679	2,291,679
Trustee fees		3,000	3,000
General and administrative fees	65,012	3,370	68,382
Economic development		60,000	60,000
Other		6,000	6,000
Total operating expenses	<u>65,012</u>	<u>2,364,049</u>	<u>2,429,061</u>
Other revenue (expenses)			
Loss on investments	-	(57,890)	(57,890)
Net income	57,972	(70,928)	(12,956)
Beginning fund equity	<u>1,138,345</u>	<u>588,126</u>	<u>1,726,471</u>
Ending fund equity	<u>\$ 1,196,317</u>	<u>\$ 517,198</u>	<u>\$ 1,713,515</u>

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

GARFIELD COUNTY, OKLAHOMA
 COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
 AND DISCRETELY PRESENTED COMPONENT UNIT
 FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type		Total (Memorandum Only)
	Primary Government	Component Unit	
	Internal Service Fund	Garfield County Industrial Authority	
Cash flows from investing activities:			
Net Income	57,972	(70,928)	(12,956)
Adjustments to reconcile net income to net cash provided by operating activities:			
Payments of worker's comp premiums	(65,012)		(65,012)
Loss on sale of investment		55,209	55,209
Unrealized loss on investments		3,035	3,035
Increase in interest receivable		(10,732)	(10,732)
Increase in interest payable		9,733	9,733
Net cash used by operating activities	<u>(7,040)</u>	<u>(13,683)</u>	<u>(20,723)</u>
Cash flows from investing activities:			
Changes in assets held in trust for debt retirement		(20,830)	(20,830)
Payments received on notes payable		400,802	400,802
Interest earned on investments	116,554		116,554
Purchase of investments		(161,917)	(161,917)
Proceeds from sale of investments		63,819	63,819
Net cash provided by (used) investing activities	<u>116,554</u>	<u>281,874</u>	<u>398,428</u>
Cash flows from noncapital financing activities:			
Principal payments on revenue bonds		(378,815)	(378,815)
Net cash provided (used) noncapital financing activities	<u>-</u>	<u>(378,815)</u>	<u>(378,815)</u>
Increase (decrease) in cash	51,542	(110,624)	(59,082)
Cash at beginning of year July 1, 2000	<u>2,377,383</u>	<u>298,897</u>	<u>2,676,280</u>
Cash at end of year June 30, 2001	<u>\$ 2,428,925</u>	<u>\$ 188,273</u>	<u>\$ 2,617,198</u>

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

NOTES TO THE FINANCIAL STATEMENTS

GARFIELD COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

Garfield County was 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 Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," the County is required to present the entities, which comprise the primary government and its legally separate component units in the fiscal year 2001 general-purpose financial statements.

Discretely Presented Component Units

The component unit column in the combined financial statements includes the financial data of the County's discretely presented component unit. A separate column is reported to distinguish between the financial data of the primary government and those of discretely presented component units. Component units are included in the reporting entity because the primary government is financially accountable and is able to impose its will on the organization.

Garfield County Industrial Authority is a public trust created under Title 60 of the Oklahoma Statutes. The Authority was established to promote the development of Garfield County. The County is the beneficiary of the trust and will receive all residual trust funds and assets upon termination of the trust. The Authority board members are appointed by the Garfield County Commissioners. Separate financial statements are available from the County.

The Authority provides capital financing to industrial and manufacturing concerns located in and around Garfield County. The financing is used to purchase or construct facilities. The facilities are leased for various lease periods and are subject to terms of the lease purchase agreements.

Blended Component Unit

Garfield County Regional Health Facilities Authority is a separate legal entity created under Title 60 of the Oklahoma Statutes. However, it is considered a component unit under governmental accounting and financial reporting standards. The Garfield County Board of Commissioners constitutes the majority of the governing authority for this Authority, and therefore has the ability to significantly influence operations. Separate financial statements are available from the Authority. The Authority is reported in the County's financial statements as a special revenue fund.

GARFIELD COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

Excluded Component Unit

Garfield County Fairgrounds Authority is a separate legal entity created under Title 60 of the Oklahoma Statutes. However, it is considered a component unit under governmental accounting and financial reporting standards. Financial statements for June 30, 2001, were not available. The Authority has been excluded in the financial statements of Garfield County.

B. Fund Accounting

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 categories: governmental, proprietary, and fiduciary.

Governmental Funds

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

Proprietary Funds

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

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

Fiduciary Funds

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. Agency funds are generally used to account for assets that the government holds on behalf of others as their agent.

GARFIELD COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

Account Groups

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

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

C. Measurement Focus and Basis of Accounting

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

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

The accrual basis of accounting is utilized by proprietary fund types, pension trust funds, and nonexpendable trust funds. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The Garfield County Industrial Authority consists of proprietary type (enterprise) funds and uses the accrual basis of accounting.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be quantified, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if collected within 60 days after year-end.

GARFIELD COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

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

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

D. Budgetary Policies and Procedures

Under current Oklahoma Statutes, the general fund is the only fund required to adopt a formal budget. The budget presented for the general fund includes the originally approved budgeted appropriations for expenditures as adjusted for supplemental appropriations and approved transfer between budget categories. Appropriations for the highway funds and other cash funds are made on a monthly basis, according to the funds then available.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund and special revenue funds.

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

The Statement of Revenues, Expenditures, and Changes in Fund Balance - 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.

GARFIELD COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

H. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, and drainage systems are not capitalized since these assets are immovable and of value only to the government.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment, and vehicles in the proprietary fund types is computed using the straight-line method.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to capitalize is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

I. Risk Management

The County is exposed to various risks of loss as follows:

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - Torts - Errors and Omissions - Law Enforcement Officers Liability - Vehicle	The County participates in a Public entity risk pool - Association of County Commissioners of Oklahoma - Self-Insured Group. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool (See ACCO Self-Insured Fund ACCO-SIF.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.

GARFIELD COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
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 will pay a deductible amount (\$1,000 to \$10,000; the County has a \$7,500 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

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

Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2001 fiscal year.

J. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for amounts recorded in the general long-term debt account group. The vested amount reported for fiscal year 2001 was \$199,508.

K. Long-Term Obligations

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. Fund Equity

Retained earnings reflect the accumulated earnings of an enterprise or internal service fund. Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds. Contributed capital resulted from an interfund transfer from the General Fund to establish a Self Insurance Fund. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund equity represents tentative plans for future use of financial resources.

GARFIELD COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. Operating transfers consist of \$202 transferred from the Special Revenue Fund to the County General Fund.

N. Memorandum Only - Total Columns

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

O. Grant Revenue

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

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Account Balances

A. Deposits and Investments

Title 62 O.S. 1996 Supp., § 348.3 authorizes the County Treasurer to invest in:

- U.S. Government Obligations
- Certificates of Deposit
- Savings Accounts
- G.O. Bonds issued by Counties, Municipalities, or School Districts
- Money judgments against Counties, Municipalities, or School Districts
- Bonds and Revenue Notes issued by a Public Trust when the beneficiary of the Trust is a County, Municipality, or School District
- Negotiable Certificates of Deposit

GARFIELD COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Detailed Notes on Account Balances (continued)

- Prime Bankers Acceptances 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.

Primary Government Deposits At year-end, the carrying amount of the County's deposits was \$14,609,320, and the bank balance was \$14,725,219. 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.

Discretely Presented Component Unit Deposits At year-end, all of the Garfield County Industrial Authority's deposits were held in the trust department at a local bank. These deposits were in the form of U.S. Treasury obligation funds.

Public trusts that have the state or a county as a beneficiary must only invest in certificates of deposit or other evidences of deposit.

These restrictions do not apply to the proceeds of bonds issued by the Garfield County Industrial Authority or the revenues that service the debt in accordance with Title 62 O.S. 1997 Supp., § 72.4a.

Investments -- Discretely Presented Component Unit

Investment at June 30, 2001, consisted of the following:

Equity securities	\$ <u>39,854</u>
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Investment return during the year consisted of the following:

Dividends	\$ 354
Net realized and unrealized losses on investments reported at fair value	<u>(58,244)</u>
	<u>\$(57,890)</u>

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 (4) years.

The net assessed property value as of January 1, 2000, was \$257,507,618.

The County levied 10.54 mills for general fund operations and 2.64 mills for the County Health Department. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and apportions the ad valorem taxes collected to the appropriate taxing units.

GARFIELD 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 prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year. Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2001, were approximately 98.3 percent of the tax levy.

Discretely Presented Component Unit

Notes receivable as of June 30, 2001, of \$55,267,680, are to be received from other enterprises for the payment of corresponding debt the Authority has incurred.

C. Fixed Assets

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance <u>July 1, 2000</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2001</u>
Land	\$ 187,050	\$ -	\$ -	\$ 187,050
Buildings	14,716,564	-	-	14,716,564
Machinery and equipment	<u>8,369,253</u>	<u>586,268</u>	<u>568,023</u>	<u>8,387,498</u>
Total general fixed assets	<u>\$23,272,867</u>	<u>\$586,268</u>	<u>\$568,023</u>	<u>\$23,291,112</u>

D. Pension Plan – Primary Government

Plan Description. The County and the Hospital Authority contribute 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% 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 \$342,935, \$341,409, and \$402,298, respectively, equal to the required contributions for each year.

GARFIELD COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Detailed Notes on Account Balances (continued)

D. Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. 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 will be reported as interest. Oklahoma Statutes prohibit the County from entering into contracts of this nature longer than one year. For this reason, these lease-purchase agreements do not qualify for capitalization until the year the lease-purchase agreements are completed and title to the equipment is transferred to the County. However, it is the County's intent to exercise its right to purchase this property; accordingly, the lease-purchase agreements have been capitalized to conform with generally accepted accounting principles. The unpaid portions of these agreements have been reflected as capitalized lease obligations within the general long-term debt account group.

Providing all capital leases are renewed each year by resolution of the Board of Commissioners, minimum lease commitments under capitalized lease-purchase agreements as of June 30, 2001, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 245,506	\$ 17,782	\$ 263,288
2003	216,505	12,175	228,680
2004	198,713	7,063	205,776
2005	96,799	2,447	99,246
2006-2008	<u>123,019</u>	<u>3,691</u>	<u>126,710</u>
Total	<u>\$ 880,542</u>	<u>\$ 43,158</u>	<u>\$ 923,700</u>

During the year, the County capitalized leases totaling \$399,487 and paid \$303,118 on the outstanding balances of lease-purchase agreements.

E. 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	\$ 150,482	\$ 49,026	\$ -	\$ 199,508
Capital leases	<u>784,173</u>	<u>399,487</u>	<u>303,118</u>	<u>880,542</u>
Total	<u>\$ 934,655</u>	<u>\$ 448,513</u>	<u>\$ 303,118</u>	<u>\$ 1,080,050</u>

F. Notes Receivable -- Discretely Presented Component Unit

The accounting for notes receivable with an offsetting debt is similar to the accounting for direct financing lease receivables. They are classified separately since they are evidenced by a promissory note between the Authority and the industrial enterprise and not a lease agreement as in the case of the lease receivables.

GARFIELD COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Detailed Notes on Account Balances (continued)

G. Revenue Bonds Payable - Discretely Presented Component Unit

The Authority's notes and bonds payable represent obligations incurred to finance various economic development projects and are secured by the related leases and notes receivable as well as the assets acquired by the purchasing industry with the debt proceeds. These obligations and the related activity for the year are summarized as follows:

Revenue Notes Payable	Balance July 1, 2000	Additions	Retirements	Balance, June 30, 2001
1976 Great Lakes Carbon revenue bonds; due in various yearly installments of \$65,000 plus interest at 7% with remaining principal and interest due October 1, 2001	\$ 155,000	\$ -	\$ 65,000	\$ 90,000
1998 Farmland Industries, Inc. Project; \$1,000,000 principal note; principal and interest due monthly; variable rate due October 1, 2015	1,000,000			1,000,000
1995 Oklahoma Gas and Electric Company revenue bonds; variable rate; interest due monthly, with remaining interest and principal due at January 1, 2025.	47,000,000			47,000,000
1992 Airco revenue bonds; variable rate; interest due quarterly; matures on July 1, 2002	7,265,000			7,265,000
1996 Thurman Inc. Project; \$450,000 principal note; principal and interest due monthly; variable rate; 120 payments due on January 20, 2007	313,815		313,815	
	\$ 55,733,815	\$ -	\$ 378,815	\$ 55,355,000

Aggregate annual maturities and sinking fund requirements of long-term debt at June 30, 2001, were:

2002	\$	90,000
2003		-
2004		-
2005		-
2006		-
Thereafter		<u>55,265,000</u>
Total		<u>\$55,355,000</u>

GARFIELD COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Detailed Notes on Account Balances (continued)

H. Fund Equity

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Designated fund equity represents tentative plans for future use of financial resources, which are available for appropriation. Specific reservations and designations 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.

Designated for Capital Projects - The current fund balance in the capital project fund is to be used to repair and maintain the jail fire escape tower.

I. Sales Tax

The County also began collecting a .25 cent County sales tax on January 1, 1997, which expired December 31, 2000. The County residents voted to renew the sales tax at a reduced rate of .10 cents, effective January 1, 2001. This sales tax is dedicated to ten County rural fire departments to be distributed equally. The County appropriates these funds and serves as the purchasing agent for the fire departments. Total distribution of sales tax for the 2000-2001 year was \$958,224, which is accounted for in the special revenue fund.

J. Fuel Taxes

The County receives major funding for roads and highway 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.

SUPPLEMENTARY SCHEDULE

Garfield County
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2001

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Number	CFDA	Pass-Through Entity ID Number	Federal Expenditures
U.S. DEPT. OF HOUSING AND URBAN DEVELOPMENT:				
-Passed through the State Dept. of Commerce:				
Community Development Block Grant	14.228		8877	\$ 325,000
Total U.S. Department of Housing and Urban Development				325,000
U.S. DEPT. OF JUSTICE:				
-Passed through State Dept. of Corrections				
Local Law Enforcement Block Grant	16.592		N/A	6,518
Office of Community Oriented Policing Services (COPS)	16.710		N/A	2,444
Total U.S. Department of Justice				8,962
FEDERAL EMERGENCY MANAGEMENT AGENCY:				
-Passed through State Dept. of Civil Emergency Management				
Public Assistance Grants	83.544		1349 DR-OK	178,745
Safe Room Grant	83.548		N/A	20,000
Total Federal Emergency Management Agency				198,745
U.S. DEPT. OF HEALTH AND HUMAN SERVICES:				
-Passed through State Dept. of Human Services				
Promoting Safe and Stable Families (PSSF)	93.556		X014938	24,538
Total U.S. Dept. of Health and Human Services				24,538
Total Expenditures of Federal Awards				\$ 557,245

I. Basis of Presentation

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

**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

CLIFTON H. SCOTT
STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BLVD.
100 STATE CAPITOL
OKLAHOMA CITY, OK 73105-4896
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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
GARFIELD COUNTY, OKLAHOMA

We have audited the financial statements of Garfield County as of and for the year ended June 30, 2001, and have issued our report thereon dated February 21, 2002. We qualified our opinion because the financial statements do not include the financial data of Garfield County Fairgrounds Authority, a component unit of Garfield County. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Garfield 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 Garfield 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 1998-1.

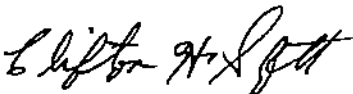
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 item 1998-1 to be a material weakness.

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

This report is intended solely for the information and use of the County officials, federal awarding agencies, and pass-through entities 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

February 21, 2002

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

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 WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

TO THE OFFICERS OF
GARFIELD COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Garfield County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

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

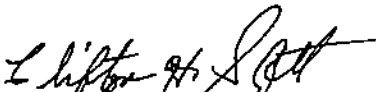
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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. We noted no matters involving the internal control over compliance and its operation that we consider 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 County Officials, federal awarding agencies, and pass-through entities 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

February 21, 2002

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GARFIELD COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

SECTION 2 - Financial Statement Findings

Finding 1998-1 – Component Unit

- Criteria:** GASB 14 requires that a component unit's financial position and activity be included with the financial statements of the reporting entity.
- Condition:** Financial statements of the Garfield County Fairgrounds Authority were not available for inclusion with the primary government financial statements for June 30, 2001.
- Effect:** The component unit for which the County is financially accountable has not been included.
- Recommendation:** We recommend the County contractually require auditors and financial preparers of the above component unit to prepare and present their financial statements compatible for inclusion with the financial statements of the County, on a accrual basis of accounting, in a timely manner, so that they may be included in accordance with GASB 14.

SECTION 3 – Federal Award Findings and Questioned Costs

None Reported

MANAGEMENT RESPONSE

CLERK: BOARD OF
COUNTY COMMISSIONERS
EX-OFFICIO REGISTER OF DEEDS
SECRETARY OF: EQUALIZATION
AND EXCISE BOARDS

FROM THE DESK OF
KATHY R. HUGHES
COUNTY CLERK - GARFIELD COUNTY
PHONES: 580-237-0225 • 580-237-0226
POST OFFICE BOX 1664
ENID, OKLAHOMA 73702

OFFICE OF:
PURCHASING AGENT

P.O. BOX 1547
ENID, OKLAHOMA 73702

April 2, 2002

CLIFTON H. SCOTT
STATE AUDITOR AND INSPECTOR
ROOM 100, STATE CAPITOL
OKLAHOMA CITY, OK 73105

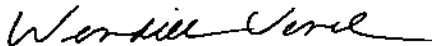
SUBJECT: Response to the Auditor's Report on the Internal control structure
in accordance with government auditing standards.

We concur with the auditor's comments and are implementing the following
procedural changes:

FINDING 96-1

COMPONENT UNITS:

We plan to request to the agencies cited to comply with the necessary auditing
and financial statement requirements.



Wendell Vencl, Chairman,
Board of County Commissioners

WW:krh

c: File/AUDRESP