

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

June 17, 2003

TO THE CITIZENS OF
GARFIELD COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

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

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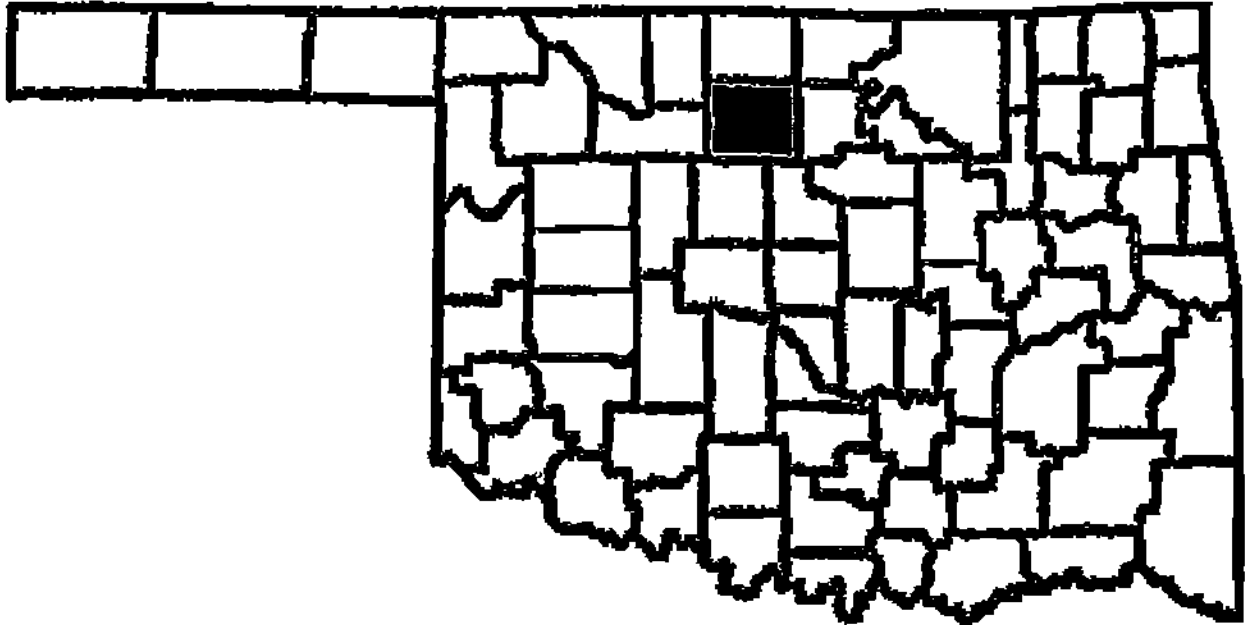
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REPORT TO THE CITIZENS
OF
GARFIELD COUNTY, OKLAHOMA



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.

Enid, the county seat, has two major employers – Vance Air Force Base and Northrop-Grumman Technical Services, Inc. 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 – 1058.5 Square Miles

County Population – 56,954
(1999 est.)

Farms – 1,069

Land in Farms - 614,690 Acres

Source: Oklahoma Almanac 2001 - 2002

See independent auditor's report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Wade Patterson
(R) 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 at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

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

COUNTY CLERK
Kathy Hughes
(R) Enid

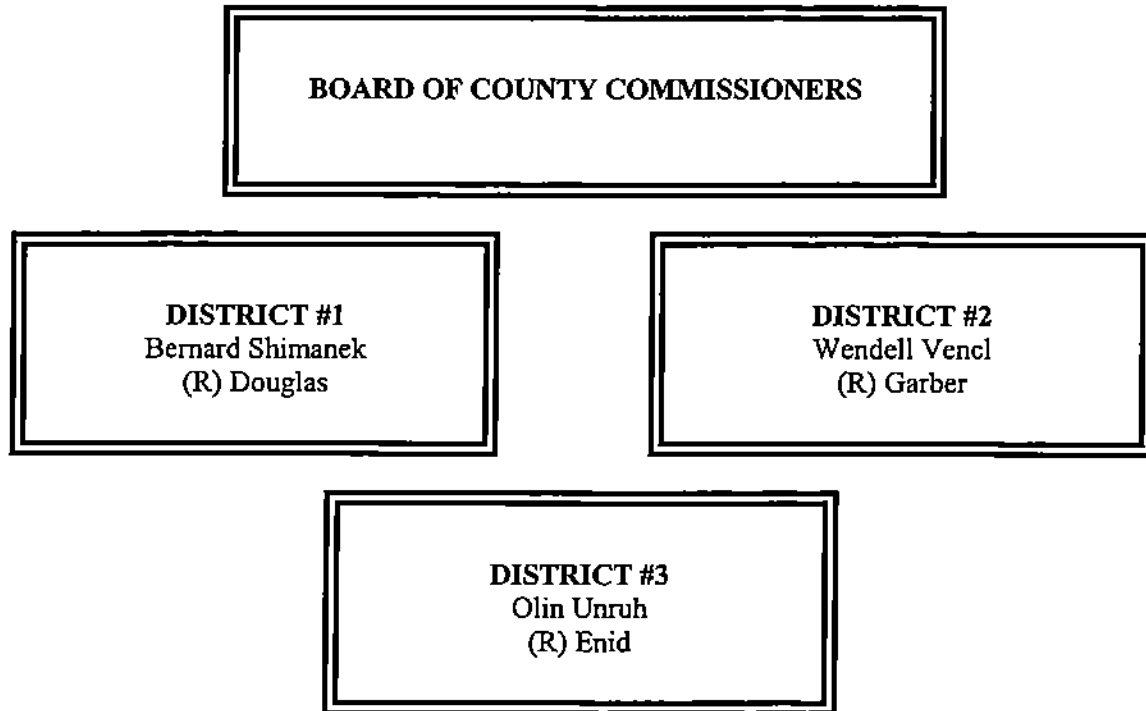
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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 his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

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

See independent auditor's report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**



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

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

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

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
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.

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.

See independent auditor's report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Sharon 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. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

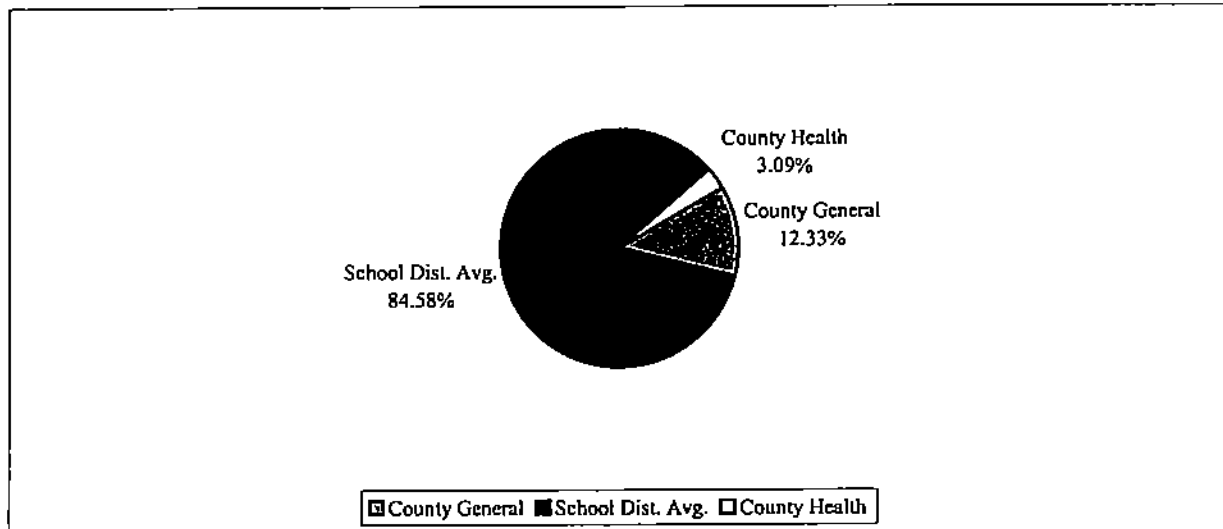
ELECTION BOARD SECRETARY
Wenona R. Marshall
(D) Enid

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. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

**AD VALOREM TAX DISTRIBUTION
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		School District Millages					
		Gen.	Bldg.	Skg.	Vo-Tech	Common	Total
Co. General	10.54	37.66	5.38	14.42	15.70	4.22	77.38
County Health	2.64	37.91	5.42	13.99	15.70	4.22	77.24
City Millages		37.07	5.30	8.17	15.70	4.22	70.46
Enid	0.71	36.70	5.24	15.53	15.70	4.22	77.39
Waukomis	15.79	36.06	5.15		15.70	4.22	61.13
EMS Millages		36.86	5.27	8.36	15.70	4.22	70.41
Canton-Longdale	3.17	37.27	5.32	7.99	15.70	4.22	70.50
Geary	3.28	37.03	5.29	11.48	15.70	4.22	73.72
Okeene	3.16						

See independent auditor's report



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
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, 2002, 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 Garfield County Regional Health Facilities Authority included in the Special Revenue Fund, which represents .1 percent of the assets and .004 percent 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 percent of the assets and revenues of the discretely presented component unit column. Those financial 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 and the reports of the other auditors provide a reasonable basis for our opinion.


As discussed in Note (1A), the financial statements referred to above do not include the financial statements of the Garfield County Fairgrounds Trust 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 financial preparers, were not available for inclusion in the financial statements of the County. The effect of this omission is unknown.

In our opinion, based on our audit and the reports of the other auditors, except for the effect on the general-purpose financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Garfield County, Oklahoma, as of June 30, 2002, 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 March 24, 2003, 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 other information listed in the table of contents under *Introductory Section* has not been audited by us and accordingly, we express no opinion on such data.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahar". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

March 24, 2003

General-Purpose Financial Statements

**GARFIELD COUNTY, OKLAHOMA
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS
AND DISCRETELY PRESENTED COMPONENT UNIT
JUNE 30, 2002**

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTAL	COMPONENT UNIT	TOTAL REPORTING ENTITY
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	INTERNAL SERVICE	AGENCY	GENERAL LONG - TERM DEBT	GENERAL FIXED ASSETS	(MEMO ONLY)		(MEMO ONLY)
ASSETS										
Cash	\$ 1,008,984	\$ 4,932,158	\$ 5,335	\$ 2,342,403	\$ 4,453,977	\$	\$	\$ 12,742,857	\$ 7,465,556	\$ 20,208,413
Investments									35,235	35,235
Ad valorem taxes receivable	22,477	5,629				144,700		172,806		172,806
Sales tax receivable		46,249						46,249		46,249
Due from other governments	7,515	324,742				213,123		545,380		545,380
Accrued interest receivable	7,952			10,951	337			19,240	113,447	132,687
Notes receivable									48,000,000	48,000,000
Assets held in trust for debt retirement									288,068	288,068
Fixed assets									23,461,282	23,461,282
Amount to be provided for payment compensated absences						188,022		188,022		188,022
Amount to be provided for capitalized lease purchase agreements						636,429		636,429		636,429
Total assets	\$ 1,046,928	\$ 5,308,778	\$ 5,335	\$ 2,353,354	\$ 4,812,137	\$ 824,451	\$ 23,461,282	\$ 37,812,265	\$ 55,902,306	\$ 93,714,571
LIABILITIES AND FUND EQUITY										
Liabilities:										
Warrants payable	\$ 24,994	\$ 149,679	\$	\$	\$	\$	\$	\$ 174,673	\$	\$ 174,673
Accounts payable	41,471	304,854						346,325		346,325
Due to other taxing units						4,279,044		4,279,044		4,279,044
Due to others						533,093		533,093		533,093
Accrued interest payable									140,900	140,900
Revenue bonds payable									55,265,000	55,265,000
Compensated absences payable						188,022		188,022		188,022
Capitalized lease obligations payable						636,429		636,429		636,429
Total liabilities	66,465	454,533	-	-	4,812,137	824,451	-	6,157,586	55,405,900	61,563,486
Fund equity:										
Investment in general fixed assets							23,461,282	23,461,282		23,461,282
Contributed capital				1,260,496				1,260,496		1,260,496
Retained earnings:										
Unreserved				1,092,858				1,092,858	496,406	1,589,264
Fund balances:										
Reserved for encumbrances	20,656	505,588						526,244		526,244
Unreserved:										
Designated for capital projects			5,335					5,335		5,335
Undesignated	959,807	4,348,657						5,308,464		5,308,464
Total fund equity	980,463	4,854,245	5,335	2,353,354	-	-	23,461,282	31,654,679	496,406	32,151,085
Total liabilities and fund equity	\$ 1,046,928	\$ 5,308,778	\$ 5,335	\$ 2,353,354	\$ 4,812,137	\$ 824,451	\$ 23,461,282	\$ 37,812,265	\$ 55,902,306	\$ 93,714,571

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

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

	GOVERNMENTAL FUND TYPES			TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	
Revenues:				
Ad valorem taxes	\$2,880,438	\$ 804,067	\$	\$ 3,684,505
Sales tax		560,177		560,177
Charges for services	259,195	373,835		633,030
Intergovernmental revenues	484,323	4,007,443		4,491,766
Miscellaneous revenues	374,651	167,483		542,134
Total revenues	<u>3,998,607</u>	<u>5,913,005</u>	-	<u>9,911,612</u>
Expenditures:				
Current operating:				
General government	2,826,942	157,041		2,983,983
Public safety	906,283	1,079,643		1,985,926
Education	107,374			107,374
Health and welfare	200	688,895		689,095
Culture and recreation	40,000			40,000
Roads and highways	147,009	3,629,716		3,776,725
Total expenditures	<u>4,027,808</u>	<u>5,555,295</u>	-	<u>9,583,103</u>
Excess revenues over (under) expenditures	<u>(29,201)</u>	<u>357,710</u>	-	<u>328,509</u>
Other financing sources:				
Sale of equipment	1,374	21,317		21,317
Capitalized lease agreements		14,086		14,086
Total other financing sources	<u>1,374</u>	<u>35,403</u>	-	<u>35,403</u>
Excess revenues and other sources (under) expenditures	(27,827)	393,113		365,286
Beginning fund balances	1,008,290	4,461,132	5,335	5,474,757
Ending fund balances	<u>\$ 980,463</u>	<u>\$ 4,854,245</u>	<u>\$ 5,335</u>	<u>\$ 5,840,043</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, 2002

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 914,317	\$ 914,316	\$ (1)	\$ 747,465	\$ 747,465	\$ -
Revenues:						
Ad valorem taxes	2,624,763	2,877,282	252,519	657,436	720,679	63,243
Charges for services	220,039	259,195	39,156	62,015	62,015	
Intergovernmental revenues	415,106	484,883	69,777		2,094	2,094
Miscellaneous revenues	163,000	389,398	226,398		10,985	10,985
Total revenue, budgetary basis	<u>3,422,908</u>	<u>4,010,758</u>	<u>587,850</u>	<u>719,451</u>	<u>795,773</u>	<u>76,322</u>
Expenditures:						
General government	3,103,430	2,814,759	288,671			
Public safety	934,889	919,381	15,508			
Education	109,050	107,350				
Health and welfare	1,250	200	1,250	1,466,916	746,176	720,740
Culture and recreation	40,000	40,000				
Roads and highways	148,606	147,009				
Total expenditure, budgetary basis	<u>4,337,225</u>	<u>4,028,699</u>	<u>308,526</u>	<u>1,466,916</u>	<u>746,176</u>	<u>720,740</u>
Excess of revenues and beginning fund balances over expenditures, budgetary basis	<u>\$ -</u>	896,375	<u>\$ 896,375</u>	<u>\$ -</u>	797,062	<u>\$ 797,062</u>
Other financing sources:						
Sale of equipment		1,374				
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem receivable		22,477			5,629	
Accrued interest		7,952				
Due from other governments		7,515				
Reserved for encumbrances		20,656			56,180	
Adjustment to prior year reserved for encumbrances		24,114			40,945	
Ending fund balances		<u>\$ 980,463</u>			<u>\$ 899,816</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 FUND EQUITY
PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type		Total (Memorandum Only)
	Primary Government	Component Unit	
	Internal Service Fund	Garfield County Industrial Authority	
<u>Operating Revenues:</u>			
Interest	\$ 118,947	\$1,116,041	\$ 1,234,988
Administrative fee		40,706	40,706
Other		4,087	4,087
Total operating revenues	<u>118,947</u>	<u>1,160,834</u>	<u>1,279,781</u>
<u>Operating Expenses:</u>			
Interest expense		1,112,704	1,112,704
Professional fees		3,000	3,000
General administrative	222,406	3,506	225,912
Economic development		60,000	60,000
Total operating expenses	<u>222,406</u>	<u>1,179,210</u>	<u>1,401,616</u>
<u>Other Revenue (Expenses):</u>			
Loss on investments	-	(2,416)	(2,416)
Net expense over revenues	(103,459)	(20,792)	(124,251)
Beginning fund equity	<u>1,196,317</u>	<u>517,198</u>	<u>1,713,515</u>
Ending fund equity	<u>\$ 1,092,858</u>	<u>\$ 496,406</u>	<u>\$ 1,589,264</u>

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

**GARFIELD COUNTY, OKLAHOMA
COMBINED STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE
AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Type		Total (Memorandum Only)
	Primary Government	Component Unit Garfield County Industrial Authority	
<u>Cash flows from operating activities:</u>			
Net income (loss)	\$ (103,459)	\$ (20,792)	\$ (124,251)
Adjustments required to reconcile net income (loss) to cash provided by operating activities:			
Loss on sale of investment		7,188	7,188
Unrealized loss on investments		(4,385)	(4,385)
Decrease in interest receivable		125,499	125,499
Increase in interest receivable		(98,447)	(98,447)
Net cash provided (used) by operating activities	<u>(103,459)</u>	<u>9,063</u>	<u>(94,396)</u>
<u>Cash flows from investing activities:</u>			
Changes in assets held in trust for debt retirement		88,723	88,723
Payments received on notes payable		7,267,681	7,267,681
Decrease in interest earned	16,937		16,937
Purchase of investments		(39,876)	(39,876)
Proceeds from sale of investments		41,692	41,692
Net cash provided (used) by investing activities	<u>16,937</u>	<u>7,358,220</u>	<u>7,375,157</u>
<u>Cash flows from financing activities:</u>			
Principal payments on revenue bonds	-	(90,000)	(90,000)
Net cash used by financing activities	-	(90,000)	(90,000)
Net increase (decrease) in cash	(86,522)	7,277,283	7,190,761
Cash at beginning of the year	<u>2,428,925</u>	<u>188,273</u>	<u>2,617,198</u>
Cash at end of the year	<u>\$ 2,342,403</u>	<u>\$ 7,465,556</u>	<u>\$ 9,807,959</u>
<u>Reconciliation of cash:</u>			
Cash	\$ 2,342,403	\$ 172,769	\$ 2,515,172
Cash whose use is limited		7,292,787	7,292,787
Total cash at end of the year	<u>\$ 2,342,403</u>	<u>\$ 7,465,556</u>	<u>\$ 9,807,959</u>

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of Garfield 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 2002 general-purpose financial statements.

Discretely Presented Component Unit

The component unit column in the combined financial statements includes the financial data of the County's discretely presented component unit. The following component unit is included in the reporting entity because the primary government is financially accountable and is able to impose its will on the organization. It is reported in a separate column to distinguish its financial activity from that of the primary government.

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.

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. Separate financial statements are available from the Authority.

Summary of Significant Accounting Policies (continued)

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.

Excluded Component Unit

Garfield County Fairgrounds Trust 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, 2002, were not available. The Authority has been excluded in the financial statements of Garfield County.

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.

A 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, proprietary, and fiduciary. Each category in turn is divided into separate fund types.

Summary of Significant Accounting Policies (continued)

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 for 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 with 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 Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB), in which case, GASB prevails.

In accordance with Generally Accepted Governmental Accounting Standards, the Garfield County Industrial Authority and the internal service fund maintain financial records on the accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recorded when the related fund liability is incurred.

Fiduciary Funds

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund, or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds are generally used to account for assets that the government holds on behalf of others as their agent.

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 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.

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.

Summary of Significant Accounting Policies (continued)

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 includes the originally approved budgeted appropriations for expenditures as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other cash funds are made on a monthly basis, according to the funds then available.

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

Summary of Significant Accounting Policies (continued)

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, 2002.

F. Receivables

All receivables are reported at their gross value.

G. Interest Receivable

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

H. Fixed Assets

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 on 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.

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; Association of County Commissioners of Oklahoma-Self-Insured Fund. (See ACCO-SIF.)	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 participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed authorized deductibles, the County would have surcharges assessed to pay the excess claims.

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 (Garfield County has a \$25,000 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,

Summary of Significant Accounting Policies (continued)

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.

OPEH&WP - The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. The pool has assessed additional premiums to be paid by its members in the current fiscal year.

The County established a limited risk management program for worker's compensation in 1992. Premiums were paid into the internal service fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. During the fiscal year 2002, a total of \$65,012 was paid in benefits and administrative costs. In 2002, the County contracted with Oklahoma Public Employees Health and Welfare Association to provide medical, disability, dental, and life insurance for its employees. During the fiscal year 2002, a total of \$157,394 in premiums and administrative costs was paid from the self-insurance fund to the Association.

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 the amounts recorded in the general long-term debt account group. The vested amount reported for fiscal year 2002, was \$188,022.

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.

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.

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 operations in conformity with accounting principles generally accepted in the United States of America. Interfund transactions, if any, 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 Garfield 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. § 348.3 authorizes the County Treasurer to invest in:

- U.S. government obligations
- Certificates of deposit
- Savings accounts

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

Detailed Notes on Account Balances (continued)

- 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
- Negotiable certificates of deposit
- 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.

At year-end, the carrying amount of the County's deposits, including the blended component unit, was \$12,742,857 and the bank balance was \$12,901,942. 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 June 30, 2002, all of the Authority's deposits, which had a bank and carrying value of \$172,769, were held in the trust department at a local bank. These deposits were in the form of U.S. Treasury obligation funds.

Investments are carried at fair value. Investment income, gains, and losses are reflected in the statement of revenues, expenses, and changes in retained earnings.

The Authority includes investment income, realized gains and losses and unrealized gains and losses in other income and expenses.

Investments – Discretely Presented Component Unit

Investment at June 30, 2002, consisted of the following:

Equity securities	\$ <u>35,235</u>
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Investment return during the year consisted of the following:

Dividends	\$ <u>387</u>
Net realized and unrealized losses on investments reported at fair value	\$ <u>(5,839)</u>

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

Detailed Notes on Account Balances (continued)

B. Receivables

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

The net assessed property value as of January 1, 2001, was \$273,931,655.

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.

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, 2002, were approximately 97.9 percent of the levy for tax year 2001.

Discretely Presented Component Unit

Notes receivable as of June 30, 2002, of \$48,000,000, 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:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2002</u>
Land	\$ 187,050	\$ -	\$ -	\$ 187,050
Buildings	14,716,564			14,716,564
Machinery and equipment	<u>8,387,498</u>	<u>377,879</u>	<u>207,709</u>	<u>8,557,668</u>
Total general fixed assets	<u>\$23,291,112</u>	<u>\$377,879</u>	<u>\$207,709</u>	<u>\$23,461,282</u>

Detailed Notes on Account Balances (continued)

D. Pension Plan

Plan Description. Garfield 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 that is performed to determine the adequacy of contribution rates. County employees are required to contribute from 3.5% to 8.5% of earned compensation. Garfield County contributed from 5.0% to 10% of earned compensation for fiscal year 2002. Elected officials may contribute from 4.5% to 10% of their entire compensation. The County contributed 10% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2002, 2001, and 2000, were \$355,090, \$342,935, and \$341,409, 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. § 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. 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.

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

Detailed Notes on Account Balances (continued)

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, 2002, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 216,690	\$ 12,490	\$ 229,180
2004	194,553	7,218	201,771
2005	102,166	2,568	104,734
2006	53,186	1,596	54,782
2007-2008	<u>69,834</u>	<u>2,096</u>	<u>71,930</u>
Totals	<u>\$ 636,429</u>	<u>\$25,968</u>	<u>\$ 662,397</u>

During the year, the County capitalized leases totaling \$14,086 and paid \$258,199 on the outstanding balances of lease-purchase agreements.

F. Changes in Long-Term Liabilities

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

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2002</u>
Compensated absences	\$ 199,508	\$ -	\$ 11,486	\$188,022
Capital leases	<u>880,542</u>	<u>14,086</u>	<u>258,199</u>	<u>636,429</u>
Total	<u>\$1,080,050</u>	<u>\$14,086</u>	<u>\$269,685</u>	<u>\$824,451</u>

G. 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.

H. 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:

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

Detailed Notes on Account Balances (continued)

Revenue Notes Payable	Balance July 1, 2001	Additions	Retirements	Balance, June 30, 2002
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, 2002	\$ 90,000	\$ -	\$ 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
Totals	\$ 55,355,000	\$ -	\$ 90,000	\$ 55,265,000

Aggregate annual maturities and sinking fund requirements of long-term debt at June 30, 2002, were:

2003	\$ 7,265,000
2004	-
2005	-
2006	-
2007	-
Thereafter	<u>48,000,000</u>
Total	<u>\$55,265,000</u>

Detailed Notes on Account Balances (continued)

I. 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. Designations of fund balances represent 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 2001-2002 year was \$560,177, 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.

Contingent Liabilities (continued)

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.

5. Subsequent Events - Discretely Presented Component Unit

On July 1, 2002, the 1992 Airco revenue bonds matured. The bonds were included in revenue bonds payable at June 30, 2002, for \$7,265,000. At year-end, the Authority had \$7,292,787 included in cash whose use is limited and \$27,787 included in accrued interest payable for the retirement of these bonds. The bonds were fully redeemed on July 1, 2002.

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
GARFIELD COUNTY, OKLAHOMA

We have audited the financial statements of Garfield County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated March 24, 2003. We qualified our opinion because of the omission of a component unit. We did not audit the financial statements of Garfield County Industrial Authority, which represent 100 percent of the assets and 100 percent of the revenues of the discretely presented component unit column, and the financial statements of the Garfield County Regional Health Facilities Authority included in the Special Revenue Fund, which represent .1 percent of the assets and .004 percent of the revenues of the Special Revenue Fund. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 a certain instance of noncompliance that is required to be reported under *Government Auditing Standards*.

Finding 2002-4 – Self-Insurance Fund

Criteria: Title 68 O.S. 2001, § 3017, provides for the procedure in which the County shall compute appropriations for the county general fund. In part, § 3017, states, "The rates of levy for the general fund..., authorized by law shall be separately made and stated, and the revenue accruing therefrom respectively, when collected, shall be credited to the proper fund accounts. Title 68 O.S. 2001, § 3010 further provides for items of appropriation to be described as "personal services", "maintenance and operation", and "capital outlay".

Title 51 O.S. 2001, § 169.B. states, "Any insurance authorized by law to be purchased, obtained or provided by a county may be provided by: 1. Self-insurance, which may be, but is not required to be, funded by appropriations to establish or maintain reserves for self-insurance purposes. Any self-

insurance reserve fund shall be nonfiscal and shall not be considered in computing any levy when the county makes its annual estimate for needed appropriations; . . .

Condition: The County established a "self-insurance fund" in fiscal year 1992-1993, by transferring funds from the general fund. Since that time, the County has maintained this fund separate from the general fund, apportioning interest earned on the balance of the fund annually.

For the fiscal year 2001-2002, the County paid the worker's compensation premium, two surcharge assessments and one monthly premium for employees' medical, dental, disability, and life insurance benefits, and the property insurance premium for County property and liability from the "self-insurance fund".

The employee benefits plan surcharge assessments and the October 2001 premium were paid to Oklahoma Public Employees Health and Welfare Plan, for its participation in a self-funded pool for "governmental agencies". Monthly premiums are paid to the administrator and annual surcharges are assessed to the participating entities based on actuarial projections for the first year of participation and elimination of Plan deficits.

The worker's compensation premium was paid to the Associated County Commissioners Organization (ACCO) for its participation in ACCO-SIF, a pool that operates as a common risk management and insurance program, and is self-sustaining through member premiums.

The property insurance premium was paid to the Associated County Commissioners Organization (ACCO) for its participation in ACCO-SIG, a pool that operates as a common risk management and insurance program, with each participating county paying a deductible for each insured incident.

The County has paid no claims from the "self-insurance fund", but has paid premiums and surcharge assessments to ACCO-SIG, ACCO-SIF, and Oklahoma Public Employees Health and Welfare Plan, all of which may be paid from the County general fund.

Effect: The County has not budgeted all appropriations of the general fund and has paid the premiums and surcharge assessments from the self-insurance fund rather than the general fund.

Recommendation: We recommend the County transfer the remaining balance of the "self-insurance fund" into the general fund and appropriate funds to pay the expense of premiums and other related insurance charges from the general fund.

Auditor's Response: Management did not respond to this finding.

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 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 as items 1998-1, 2002-1, 2002-2, and 2002-3.

Finding 1998 -1 – Component Unit (Repeat Finding)

Criteria: GASB 14 requires that a component unit's financial position and activity be included with financial statements of the reporting entity.

Condition: Financial statements for the Garfield County Fairgrounds Trust Authority were not available for inclusion with the primary government's financial statements at the date of audit.

Effect: Could not include financial position or activity of the component unit in the financial statements of the County.

Recommendation: We recommend the County require the auditors and financial preparers of the above component unit to prepare and present the financial statements compatible for inclusion with the financial statements of the County, on the accrual basis of accounting, in a timely manner, so that they may be included in accordance with accounting principles generally accepted in the United States of America.

Finding 2002-1 – Consumable Inventories

Criteria: State statutes require a county to file with the County Clerk a monthly summary of road or bridge inventory items or materials used.

Condition: In our examination of consumable inventories during the fiscal year ended June 30, 2002, we noted that Commissioner Districts 1, 2, and 3 did not file reports of road and bridge materials consumed.

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

Recommendation: We recommend that each highway district file with the County Clerk a monthly summary of road and bridge materials. The report should contain a record of the date, place, and purpose for the use of the road or bridge items or materials, as prescribed in accordance with Title 19 O.S. 2001, §1505 G.2. We also recommend the inclusion of beginning and ending quantities and balances for each inventory item purchased in lots of \$500 or more.

Finding 2002-2 – Segregation of Duties

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

Condition: One deputy in the County Sheriff's office performs all the cash collection, posting, and reconciling activities.

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

Finding 2002-3 - Disciplinary Action Policy

Criteria: Good internal controls dictate that disciplinary action policies be addressed in an employee handbook for any departures from accepted policies.

Condition: The Garfield County Employee Handbook does not address disciplinary action for departures from policies.

Recommendation: We recommend that the employee handbook include the disciplinary action for departures from policies to provide for proper internal controls.

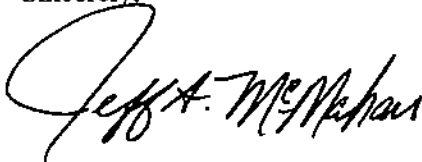
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected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



JEFF A. McMAHAN
State Auditor and Inspector

March 24, 2003

Management Response

STEVE HOBSON
District No. 1

WENDELL VENCL
District No. 2

SCOTT SAVAGE
District No. 3

Office of

Garfield County Commissioners

DAVID LARGE
County Highway Office
242-6013

LORIE WYSSMANN
MARGIE POSTIER
Secretaries
237-0227

March 25, 2003

MR. JEFF A. MCMAHAN
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 1996-1

COMPONENT UNITS:

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

FINDING 2002-1

CONSUMABLE INVENTORIES

Each commissioner district has been instructed to file a monthly summary report
of consumable items with the county clerk. (Form SA&I 1-9003, (2000)).

FINDING 2002-2

SEGREGATION OF DUTIES

The sheriff's department procedure for cash collection, posting, and reconciling
activities consists of the on-duty jail supervisor receiving funds, writing receipts,
posting in jail book, and logging on computer. The supervisor then puts each
inmate's money in a separate envelope sealing with inmate's name, date
received, and amount written on envelope along with jailer's initials. It is then
locked in the safe until deposit is made by the administrative deputy. When
money is received by administrative deputy from the jail, a witness from the




department watches each envelope be opened and counted to verify the jailer's figures. The administrative deputy then prepares the deposit, checks all posting of funds, and reconciles the books.

FINDING 2002-3

DISCIPLINARY ACTION POLICY

We plan to request the Garfield County personnel board comply with the necessary auditing recommendations.



Wendell Vencl, Chairman,
Board of County Commissioners

WV:krh

c: File/AUDRESP
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