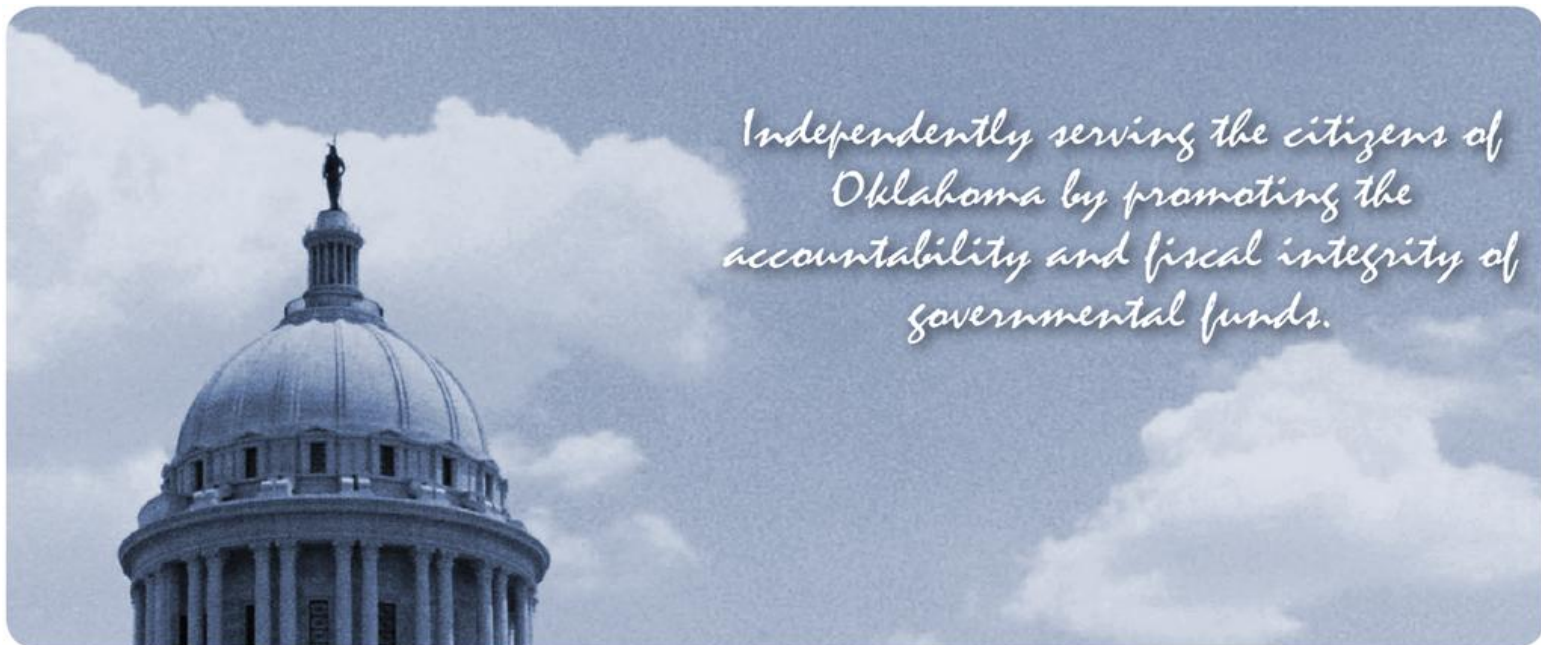


COUNTY AUDIT

HARMON COUNTY

For the fiscal year ended June 30, 2013



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**HARMON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

July 7, 2015

TO THE CITIZENS OF
HARMON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Harmon County, Oklahoma for the fiscal year ended June 30, 2013. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

**HARMON COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**HARMON COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

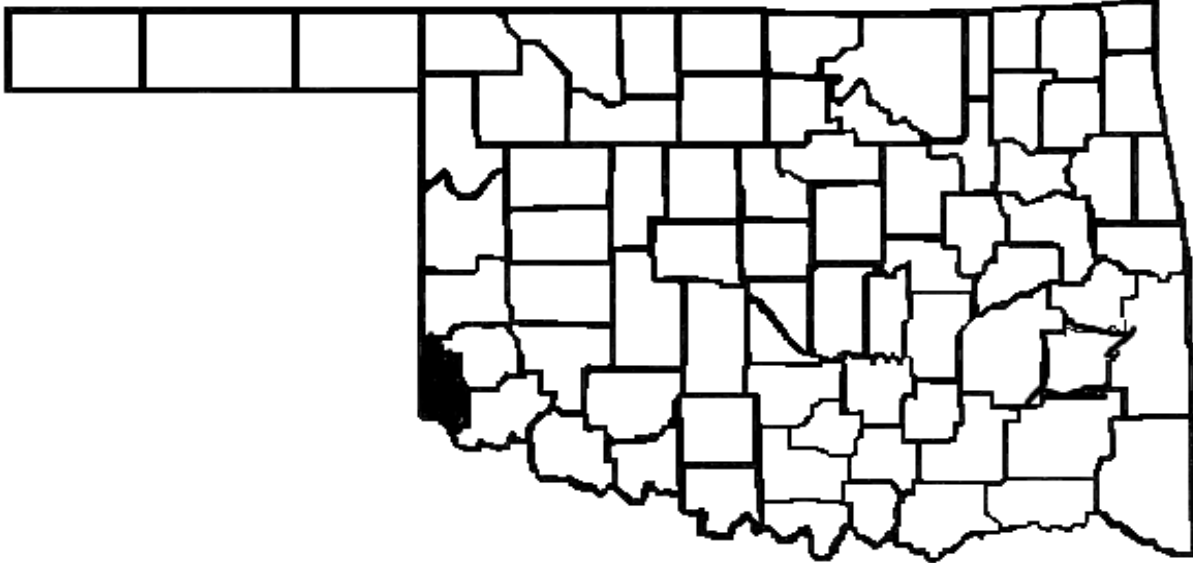
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**HARMON COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



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. Located in extreme southwestern Oklahoma, the county is known today as the “Irrigation Center of the Southwest.” Hollis is the county seat.

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, processing mesquite for use as 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. Two Harmon County history books, *Planning the Route* and *Planning the Route 2*, are available. For more county information, contact the Harmon County Historical Society or call the county clerk’s office at 580/688-3658.

County Seat – Hollis

Area – 538.56 Square Miles

County Population – 2,906
(2012 est.)

Farms – 400

Land in Farms – 322,222 Acres

Primary Source: Oklahoma Almanac 2013-2014

**HARMON COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Board of County Commissioners

District 1 – Gary Lewis
District 2 – Nicky Boone
District 3 – James Stegall

County Assessor

Lavinda Smith

County Clerk

Kara Gollihare

County Sheriff

Joe Johnson

County Treasurer

Robbie Gee

Court Clerk

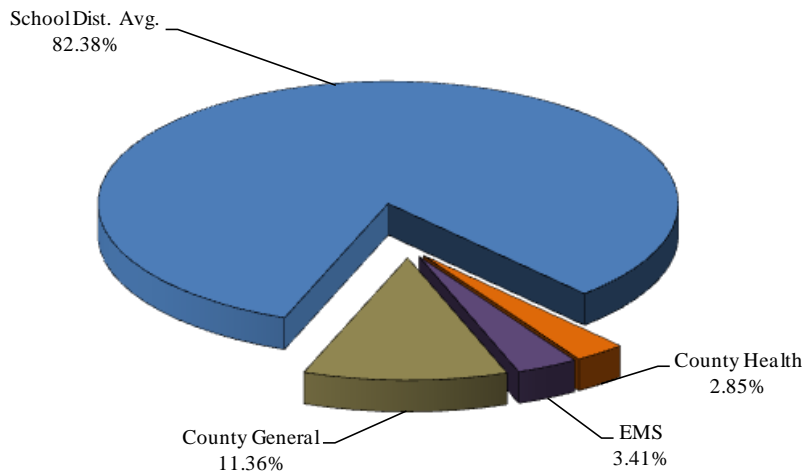
Stacy Macias

District Attorney

John Wampler

**HARMON COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

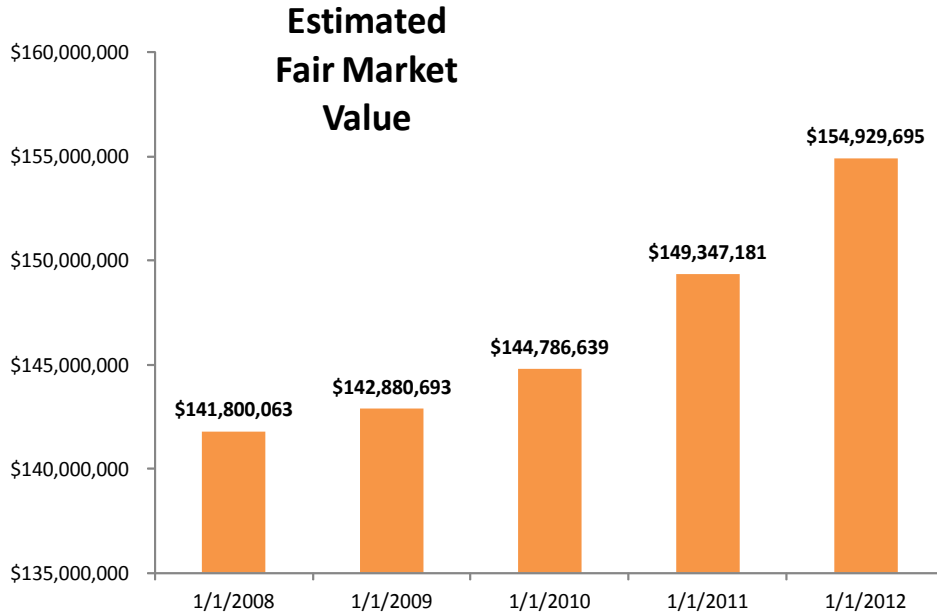
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.46								
County Health	2.62	Hollis	I-66	36.61	5.23	-	-	4.18	46.02
EMS	3.14	Beckham	C-51	35.00	5.00	8.53	-	4.18	52.71
		Greer S.D.	C-1	39.46	5.64	10.75	-	4.18	60.03
		Jackson	JC-14	35.22	5.03	4.23	10.16	4.18	58.82
		Jackson	25J	35.63	5.09	4.52	10.16	4.18	59.58

**HARMON COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

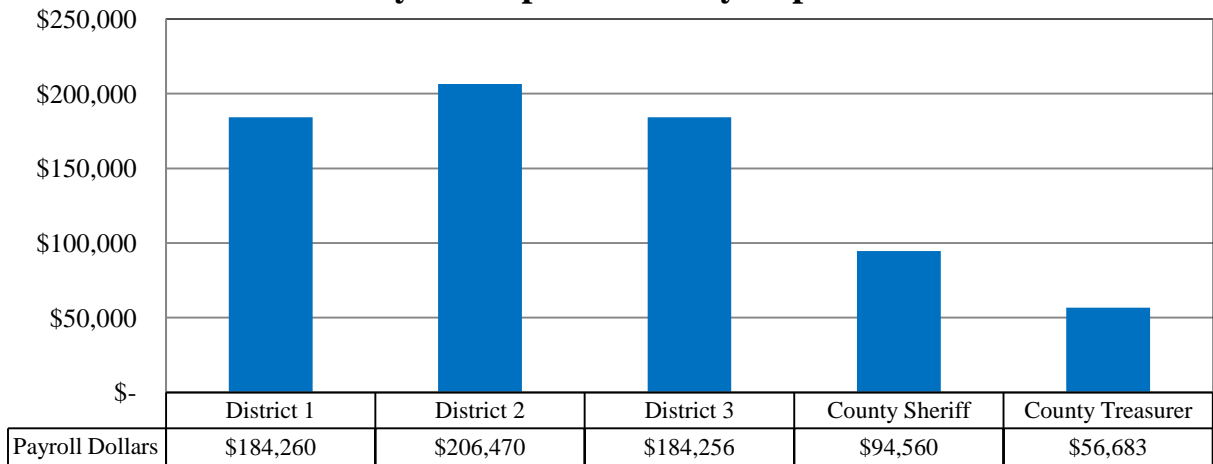
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$2,819,721	\$3,295,721	\$14,041,048	\$673,110	\$19,483,380	\$154,929,695
1/1/2011	\$2,435,787	\$2,840,106	\$13,994,353	\$689,891	\$18,580,355	\$149,347,181
1/1/2010	\$2,116,414	\$2,854,149	\$13,759,086	\$705,931	\$18,023,718	\$144,786,639
1/1/2009	\$2,271,431	\$2,271,993	\$13,681,083	\$716,396	\$17,508,111	\$142,880,693
1/1/2008	\$2,264,161	\$2,340,875	\$13,522,503	\$707,568	\$17,419,971	\$141,800,063



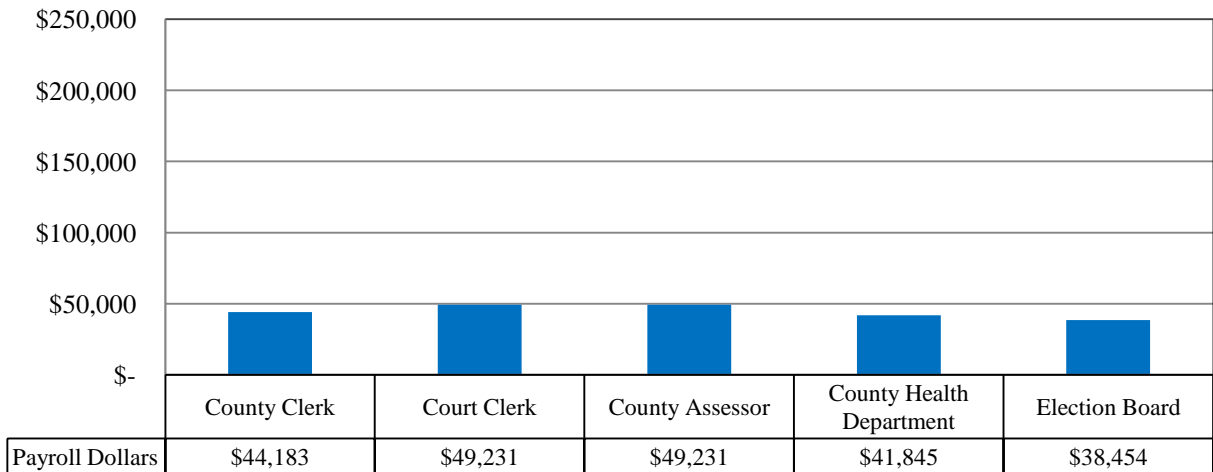
**HARMON COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2013.

Payroll Expenditures by Department



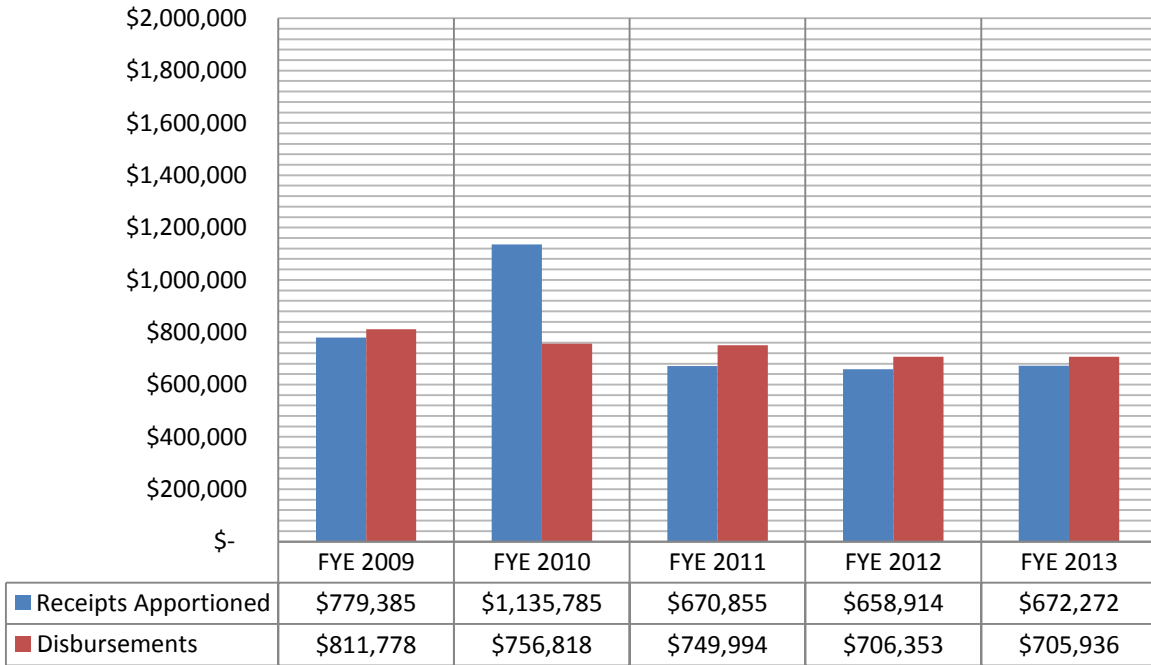
Payroll Expenditures by Department



**HARMON COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County General Fund

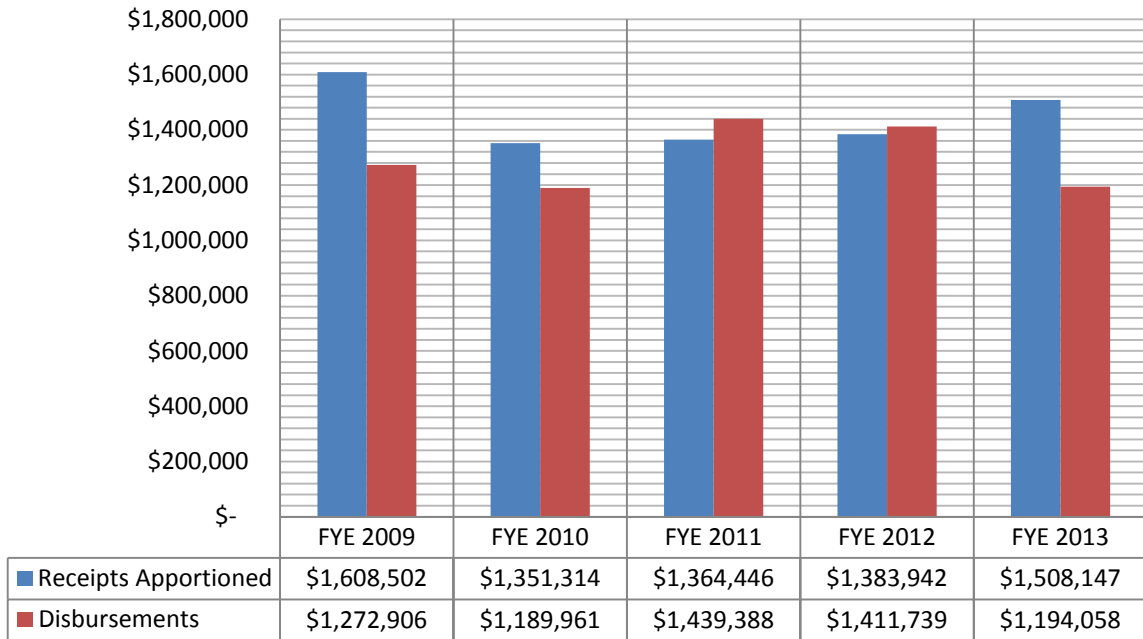
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.



**HARMON COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521.3495 • Fax: 405-521.3426

Independent Auditor's Report

TO THE OFFICERS OF
HARMON COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Harmon County, Oklahoma, as of and for the year ended June 30, 2013, listed in the table of contents as the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Harmon County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Harmon County as of June 30, 2013, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

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 balances for all county funds of Harmon County, for the year ended June 30, 2013, on the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. 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 financial statement.

The Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2015, 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 in considering Harmon County's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

July 6, 2015

REGULATORY BASIS FINANCIAL STATEMENT

HARMON COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
County General Fund	\$ 474,122	\$ 672,272	\$ -	\$ 25	\$ 705,936	\$ 440,433
County Highway Fund	3,375,283	1,508,147	2,982	-	1,194,058	3,692,354
County Bridge and Road Improvement Restricted Highway	1,043,284	221,058	-	-	258,961	1,005,381
County Health Department	72,365	137,696	-	-	141,028	69,033
Grants/FEMA	-	78,954	-	2,982	-	75,972
Remaining Aggregate Funds	317,541	50,615	25	-	51,816	316,365
Combined Total - All County Funds, as restated	\$ 5,282,595	\$ 2,668,742	\$ 3,007	\$ 3,007	\$ 2,351,799	\$ 5,599,538

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, 2013**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Harmon County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. 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, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, school districts, and cities and towns. 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.

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 county funds included as combining information within the financial statement:

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

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

County Bridge and Road Improvement Restricted Highway – accounts for state receipts and disbursements are for the purpose of maintaining bridges and roads.

County Health Department – accounts for monies collected for charges for services and ad valorem taxes expended for operations of the county health department.

Grants/FEMA – accounts for all grant monies received by Harmon County and disbursed per grant agreements.

**HARMON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

C. Basis of Accounting

The 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 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 regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

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.

E. Cash and Investments

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents and investments as allowed by statutes. 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).

The County Treasurer has been authorized by the County’s governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

**HARMON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

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."

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.

3. Other Information

A. 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.

B. 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

**HARMON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the 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.

D. 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 and a remittance warrant is issued to the Harmon Memorial Hospital for the Hospital's portion of the sales tax.

E. Transfers

During the fiscal year, the County made the following transfers between cash funds:

- \$2,982 was transferred from the Grants fund to the County Highway Fund to reimburse the County Highway Fund for snow removal that was paid from FEMA funds.
- \$25 was transferred from the County General Fund to the Cash Drawer Fund to increase the County Treasurer's cash drawer money used to make change.

F. Restatement of Beginning Fund Balance

The Cash Drawer fund totaling \$375 has been reclassified as a County Fund and is included in the beginning fund balance of the Remaining Aggregate Funds.

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, 2013**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 474,122	\$ 474,122	\$ -
Less: Prior Year Outstanding Warrants	(19,475)	(19,475)	-
Beginning Cash Balances, Budgetary Basis	<u>454,647</u>	<u>454,647</u>	<u>-</u>
Receipts:			
Ad Valorem Taxes	185,268	200,991	15,723
Charges for Services	12,000	17,314	5,314
Intergovernmental Revenues	248,200	393,700	145,500
Miscellaneous Revenues	50,000	60,267	10,267
Total Receipts, Budgetary Basis	<u>495,468</u>	<u>672,272</u>	<u>176,804</u>
Expenditures:			
District Attorney	250	250	-
County Sheriff	116,330	109,618	6,712
County Treasurer	60,654	59,764	890
OSU Extension	17,700	15,586	2,114
County Clerk	45,697	44,812	885
Court Clerk	50,231	49,231	1,000
County Assessor	58,232	54,998	3,234
Revaluation of Real Property	15,500	4,452	11,048
Juvenile Shelter Bureau	7,000	1,728	5,272
General Government	219,996	54,341	165,655
Excise-Equalization Board	2,400	1,998	402
County Election Board	42,118	40,181	1,937
Insurance Benefits	141,600	128,703	12,897
Charity	1	-	1
County Audit Budget Account	3,806	3,806	-
Free Fair	2,600	1,997	603
County Hospital	150,000	133,400	16,600
Building Maintenance	16,000	-	16,000
Total Expenditures, Budgetary Basis	<u>950,115</u>	<u>704,865</u>	<u>245,250</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	422,054	<u>\$ 422,054</u>
Operating Transfer Out		(25)	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		<u>18,404</u>	
Ending Cash Balance		<u>\$ 440,433</u>	

**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, 2013**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 72,365	\$ 72,365	\$ -
Less: Prior Year Outstanding Warrants	(9,658)	(9,658)	-
Beginning Cash Balances, Budgetary Basis	62,707	62,707	-
Receipts:			
Ad Valorem Taxes	46,407	50,345	3,938
Intergovernmental	87,235	87,092	(143)
Miscellaneous Revenues	-	259	259
Total Receipts, Budgetary Basis	133,642	137,696	4,054
Expenditures:			
Health and Welfare	196,349	139,607	56,742
Total Expenditures, Budgetary Basis	196,349	139,607	56,742
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	60,796	\$ 60,796
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		8,237	
Ending Cash Balance		\$ 69,033	

HARMON COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:						
County Bridge and Road Improvement Primary Road	\$ 66,702	\$ 274	\$ -	\$ -	\$ -	\$ 66,976
Resale Property	23,971	5,907	-	-	6,459	23,419
County Clerk Lien Fee	33,089	4,569	-	-	62	37,596
Treasurer Mortgage Tax Certification Fee	4,451	905	-	-	170	5,186
Assessor Visual Inspection	10,005	41	-	-	-	10,046
Assessor Revolving Fund	9,736	1,889	-	-	440	11,185
Sheriff Service Fee	89,218	20,976	-	-	11,445	98,749
Sheriff Drug Enforcement	309	-	-	-	-	309
Sheriff Department of Corrections	46,886	11,882	-	-	20,502	38,266
County Clerk Records Management Preservation Fee	32,052	4,172	-	-	12,738	23,486
Insurance Recovery	747	-	-	-	-	747
Cash Drawer	375	-	25	-	-	400
Combined Total - Remaining Aggregate Funds	\$ 317,541	\$ 50,615	\$ 25	\$ -	\$ 51,816	\$ 316,365

**HARMON COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. Budgetary Schedules

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.

2. Remaining County Funds

Remaining aggregate funds, as presented on the financial statement, are as follows:

County Bridge and Road Improvement Primary Road – accounts for the accrued balance of funds which were appropriated to be used for bridge improvements only as established by Senate Bill 1288.

Resale Property – accounts for the collection of interest and penalties on delinquent taxes and disbursed as restricted by state statute.

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

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

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

Assessor Revolving Fund – accounts for the collection of fees for copies as restricted by state statute.

Sheriff Service Fee – accounts for the collection of fees for the services provided by the County Sheriff's office and disbursed for the operations of the Sheriff's office.

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

**HARMON COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Sheriff Department of Corrections – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of housing inmates.

County Clerk Records Management Preservation Fee – accounts for fees collected for instruments filed in the County Clerk’s office as restricted by state statute for preservation of records.

Insurance Recovery – accounts for monies received from insurance claims filed and funds received are used to repair or replace County owned property.

Cash Drawer – accounts for money used in the County Treasurer’s office for the purpose of making change.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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Independent Auditor's 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—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, 2013, which comprises Harmon County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated July 6, 2015.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Harmon County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Harmon County's internal control. Accordingly, we do not express an opinion on the effectiveness of Harmon County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1, 2013-3, and 2013-4.

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 deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2013-13.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harmon County's financial statement is free from 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 matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-13.

We noted certain matters regarding statutory compliance that we reported to the management of Harmon County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Harmon County's Responses to Findings

Harmon County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Harmon County's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable 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.



GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

July 6, 2015

**HARMON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION 1—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 2013-1 – Inadequate County-Wide Controls (Repeat Finding)

Condition: County-wide controls regarding Risk Management and Monitoring have not been designed.

Cause of Condition: Procedures have not been designed to address risks of the County.

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook. Each office should prepare a Disaster Recovery Plan in order to maintain operations in the event of a disaster.

Management Response:

District 1, District 2 and District 3 Commissioners: I am willing to meet with other officers to discuss risks and loss to Harmon County.

County Treasurer: I will implement procedures to provide the County Clerk with receipts that correlate with month end appropriation sheets. I am willing to meet with other officers to discuss risks and loss to Harmon County.

County Assessor: I am willing to meet with other officers to discuss risks and loss to Harmon County.

County Clerk: I am willing to meet with other officers to discuss risks and loss to Harmon County.

County Sheriff: I am willing to meet with other officers to discuss risks and loss to Harmon County.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be

**HARMON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Finding 2013 - 3 – Inadequate Internal Controls Over the Collection and Deposit Process – County Treasurer (Repeat Finding)

Condition: Based upon inquiry of the County Treasurer and the Deputy, and observation of the collection and deposit process for the County Treasurer’s office, the following deficiencies were noted:

- The computer system does not prompt the user to change the password periodically; therefore, the password for each user is not changed.
- Both the County Treasurer and one Deputy issues receipts, prepares the deposit, takes the deposit to the bank, reconciles the bank statements, and prepares monthly reports.
- There is no evidence of a second review for any of the procedures performed in the Treasurer’s office.

Cause of Condition: Policies and procedures have not been designed and internal controls have not been implemented to ensure the collection and deposit process.

Effect of Condition: Lack of internal controls and 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 determine how to implement controls over the collection process to safeguard assets and to properly segregate duties. OSAI further recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve the accounting functions.

Management Response:

County Treasurer: We will perform reviews on daily processes and both will sign off on the preparation and the review.

**HARMON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Finding 2013-4 – Inadequate Internal Controls Over the Disbursement Process Including Payroll (Repeat Finding)

Condition: Upon inquiry and observation of the disbursement process, we noted the following deficiencies:

- The County Clerk has physical control of District 1, 2, and 3 County Commissioners' signature stamps. The stamps are retained in a safe in the County Clerk's office. The safe is not locked during the business hours of the office. The County Clerk, a Deputy, and the Commissioners' Secretary have access to this cabinet.
- District 1 and District 2 employees that received the goods or services were not always the employees that completed the receiving report.
- District 1 and District 2 employees that were ordering goods and services were also receiving goods and services on some occasions.
- District 1 and District 2 Commissioners were the requisitioning agents for purchases of goods or services and also the designated receiving officers for purchases of goods or services.
- The County Sheriff's employees do not complete timesheets and the County Sheriff does not sign all payroll claims.

Cause of Condition: Procedures have not been designed to strengthen internal controls over the disbursement process, including safeguarding the signature stamps of the Commissioners, and documenting employee payroll disbursements with approved timesheets within the County Sheriff's office.

Effect of Condition: These conditions could result in an unauthorized transactions and misappropriation of funds.

Recommendation: OSAI recommends signature stamps be adequately safeguarded from unauthorized use, designated receiving officers sign receiving reports, designated requisitioning agents order goods and services, and employees complete timesheets to support payroll claims.

Management Response:

County Clerk: I will discuss with the Commissioners that they need to have possession of their own signature stamps.

District 1 Commissioner: I will keep my signature stamp in a lock box at the courthouse and maintain custody of the key to the lock box. I will keep my current requisition officer and appoint a new receiving officer.

**HARMON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

District 2 Commissioner: I will take possession of my own signature stamp. We will make sure that the designated receiving officer reviews for accuracy and signs the report.

District 3 Commissioner: I will take my signature stamp and lock it in my office. If one receiving officer picks up an item, the other receiving officer will verify for accuracy and fill out the receiving report.

County Sheriff: I keep hours worked for each deputy on a calendar. I will have each deputy sign and date the calendar and I will also sign and date the calendar and file with the County Clerk.

Criteria: An aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets from loss, damage, or misappropriation.

Finding 2013-13 – Inadequate Internal Controls and Noncompliance Over Disbursement of County Sales Tax

Condition: Upon inquiry and observation of the recordkeeping process of collecting and expending county sales tax, the following weaknesses were noted:

- The county sales tax was deposited into the County General Fund as specified by Title 68 O.S. § 1370E; however, the funds were not discretely presented in a separate account within the County General Fund.
- Sales tax collections were commingled with other sources of revenue and we could not identify specific expenditures made with sales tax funds.

Cause of Condition: Procedures with regard to sales tax collections and disbursements processes have not been designed and implemented due to the officials being unaware of the necessity of such procedures.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends that the County sales tax apportioned to the County General Fund be accounted for in separate account so as to discretely present the expenditures. In addition, the sales tax should be expended in such a manner to provide assurance that expenditures are in accordance to the purposes specified by the ballot as outlined by Title 68 O.S. § 1370E.

Management Response:

Board of County Commissioners, County Clerk, and County Treasurer: We have discussed this finding in open meeting and concur with the auditor. We will establish a County General Fund - Sales

**HARMON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Tax account within in the County General Fund to be designated for the purpose proposed by the sales tax ballot. Any remaining balance at the end of the fiscal year will remain in the designated account and expended as such in the next fiscal year.

Criteria: Title 68 O.S. § 1370E, requires the sales tax collections be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

Further, AG opinion 2005 OK AG 23 dated 07/13/2005 states:

3. Proceeds of a county sales tax voted for a specific purpose but placed in the county's general fund must be accounted for as a discrete fund, and any surplus not needed for the stated purpose during one fiscal year must be transferred to the county budget for the next fiscal year, for the same specified purpose."

Additionally, AG opinion 2014 OK AG 15 dated 10/31/2014 states:

4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S.2011, § 1370; 19 O.S.Supp.2013, § 339; 19 O.S.2011, § 345; *Cavin v. Bd. of County Comm'rs*, 1934 OK 245 ¶ 11, 33 P.2d 477, 479.

SECTION 2—This section contains a certain matter not required to be reported in accordance with *Government Auditing Standards*. However, we believe this matter is significant enough to bring to management's attention. We recommend that management consider this matter and take appropriate corrective action.

Finding 2013-8 – Inadequate Internal Controls and Noncompliance Over the Court Clerk's Collection and Deposit Process, Court Fund, and Court Clerk Revolving Fund Expenditures ((Repeat Finding)

Condition: Upon inquiry of the Court Clerk and Deputy, we noted the following deficiencies in the collection and deposit process:

- One employee removes collections from the drawer at the end of the day and the next morning the employee will print the deposit report and reconcile the report to cash and checks. This employee also takes the deposit report and cash and checks to the County Treasurer to be deposited.
- There is no second review and approval of voided receipts.

**HARMON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

With regard to the Court Clerk's computer system:

- A password is not required to log into the system.
- Both employees use the Deputy's log in password when using the computer/workstation at the counter.
- When the Court Clerk uses the Deputy's log in password, the Court Clerk signs the Deputy's initials on the receipt.

With regard to the expenditure process of the Court Fund, we audited twenty-five claims and noted the following deficiencies:

- Fifteen Court Fund claims did not have adequate supporting documentation.
- Seven Court Fund claims were not signed by the preparer of the claim.
- Twenty-four Court Fund claims did not have evidence of an acknowledgement of goods or services received.
- One Court Fund claim for a court-appointed attorney did not have supporting documentation or the amount of the expenditure completed on the claim.

Additionally, the Court Clerk stated she does not prepare a claim for the payment to the State Judicial Fund.

The Court Clerk prepares and approves the Court Fund claims, prepares the vouchers, takes the vouchers to the County Treasurer's office for registration, and distributes the vouchers.

The audit of six Court Clerk Revolving Fund claims reflected the following deficiencies:

- Six Court Clerk Revolving Fund claims were not signed by the preparer of the claim.
- Three Court Clerk Revolving Fund claims did not have evidence of an acknowledgement of goods or services received.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure proper segregation of duties over the collection and deposit process and the Court Fund and Court Clerk Revolving Fund expenditure process and compliance with the state statutes.

Effect of Condition: Lack of internal controls and 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. These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds and noncompliance.

Recommendation: OSAI recommends management be aware of these conditions and determine how to implement controls over the collection process to safeguard assets and to properly segregate duties. OSAI further recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve the accounting functions. OSAI recommends the Court Clerk design and implement procedures to ensure proper internal controls over the

**HARMON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Court Fund expenditure process in compliance with Title 20 O.S. § 1304 and the Court Clerk Revolving Fund process in compliance with Title 19 O.S. § 220.

Management Response:

Court Clerk: Sometimes there is only one person working in the office when the other person is in the courtroom. We will add a password log-in to the system and log out each time on the computer. We will try to get attorneys to send more documentation with the claim. We always send the receipt of goods to the County Clerk for payment on revolving fund claims. I void the receipts.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding the prevention and detection of error and/or fraud and to safeguard an entity's assets from loss, damage, or misappropriation.



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