

# HARMON COUNTY

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2009

# COUNTY AUDIT



Oklahoma State Auditor  
& Inspector

**HARMON COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



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December 28, 2010

TO THE CITIZENS OF  
HARMON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Harmon County, Oklahoma for the fiscal year ended June 30, 2009. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

**HARMON COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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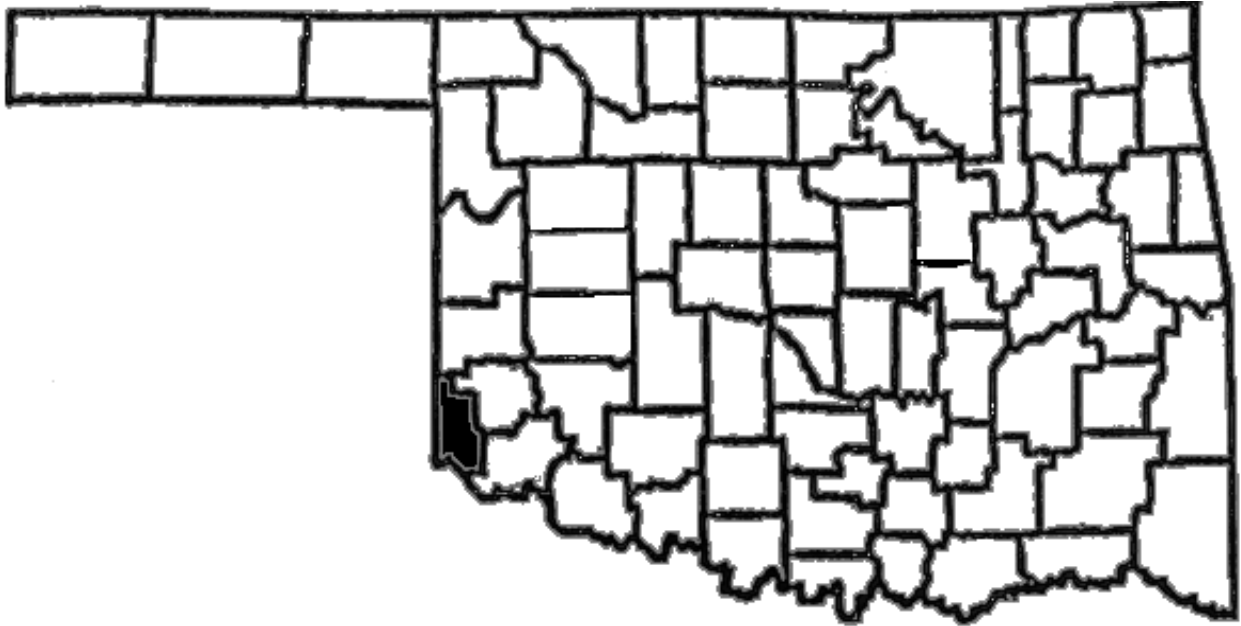
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**REPORT TO THE CITIZENS  
OF  
HARMON COUNTY, OKLAHOMA**

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Harmon County, part of the original disputed Greer County claimed by both Texas and the United States, was created by special election in 1909, and named for Judson C. Harmon, a former governor of Ohio and later U.S. attorney general.

The economy of the county is based largely on farming and ranching, with two contributing industries - Western Fibers Insulation Plant, manufacturing insulation from recycled paper, and Buck Creek "Honey" Mesquite Company, Inc., processing mesquite for use as a flavor enhancer for barbecued meats. Lake Hall provides fishing and recreational opportunities for the area.

The Black-Eyed Pea Festival is held annually during the second week in August.

County Seat - Hollis

Area – 538.56 Square Miles

County Population – 2,837  
(2007 est.)

Farms - 400

Land in Farms - 322,222 acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor's report.

**HARMON COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**COUNTY ASSESSOR**

Lavinda Smith

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**

Kara Gollihare

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.

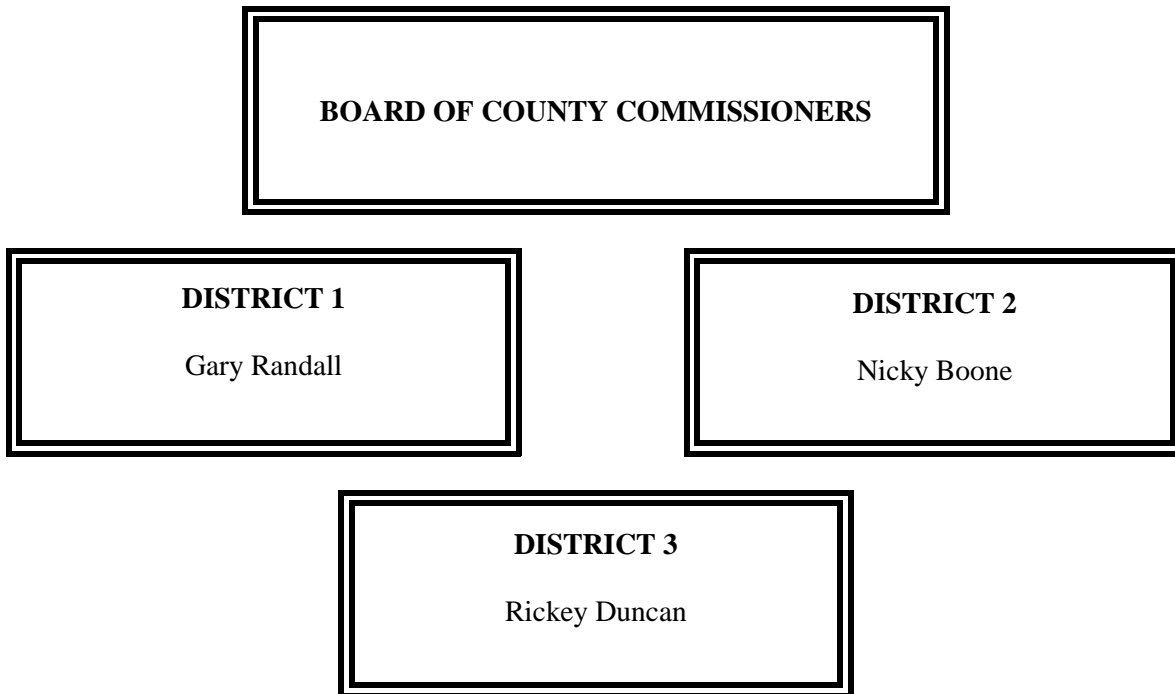
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county.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

**HARMON COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

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

See independent auditor's report.

**HARMON COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**COUNTY SHERIFF**

Joe Johnson

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**

Robbie Gee

All collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed.

See independent auditor's report.



**HARMON COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**COURT CLERK**

Stacy Macias

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government.

**DISTRICT ATTORNEY**

John Wampler

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

**HARMON COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**ELECTION BOARD SECRETARY**

Frankie Long

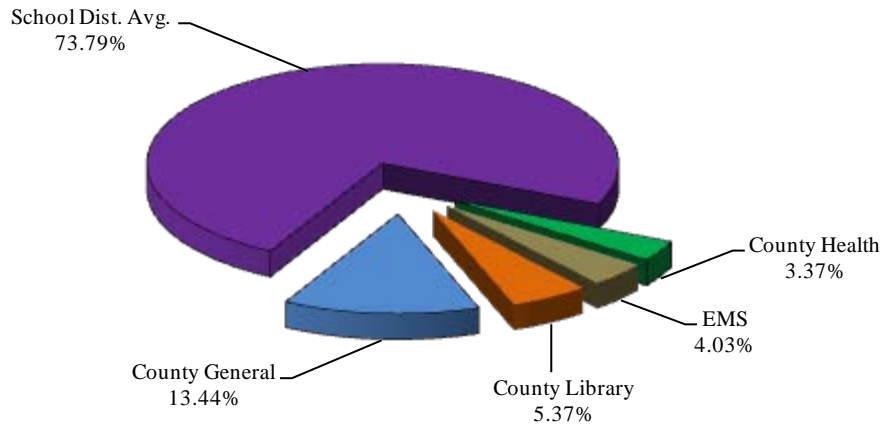
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

See independent auditor's report.

**HARMON COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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							Total
				Gen.	Bldg.	Skg.	Technology Center Building	Common	
County General	10.46								
County Health	2.62	Hollis	I-66	36.61	5.23			4.18	46.02
County EMS	3.14	Greer County	JC-1	39.46	5.64	9.37		4.18	58.65
County Library	4.18	Jackson County	JC-14	35.22	5.03	11.80	10.16	4.18	66.39
		Jackson County	JC-25	35.63	5.09	11.44	10.16	4.18	66.50
		Beckham County	JC-51	35.00	5.00	5.49		4.18	49.67

See independent auditor's report.

**HARMON COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

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Total net assessed value as of January 1, 2008		<u>\$ 17,419,971</u>
Debt limit - 5% of total assessed value		870,999
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 870,999</u>

See independent auditor's report.

**HARMON COUNTY, OKLAHOMA  
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED  
VALUE AND NET BONDED DEBT PER CAPITA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

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	2009
Estimated population	2,837
Net assessed value as of January 1, 2008	\$ 17,419,971
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**HARMON COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

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Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2008	\$2,264,161	\$2,340,875	\$13,522,503	\$707,568	\$17,419,971	\$138,026,461

See independent auditor's report.

**FINANCIAL SECTION**

# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 [www.sai.ok.gov](http://www.sai.ok.gov)

## Independent Auditor's Report

TO THE OFFICERS OF  
HARMON COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Harmon County, Oklahoma, as of and for the year ended June 30, 2009, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Harmon County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Harmon County as of June 30, 2009, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Harmon County for the year ended June 30, 2009, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2010, on our consideration of Harmon County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial



reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.



STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

November 22, 2010

## **Basic Financial Statement**

**HARMON COUNTY, OKLAHOMA  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
(WITH COMBINING INFORMATION)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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	Beginning Cash Balances July 1, 2008	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2009
Combining Information:						
County General Fund	\$ 627,532	\$ 779,385	\$ 5,971	\$	\$ 811,778	\$ 601,110
County Highway Cash	2,545,759	1,608,502			1,272,906	2,881,355
County Health Department	72,150	115,042			108,511	78,681
Resale Property	14,175	5,111			6,355	12,931
Sheriff Service Fee	49,877	22,485			15,635	56,727
Sheriff Service Fee Courthouse Security	3,641	3,603				7,244
Sheriff Board of Prisoners	51,341	12,491			14,727	49,105
Sheriff Drug	309					309
Sheriff Estray Cattle	37					37
County Clerk Lien Fee	7,646	1,745			2,110	7,281
County Clerk Records Management Preservation Fee	18,305	4,763			1,703	21,365
Treasurer Mortgage Tax Certification Fee	3,464	920			882	3,502
Assessor Revolving Fee	7,449	1,613			4,400	4,662
Assessor Visual Inspection	12,139	268			1,406	11,001
REAP Grant	5,971	29,497		5,971	29,497	
<b>Combined Total--All County Funds</b>	<b>\$ 3,419,795</b>	<b>\$ 2,585,425</b>	<b>\$ 5,971</b>	<b>\$ 5,971</b>	<b>\$ 2,269,910</b>	<b>\$ 3,735,310</b>

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

**HARMON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Harmon County, Oklahoma. The financial statement referred to includes only the primary government of Harmon County, Oklahoma, and does not include financial information for any of the primary government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

**B. Fund Accounting**

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the funds included as supplementary information within the financial statement:

County General Fund - accounts for the general operations of the government.

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

County Health Department – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

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

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

**HARMON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Sheriff Service Fee Courthouse Security – accounts for a fee collected by the Court Clerk and disbursements are for courthouse security.

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

Sheriff Drug – accounts for the collection of drug forfeitures and disbursements are for the purpose of equipment and training.

Sheriff Estray Cattle – accounts for the proceeds from the sale of estray cattle and disbursements are for the expenses related to the care of cattle.

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

County Clerk Records Management Preservation Fee – accounts for fees collected for instruments filed in the Registrar of Deeds as restricted by statute for preservation of records.

Treasurer Mortgage Tax Certification Fee - accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by statute.

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

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

REAP Grant – accounts for grant monies received for courthouse improvements and installation of fire alarms, and the disbursements are for prior monies received for installation of the elevator, construction of the EMS barn, and for courthouse improvements.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts and school districts. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

**C. Basis of Accounting**

The basic financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be

**HARMON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

**D. Budget**

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

**E. Cash**

The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC). However, at June 30, 2009, \$150,000 of the County's deposits was uninsured and undercollateralized.

**F. Investments**

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System

**HARMON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured.

**G. Compensated Absences**

All full-time employees are entitled to vacation leave that is accrued on an annual basis. Employees may earn from 10 days of vacation up to 15 days of vacation, depending on the number of years of service. Accrued annual leave is paid upon termination of employment.

The County does accumulate sick leave. An employee earns 6 days per year, and may accumulate up to 19 days. When terminating employment with the County, an employee may not collect pay for accrued sick leave.

**2. Ad Valorem Tax**

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

The assessed property value as of January 1, 2008, was approximately \$17,419,971.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.46 mills for general fund operations, 2.62 mills for county health department, 4.18 mills for county library, and 3.14 mills for emergency medical services. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

Current year tax collections for the year ended June 30, 2009, were approximately 97.59 percent of the tax levy.

**HARMON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**3. Fuel Tax**

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County’s share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the county highway fund.

**4. Risk Management**

The County is exposed to the various risks of loss shown in the following table:

<b>Types of Loss</b>	<b>Method of Management</b>	<b>Risk of Loss Retained</b>
General Liability <ul style="list-style-type: none"> <li>• Torts</li> <li>• Errors and Omissions</li> <li>• Law Enforcement Officers Liability</li> <li>• Vehicle</li> </ul>	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool’s limits.
Physical Plant <ul style="list-style-type: none"> <li>• Theft</li> <li>• Damage to Assets</li> <li>• Natural Disasters</li> </ul>		

ACCO-SIG – The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating member chooses a deductible amount (\$10,000, \$25,000, or \$50,000). The County has chosen a \$10,000 deductible for each insured event as stated in the County’s “Certificate of Participation.” The risk pool will pay legitimate claims in excess of the County’s deductible amount. The pool has acquired specific excess insurance with retention limits of \$250,000 for property claims and \$500,000 for general liability claims. The pool has acquired reinsurance in the amount of \$2,000,000 for general liability and \$50,000,000 per occurrence for property to cover claims that exceed the pool's retention limits. If claims exceed pool assets, the County could be liable for its share of the pool’s deficit. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.



**HARMON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**5. Long-term Obligations**

**Capital Leases**

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free, but have a one-time fee of 3% on all pieces of machinery acquired.

**6. Pension Plan**

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 9.5% and 14.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 14.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2009, 2008, and 2007, were \$96,139, \$88,987, and \$78,110, respectively, equal to the required contributions for each year.

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

**7. Other Post Employment Benefits (OPEB)**

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

**HARMON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**8. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. Amounts, if any, of expenditures that may be disallowed by the grantor cannot be determined, although, the County expects such amounts, if any, to be immaterial.

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

**9. Sales Tax**

The citizens voted a one-cent (1%) sales tax to begin May 1, 1984, for unlimited life. The funds are to be used for general operations and county roads of the government of Harmon County Oklahoma. On October 13, 1992, the voters approved an additional one-cent (1%) sales tax effective October 1, 1993, for a limited life of twenty-five (25) years. The funds are to be used for the general operations of Harmon Memorial Hospital. All sales tax revenue is apportioned to the County General Fund.

**10. Inter-fund Transfers**

The inter-fund transfer consists of a transfer of funds from the REAP Grant Fund to the General Fund in the amount of \$5,971. The REAP Grant Fund was closed as of June 30, 2009.

**OTHER SUPPLEMENTARY INFORMATION**

**HARMON COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 627,532	\$ 627,532	\$ 627,532	\$ -
Less: Prior Year Warrants	(104,979)	(104,979)	(104,979)	
Beginning Cash Balances, Budgetary Basis	<u>522,553</u>	<u>522,553</u>	<u>522,553</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	165,648	165,648	180,932	15,284
Sales Tax	180,000	180,000	264,945	84,945
Charges for Services	10,500	10,500	14,485	3,985
Intergovernmental Revenues	73,900	112,860	149,035	36,175
Miscellaneous Revenues	63,000	63,000	169,988	106,988
Total Receipts, Budgetary Basis	<u>493,048</u>	<u>532,008</u>	<u>779,385</u>	<u>247,377</u>
Expenditures:				
District Attorney	250	250	250	-
County Sheriff	112,938	113,294	108,580	4,714
County Treasurer	53,932	53,932	50,813	3,119
OSU Extension	17,500	17,500	16,187	1,313
County Clerk	62,292	62,292	60,968	1,324
Court Clerk	69,206	69,206	68,606	600
County Assessor	54,232	54,232	53,119	1,113
Revaluation of Real Property	22,900	22,900	2,868	20,032
Juvenile Shelter Bureau	7,000	7,000	5,335	1,665
General Government	231,184	263,596	93,321	170,275
Excise-Equalization Board	3,000	3,000	2,338	662
County Election Board	46,804	47,024	46,172	852
Insurance	154,020	154,020	124,079	29,941

continued on next page

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

**HARMON COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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continued from previous page

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Free Fair Budget Account	2,600	2,600	2,081	519
County Hospital Budget Account	160,000	160,000	132,472	27,528
Building Maintenance Account	16,000	21,972	-	21,972
Charity	1	1	-	1
County Audit Budget	1,742	1,742	-	1,742
 Total Expenditures, Budgetary Basis	 <u>1,015,601</u>	 <u>1,054,561</u>	 <u>767,189</u>	 <u>287,372</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 <u>\$ -</u>	 534,749	 <u>\$ 534,749</u>
 Interfund Transfer				
Transfer In			5,971	
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Outstanding Warrants			<u>60,390</u>	
Ending Cash Balance			<u>\$ 601,110</u>	

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

**HARMON COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 72,150	\$ 72,150	\$ 72,150	\$ -
Less: Prior Year Outstanding Warrants	(1,467)	(1,467)	(1,467)	
Beginning Cash Balances, Budgetary Basis	<u>70,683</u>	<u>70,683</u>	<u>70,683</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	41,491	41,491	45,335	3,844
Intergovernmental		69,609	68,305	(1,304)
Miscellaneous Revenues			1,402	1,402
Total Receipts, Budgetary Basis	<u>41,491</u>	<u>111,100</u>	<u>115,042</u>	<u>3,942</u>
Expenditures:				
Health and Welfare	112,174	181,783	111,565	70,218
Total Expenditures, Budgetary Basis	<u>112,174</u>	<u>181,783</u>	<u>111,565</u>	<u>70,218</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	74,160	<u>\$ 74,160</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Outstanding Warrants			<u>4,521</u>	
Ending Cash Balance			<u>\$ 78,681</u>	

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

**HARMON COUNTY, OKLAHOMA  
NOTE TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**Budgetary Schedule**

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year, unencumbered appropriations lapse.

See independent auditor's report.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

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

TO THE OFFICERS OF  
HARMON COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Harmon County, Oklahoma, as of and for the year ended June 30, 2009, which comprises Harmon County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 22, 2010. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Harmon County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control 2009-1 described in the accompanying schedule of findings and responses to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control 2009-2 and 2009-6 described in the accompanying schedule of findings and responses to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harmon County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2009-3.

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

This report is intended solely for the information and use of Harmon County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

November 22, 2010

**HARMON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

**Finding 2009-1 – Segregation of Duties (Repeat Finding)**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Condition: The County Treasurer's office has one employee. The County Treasurer and her deputy issue receipts and prepare the deposits. The County Treasurer and her deputy make the deposits with the financial institutions. The County Treasurer and her deputy perform the duties of preparing the monthly apportionment ledger, and reconciling bank statements. The County Treasurer and her deputy also prepare the monthly report and reconcile the general ledger to the County Clerk's appropriation ledger each month. The monthly bank reconciliations are not approved by another employee or an official or employee from another office. These duties are not formally segregated.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Views of responsible officials and planned corrective actions:

**County Treasurer**

1. I am creating separate money drawers for my deputy and myself.
2. I am having my deputy or myself initial the daily and monthly reports created by the other so there is less chance of error.

**HARMON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**Finding 2009-2 – Financial Statements (Repeat Finding)**

Criteria: The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. Statement on Auditing Standards (SAS) No. 115 indicates that a control deficiency exists when management does not have adequate expertise to apply accounting principles to the financial statements or to review financial statements prepared on their behalf by others to ensure they are prepared in accordance with these principles. Professional audit standards preclude the external financial statement auditor from performing any part of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

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

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

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

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

Views of responsible officials and planned corrective actions:

**County Treasurer**

I contacted our budgeter and asked him if the financial statement included in our budget was sufficient to meet the needs required by the State Auditor's Office. He then called the Weatherford branch of the State Auditor's Office. He asked to be alerted to any changes he needed to be made aware of.

OSAI Response: Management is responsible for the fiscal affairs of the County. Management is also responsible for adopting sound accounting policies, and establishing and maintaining internal control.

**Finding 2009-3— Pledged Collateral**

Criteria: Title 62 O.S. § 517.4.A. states:

A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.

**HARMON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Condition: The County did not have adequate pledged securities during the period ending June 30, 2009. Stockmans Bank had unsecured deposits of \$150,000.00.

Effect: This condition could result in the possible loss of county funds.

Recommendation: OSAI recommends management periodically compare the amount of pledged collateral to ensure amounts are adequate and all deposits are secured.

Views of responsible officials and planned corrective actions:

**County Treasurer**

Stockmans Bank increased its collateral at the time the error was noticed and reported. Monthly reports are to be sent from Stockmans Bank to my office at the end of each month. I am planning to pay more attention to detail and to have my deputy initial monthly reports to decrease the chance of error.

**Finding: 2009-6 – Timesheets (Repeat Finding)**

Criteria: Effective internal controls include county government establish policies and procedures to document payroll disbursements using standardized timesheets. Those timesheets should be signed by the employee and approved by an authorized supervisor or official.

Condition: The test of 25 timesheets revealed the following exceptions:

- 1) The Sheriff's department does not complete any record for time worked.
- 2) Nine of the timesheets were not signed by the employee.
- 3) Thirteen of the timesheets were not approved by a Supervisor or Officer.
- 4) Timecards for District 3 were not dated for the week or month.

Effect: This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that the County establish policy and procedures to ensure that standardized timesheets are completed by each employee, signed and approved by a supervisor or official.

Views of responsible officials and planned corrective actions:

1. The Sheriff's office had no response to the finding.
2. Employees will sign timesheets in the future.
3. Officer will sign timesheets in the future.
4. Timecards for District 3 will be dated for the week or month in the future.



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