

**GREER 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
405/521-3495

April 26, 2002

TO THE CITIZENS OF
GREER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Greer County, Oklahoma, for the fiscal year ended June 30, 2001. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Clifton H. Scott".

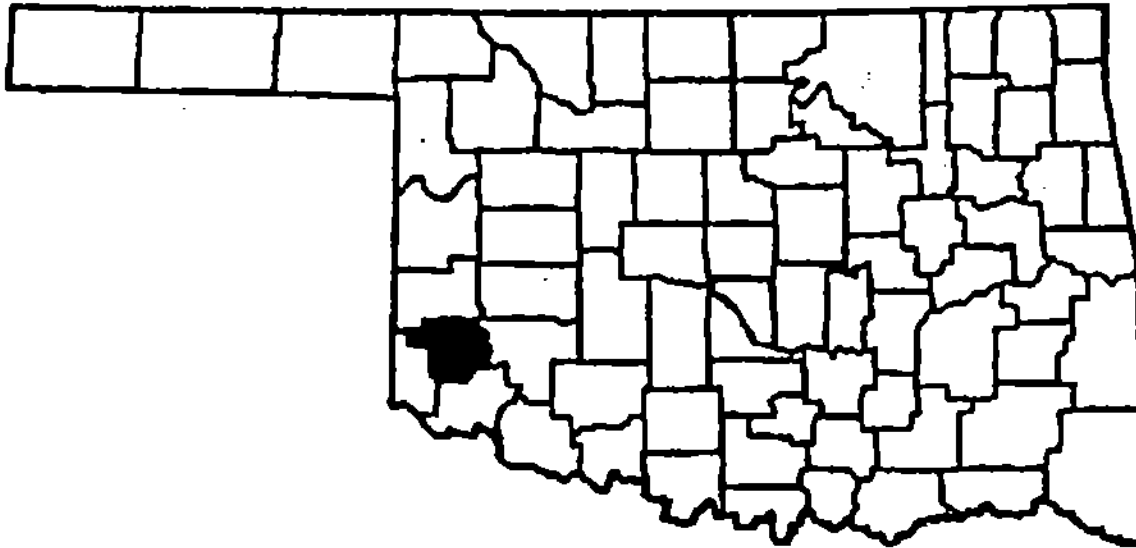
CLIFTON H. SCOTT
State Auditor and Inspector

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

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REPORT TO THE CITIZENS OF GREER COUNTY



Greer County was claimed by both Texas and the United States, and Greer was adjusted by the U.S. Supreme Court to be part of Indian Territory in 1896. At the time of the Oklahoma Constitutional Convention, the area was divided among Beckham, Greer and Jackson counties. Following statehood, Greer County was further divided to create Harmon County. The County was named for John A. Greer, Lieutenant Governor of Texas.

Willis Granite Products, Inc. and the Mangum Brick Plant, add to the County's economy.

Quartz Mountain State Park, the Sandy Sanders Wildlife Area and Lake Altus provide recreational opportunities. The Oklahoma Summer Arts Institute takes place each June at Quartz Mountain Lodge, while the last weekend in April offers a rattlesnake derby, gun show and flea market at Mangum.

County Seat - Mangum

Area - 638 Square Miles

County Population - 6,600
(1995 est.)

Farms - 449

Land in Farms - 338,546 Acres

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

**COUNTY ASSESSOR
Donna Giddens
(D) Mangum**

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
Sonja Wallace
(D) Mangum**

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.

BOARD OF COUNTY COMMISSIONERS

DISTRICT #1
Danny Holt
(D) Mangum

DISTRICT #2
Raymond Dillahunty
(D) Mangum

DISTRICT #3
Roger Lively
(D) Mangum

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 Runyun
(D) Mangum

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
Marquita Francis
(D) Mangum

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
Phyllis Denney
(D) Willow

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
Richard Dugger
(D) Elk City

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
Claudia Boyle
(D) Mangum

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.

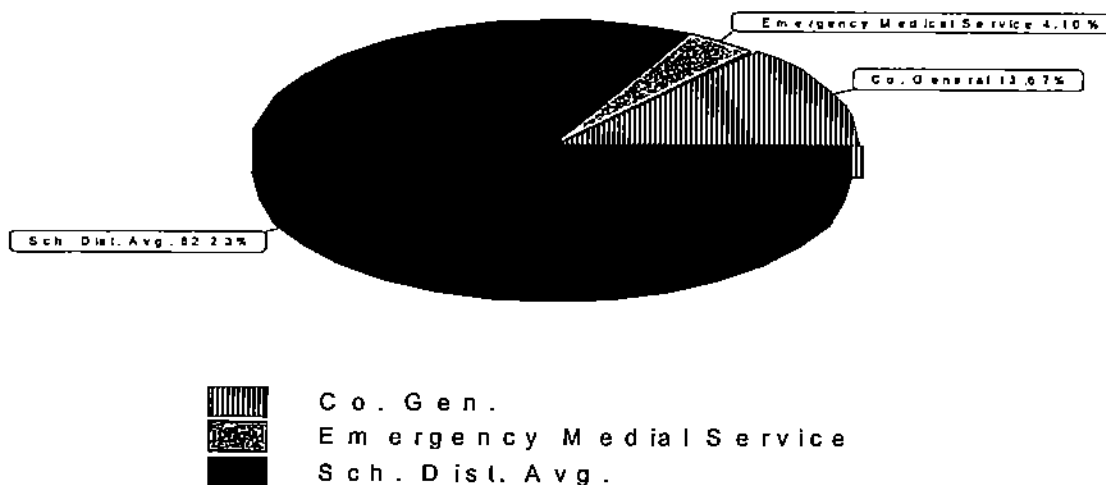
See independent auditor's report.

AD VALOREM TAX DISTRIBUTION

GREER COUNTY, OKLAHOMA

SHARE OF THE AVERAGE MILLAGE

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



County-Wide Millages

Co. General	10.00
Co. Sinking	1.16
Co. Health	2.50
Ambulance Service	3.00

School District Millages

	<u>Gen.</u>	<u>Bldg.</u>	<u>Skg.</u>	<u>Vo-Tech.</u>	<u>Common</u>	<u>Total</u>
Mangum SD-1	35.00	5.00	13.89		4.00	57.89
Granite SD-3	35.00	5.00	5.52	10.00	4.00	59.52
School Dist 66 H	35.00	5.00			4.00	44.00
School Dist 1-J	35.00	5.00		10.00	4.00	54.00
School Dist 14 J	35.00	5.00	7.39	10.00	4.00	61.39
School Dist 54 J	35.00	5.00		10.00	4.00	54.00
School Dist 2K	35.00	5.00	5.97	10.00	4.00	59.97
School Dist 31 B	35.00	5.00	6.99	10.00	4.00	60.99
School Dist 50 B	35.00	5.00	7.12	10.00	4.00	61.12
School Dist 51 B	35.00	5.00	6.15		4.00	50.15

See independent auditor's report.



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INDEPENDENT AUDITOR'S REPORT

TO THE OFFICERS OF
GREER COUNTY, OKLAHOMA

We have audited the accompanying primary government financial statements of Greer 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 Greer County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

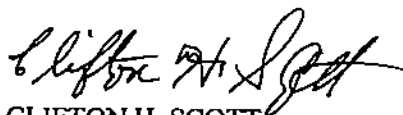
A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, except for the omission of the general fixed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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2002, on our consideration of Greer 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 Greer County, Oklahoma, taken as a whole. The other information listed in the table of contents under *Introductory Section* has not been audited by us and accordingly, we express no opinion on such data.

Sincerely,



CLIFTON H. SCOTT
State Auditor and Inspector

February 27, 2002

FINANCIAL STATEMENTS

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

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	ACCOUNT GROUP		TOTAL (MEMORANDUM ONLY)	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS		AGENCY	GENERAL		
							LONG-TERM DEBT		
ASSETS									
Cash and investments	\$ 194,702	\$ 1,082,045	\$ 46,369	\$ 23,689	\$ 602,249		\$ 1,949,054		
Ad valorem taxes receivable	5,067	1,266	589		30,446		37,368		
Sales tax receivable	17,520	4,380					21,900		
Due from other governments	579	135,316			6,005		141,900		
Accrued interest receivable	4,957	66	104		1,066		6,193		
Amount available in debt service fund						47,062	47,062		
Amount to be provided for long-term debt						52,938	52,938		
Amount to be provided for compensated absences						31,206	31,206		
Amount to be provided for capitalized leases						374,966	374,966		
Total assets	\$ 222,825	\$ 1,223,073	\$ 47,062	\$ 23,689	\$ 639,766	\$ 506,172	\$ 2,662,587		
LIABILITIES AND FUND BALANCE									
Liabilities:									
Warrants payable	\$ 41,760	\$ 90,258	\$	\$	\$	\$	\$ 132,018		
Accounts payable		41,947					41,947		
Due to other taxing units					433,233		433,233		
Due to others					206,533		206,533		
Revenue bonds payable						100,000	100,000		
Compensated absences payable						31,206	31,206		
Capitalized lease obligations payable						374,966	374,966		
Total liabilities	41,760	132,205	-	-	639,766	506,172	1,319,903		
Fund balance:									
Reserved for encumbrances		26,126					26,126		
Reserved for debt service			47,062				47,062		
Reserved for capital projects				23,689			23,689		
Unreserved:									
Undesignated	181,065	1,064,742					1,245,807		
Total fund balance	181,065	1,090,868	47,062	23,689	-	-	1,342,684		
Total liabilities and fund balance	\$ 222,825	\$ 1,223,073	\$ 47,062	\$ 23,689	\$ 639,766	\$ 506,172	\$ 2,662,587		

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

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

	GOVERNMENTAL FUND TYPES				TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	
Revenues:					
Ad valorem taxes	\$ 228,915	\$ 42,838	\$ 28,580	\$	\$ 300,333
Sales tax	177,680	42,892			220,572
Charges for services	28,445	85,177			113,622
Intergovernmental revenues	69,042	1,823,161			1,892,203
Miscellaneous revenues	68,758	25,134			93,892
Total revenues	<u>572,840</u>	<u>2,019,202</u>	<u>28,580</u>	<u>-</u>	<u>2,620,622</u>
Expenditures:					
General government	476,151	36,861			513,012
Public safety	111,111	144,718			255,829
Health and welfare	95	65,546			65,641
Culture and recreation		8,104			8,104
Education		28,232			28,232
Roads and highways		1,703,367			1,703,367
Capital outlay				44	44
Debt service:					
Principal retirement			35,000		35,000
Interest and fiscal agent charges			6,400		6,400
Total expenditures	<u>587,357</u>	<u>1,986,828</u>	<u>41,400</u>	<u>44</u>	<u>2,615,629</u>
Excess revenue and transfers over (under) expenditures	<u>(14,517)</u>	<u>32,374</u>	<u>(12,820)</u>	<u>(44)</u>	<u>4,993</u>
Other financing sources:					
Capitalized lease agreements		198,194			198,194
Total other financing sources	<u>-</u>	<u>198,194</u>	<u>-</u>	<u>-</u>	<u>198,194</u>
Excess revenue and other sources over (under) expenditures	<u>(14,517)</u>	<u>230,568</u>	<u>(12,820)</u>	<u>(44)</u>	<u>203,187</u>
Beginning fund balances	195,582	860,300	59,882	23,733	1,139,497
Ending fund balances	<u>\$ 181,065</u>	<u>\$ 1,090,868</u>	<u>\$ 47,062</u>	<u>\$ 23,689</u>	<u>\$ 1,342,684</u>

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

GREER 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	\$ 169,914	\$ 170,658	\$ 744	\$ 18,383	\$ 18,382	\$ (1)
Revenues:						
Ad valorem taxes	208,629	227,977	19,348	52,157	17,500	(34,657)
Sales tax	146,373	173,747	27,374			
Charges for services	27,439	28,445	1,006		54,640	54,640
Intergovernmental revenues	61,699	69,042	7,343	15,126		(15,126)
Miscellaneous revenues	59,578	68,907	9,329			
Total revenue, budgetary basis	<u>503,718</u>	<u>568,118</u>	<u>64,400</u>	<u>67,283</u>	<u>72,140</u>	<u>4,857</u>
Expenditures:						
General government	558,132	474,055	84,077			
Public safety	115,000	111,051	3,949			
Health and welfare	500	95	405	85,666	65,546	20,120
Total expenditures, budgetary basis	<u>673,632</u>	<u>585,201</u>	<u>88,431</u>	<u>85,666</u>	<u>65,546</u>	<u>20,120</u>
Excess of revenues and beginning fund balances over expenditures, budgetary basis	\$ -	\$ 153,575	\$ 153,575	\$ -	\$ 24,976	\$ 24,976
Reconciliation to Statement of Revenues Expenditures and Changes in Fund Balances						
Add: Ad valorem receivable		5,067			1,266	
Sales tax		17,520				
Accrued interest		4,957			61	
Due from other governments		579				
Reserved for encumbrances						
Adjustment to prior year reserved for encumbrances		(633)				
Ending fund balances		<u>\$ 181,065</u>			<u>\$ 26,303</u>	

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

NOTES TO THE FINANCIAL STATEMENTS

GREER COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

Greer 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 blended component units in the fiscal year 2001 general-purpose financial statements.

Excluded Blended Component Units

The combined financial statements should include the financial data of the County's blended component units. Component units are included in the reporting entity when the primary government is financially accountable, is able to impose its will on the organization, and the governing body is substantively the same as the governing body of the primary government.

Greer County Industrial Authority – was created as a public trust under applicable Oklahoma Statutes by a Trust Indenture dated July 21, 1969. It was created to promote the development of industry within and without the territorial limits of the beneficiary (Greer County) to provide additional employment and develop and maintain industry and commerce as set forth in the Trust Indenture. The Authority's financial statements were not available for inclusion with the primary government financial statements at June 30, 2001.

Greer County Economic Development Authority – was created pursuant to the provisions of Title 60, Oklahoma Statutes Trust Indenture dated September 21, 1982, as a Public Trust and an Agency of the State of Oklahoma. The purpose of the Authority is to assist in the "promotion of industry and payrolls in Greer County, Oklahoma." Board members are the Greer County Board of County Commissioners. The Authority was inactive at fiscal year ended June 30, 2001.

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.

GREER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

Funds are classified into the categories: governmental and fiduciary. Each category in turn is divided into separate "fund types."

Governmental Funds

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

Fiduciary Funds

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

Account Groups

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

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.

GREER COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

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

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

D. Budgetary Policies and Procedures

Under current Oklahoma Statutes, the general fund and the County Health Department are the only funds required to adopt a formal budget. The budget presented for the general fund and the County Health Department 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 Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

E. Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost which 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.

GREER COUNTY, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

G. Interest Receivable

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

H. Fixed Assets

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

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.
Health and Life - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of risk.	None

GREER COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

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 \$2,500 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

All full-time employees are entitled to annual leave that is accrued on a monthly basis. From the employee start date and through eight years of service, employees are entitled to 10 days of vacation. Employees with nine to 16 years of service are entitled to 13 days vacation. Those with 17 or more years are entitled to 15 days annual leave. Employees may carry over no more than 40 hours of vacation from one year to the next (any additional time shall be forfeited.) For the fiscal year ending June 30, 2001, the County had a liability of \$31,206 in accumulated compensated absences.

The County does accumulate sick leave. An employee earns 10 hours of sick leave for each full calendar month of service to the County. Sick leave may accumulate up to 130 days. Since there is no history of sick leave usage from which to project future usage, no liability for such has been recorded. Such an amount, if recorded, would not be material to the financial statements.

K. Long-Term Obligations

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

GREER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

L. Memorandum Only - Total Columns

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

M. Grant Revenue

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

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Account Balances

A. Deposits

Deposits. At year-end, the carrying amount of the County's cash was \$1,949,054, and the bank balance was \$2,011,476. Of the bank balance, all funds were covered by federal depository insurance or by collateral held by the County's agent in the County's name.

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

GREER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

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. 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 \$22,949,155.

The County levied 10 mills for general fund operations, 2.5 mills for the County Health Department and 1.16 mills for County Sinking fund (Debt Service Fund). In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and apportions the ad valorem taxes collected to the appropriate taxing units.

Taxes are due on November 1 following the levy date, although, they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year. Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2001, were approximately 96 percent of the tax levy.

C. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributed between 5.0% and 10% of earned compensation for fiscal year 2000. 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 \$85,801, \$83,435, and \$100,719, respectively, equal to the required contributions for each year.

GREER 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	\$ 67,383	\$ 5,618	\$ 73,001
2003	64,120	4,909	69,029
2004	65,013	4,016	69,029
2005	65,971	3,058	69,029
2006	64,513	1,833	66,346
2007-2008	<u>47,966</u>	<u>1,390</u>	<u>49,356</u>
Total	<u>\$ 374,966</u>	<u>\$ 20,824</u>	<u>\$ 395,790</u>

During the year, the County capitalized leases totaling \$198,194 and paid \$58,857 on the outstanding balances of lease-purchase agreements.

E. Long-Term Debt

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds.

The County, through the Greer County Industrial Authority, issued \$200,000 in G.O. Limited Tax Bonds that was utilized for the purchase of land. The government first authorized the issuance of \$100,000 G.O. Limited Tax Bonds, Series B on December 1, 1993. The government authorized the second issuance of \$100,000 G.O. Limited Tax Bonds, Series C on June 1, 1996.

GREER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

Detailed Notes on Account Balances (continued)

The funds to liquidate these bonds are to be provided by ad valorem taxation at a rate not to exceed 5 mills of all Greer County taxable property. On January 1, 2000, the County Treasurer was authorized to collect a 1.16 mill levy on all taxable property, to pay the interest on bonds, as it becomes due, and to establish a sinking fund for the payment of principal thereof according to law.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are generally issued as 25 year serial bonds, except for refunding issues, with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Greer County G.O. Limited Tax Bonds, Series B, dated December 1, 1993	3.5% to 4.5%	\$ 40,000
Greer County G.O. Limited Tax Bonds, Series C, dated June 1, 1996	5.25% to 5.95%	<u>60,000</u>
Total		<u>\$100,000</u>

Annual debt service requirements to maturity for general obligations bonds, including interest of \$10,974, are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2002	35,000	4,539	39,539
2003	35,000	2,870	37,870
2004	<u>30,000</u>	<u>1,275</u>	<u>31,275</u>
Total	<u>\$ 100,000</u>	<u>\$ 8,684</u>	<u>\$ 108,684</u>

Semi-annual interest on the \$100,000 G.O. Limited Tax Bonds of 1993, dated December 1, 1993, is payable on June 1 and December 1 of each year, beginning June 1, 1995. Total interest paid during the fiscal year ended June 30, 2001, was \$2,055.

Semi-annual interest on the \$100,000 G.O. Limited Tax Bonds of 1996, dated June 1, 1996, is payable on January 1 and July 1 of each year beginning July 1, 1997. The County Treasurer made the first principal payment and seventh interest payment on June 16, 2001. Total interest and fiscal agent fees paid during the fiscal year ended June 30, 2001, was \$4,345.

GREER COUNTY, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2001

Detailed Notes on Account Balances (continued)

F. 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>
General obligation debt	\$ 135,000	\$ -	\$ 35,000	\$ 100,000
Compensated absences	22,881	8,325	-	31,206
Capital leases	<u>235,629</u>	<u>198,194</u>	<u>58,857</u>	<u>374,966</u>
Total	<u>\$ 393,510</u>	<u>\$ 206,519</u>	<u>\$ 93,857</u>	<u>\$ 506,172</u>

G. Fund Balance

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.

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

Reserved for Capital Project - The reserve for capital projects is to be used to fund new industry in Greer County.

4. Contingent Liabilities

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.

GREER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

5. Sales Tax

County Commissioners Resolution 99-12 was passed May 3, 1999, terminating the second one-cent sales tax approved July 1, 1997, through June 30, 2002, for the purpose of funding Greer County Industrial Authority in its attempt to secure and develop industry within or near Greer County. The termination was effective May 31, 1999. In addition, there is \$368,987 held in the Trust and Agency fund for the Greer County Industrial Authority.

Effective January 1, 1985, the citizens of Greer County approved a one-cent sales tax, for an unlimited time period, to be distributed in the following manner; 5% for Free Fair, 15% for OSU Extension, and 80% to the County General Fund. For the fiscal year ended June 30, 2001, \$209,549 was collected. Greer County also collected \$6,108 in user tax which is apportioned to the general fund. Distribution of the sales tax and user tax as reported on the modified accrual basis is as follows:

County General	\$177,680
Special Revenue	<u>42,892</u>
Total governmental fund types	<u>\$220,572</u>

**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
405/521-3495

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO THE OFFICERS OF
GREER COUNTY, OKLAHOMA

We have audited the financial statements of the primary government of Greer County, Oklahoma, as of and for the year ended June 30, 2001, and have issued our report thereon dated February 27, 2002, which includes an explanatory paragraph regarding the omission of the Greer County Industrial Authority. We qualified our opinion because the general fixed assets account group was not included in the financial statements. 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 Greer County's primary government 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described below.

Finding 2001-3 - Pledged Collateral

- Criteria:** In accordance with 62 O.S. 1991, §511 through §513, the County Treasurer should have adequate pledged collateral to cover funds held in financial institutions for Greer County.
- Condition:** Greer County was under-pledged at the Guarantee State Bank for the high tax collection month of January 2001. The bank balance for January 12, 2001, was \$2,604,827 and the pledged amount was \$1,918,350.
- Recommendation:** We recommend the County Treasurer comply with Oklahoma Statute 62 O.S. 1991, §511 through §513 and insure proper pledged collateral for funds held in financial institutions for Greer County.

Internal Control Over Financial Reporting

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

Finding 1996-1 - General Fixed Assets

- Criteria:** Accounting principles generally accepted in the United States of America for a governmental entity using governmental fund types require the presentation of the general fixed asset account group (GFAAG) in the financial statements. Title 19 O.S. 1991, § 178.1 requires the County to maintain necessary information regarding land, buildings, and improvements.
- Condition:** Information is not available for reporting general fixed assets in accordance with accounting principles generally accepted in the United States of America for a government entity. The general fixed assets control account is not accurate.
- Effect:** This component of internal control is not effective. Accordingly, there is a greater risk that a fixed asset may not be properly accounted for and safeguarded against loss.
- Recommendation:** We recommend records include acquisition cost, a complete description, purchase date, location of such assets, and that a control total of cost of these assets be maintained and reconciled annually in accordance with 19 O.S. 1996, § 178.1.

Finding 2001-1 – 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 Greer County Industrial Authority were not available for inclusion with the primary government financial statements for June 30, 2001.
- Recommendation:** We recommend the County require 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 the accrual basis of accounting, in a timely manner, so that they may be included in accordance with GASB 14.

Finding 2001-2 – 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:** Based on inquires of County personnel, it was noted that the duties of receiving, receipting, recording and depositing collections were not adequately segregated.
- Recommendation:** We recommend management be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of County operations and periodic review of those operations.

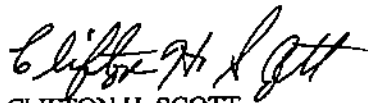
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 items 1996-1 and 2001-1 to be material weaknesses.

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

This report is intended solely for the information and use of the County Officials, 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 27, 2002

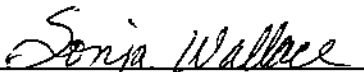
April 8, 2002

Sherri Merle
Oklahoma State Auditor And Inspector
1401 Lera, Suite G.
Weatherford, Ok 73096

Subject: Response to the auditor's report for the Fiscal Year ending June 30, 2002.

- 1996-1 We are in the process of maintaining necessary information regarding land, buildings and other fixed assets.
- 2000-1 David Tate is working on this. He has informed us that he is needing information from the lending agency in order to complete the audit.
- 2001-2 We are doing the best we can with the limited staff we have.
- 2001-3 Nita Marcum, Treasurer stated that she will ask for extra collateral before the end of December to insure enough is there to cover the amount. The December school warrants are usually out until around the 13 or 14 of January. Hopefully this will correct this problem, as it usually takes 4 or 5 days to get collateral after she calls the banks for it.

ATTEST:


SONJA WALLACE
COUNTY CLERK



BOARD OF COUNTY COMMISSIONERS
GREER COUNTY, OKLAHOMA


RAYMOND DILLAHUNTY, CHAIRMAN


DANNY HOTL, MEMBER


ROGER LEVELT, MEMBER