

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

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

June 20, 2003

TO THE CITIZENS OF  
HARMON COUNTY, OKLAHOMA

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

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

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

Sincerely,

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

JEFF A. McMAHAN  
State Auditor and Inspector

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

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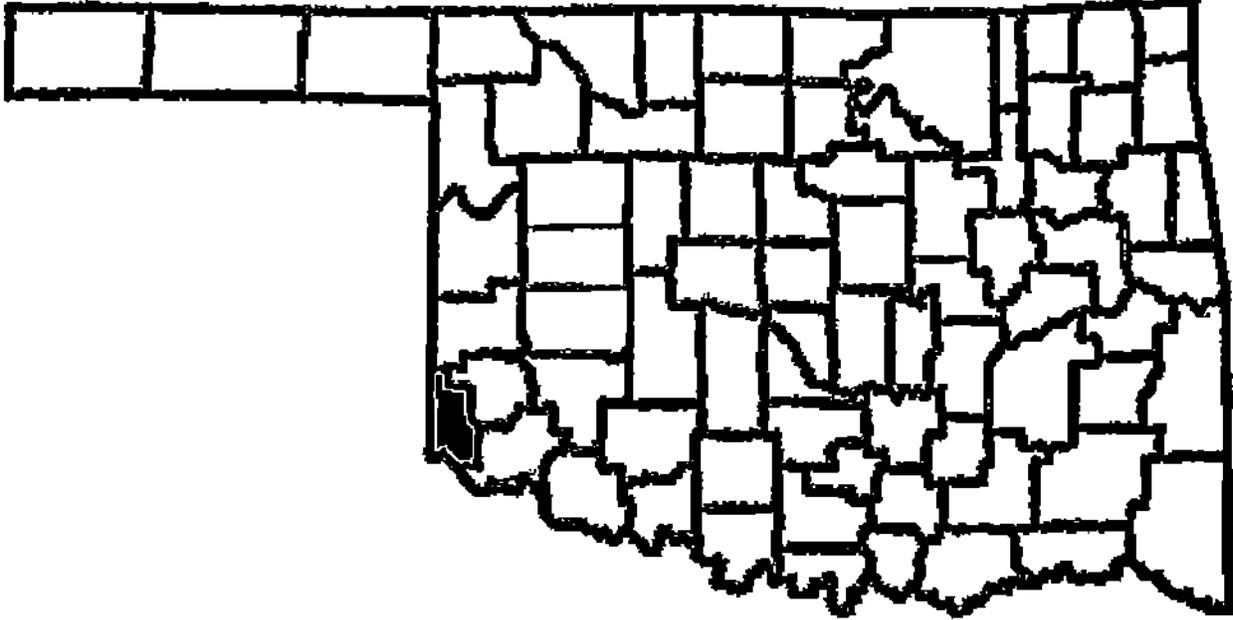
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REPORT TO THE CITIZENS  
OF  
HARMON COUNTY, OKLAHOMA

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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 governor of Ohio and later U.S. Secretary of State.

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 - 537.9 Square Miles

County Population - 3,336  
(1999 est.)

Farms - 338

Land in Farms - 304,189 acres

Source: Oklahoma Almanac 2001 - 2002

See independent auditor's report

**COUNTY ELECTED OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY ASSESSOR**

Pat Daniel  
(D) Hollis

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**

Shirley Orr  
(D) Vinson

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

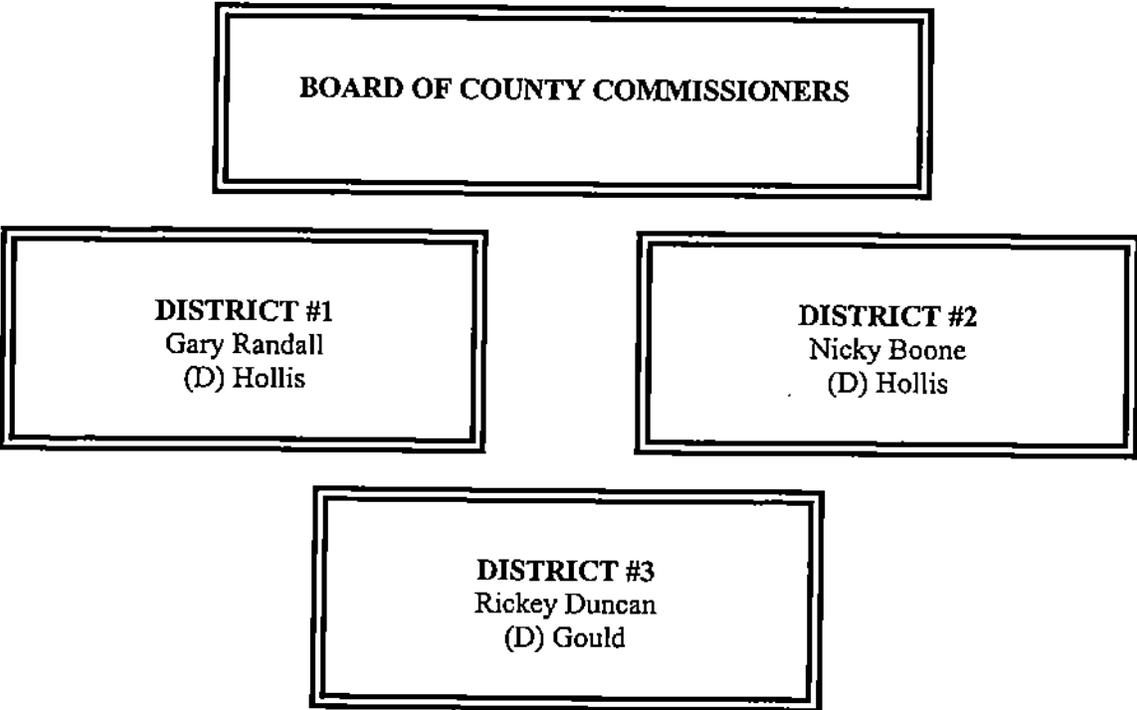
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

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

See independent auditor's report

**COUNTY ELECTED OFFICIALS  
AND RESPONSIBILITIES**

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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.

**COUNTY ELECTED OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY SHERIFF**  
Joe Johnson  
(D) Hollis

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  
(D) Hollis

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

To account for county revenues and expenditures, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. The State Auditor and Inspector's Office prescribes all the forms used by the County Treasurer, and at least twice a year inspects the County Treasurer's accounts.

See independent auditor's report

**COUNTY ELECTED OFFICIALS  
AND RESPONSIBILITIES**

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**COURT CLERK**  
Mary Zimmerman  
(D) Hollis

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

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

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

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government. Court Clerks use forms and follow procedures prescribed by the Court Administrator's Office, the Oklahoma Supreme Court, and the State Auditor and Inspector.

**DISTRICT ATTORNEY**  
Richard Dugger  
(D) Elk City

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

**COUNTY ELECTED OFFICIALS  
AND RESPONSIBILITIES**

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**ELECTION BOARD SECRETARY**

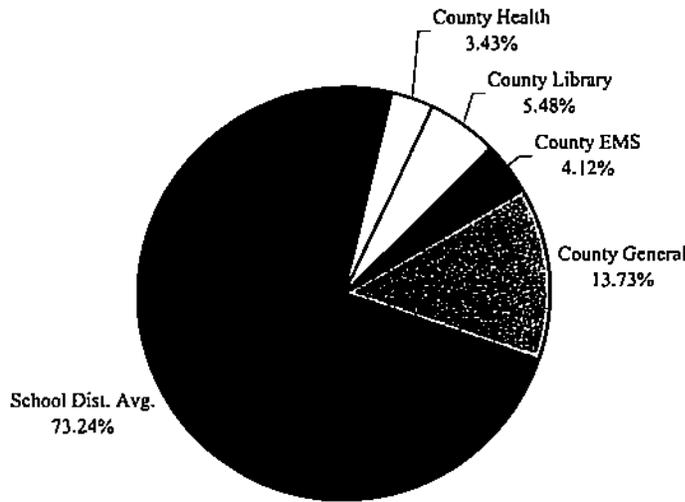
David Fulton  
(D) Hollis

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

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

**AD VALOREM TAX DISTRIBUTION  
HARMON COUNTY, OKLAHOMA  
SHARE OF THE AVERAGE MILLAGE**

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



■ County General ■ School Dist. Avg. □ County Health □ County Library ■ County EMS

County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Vo-Tech	Common	Total
Co. General	10.00								
County Health	2.50	Hollis	I-66	35.00	5.00			4.00	44.00
County EMS	3.00	Greer County	JC-1	35.00	5.00	14.17		4.00	58.17
County Library	4.00	Jackson County	JC-14	35.00	5.00	5.58	10.00	4.00	59.58
		Jackson County	JC-25	35.00	5.00		10.00	4.00	54.00
		Beckham County	JC-51	35.00	5.00	7.04		4.00	51.04

See independent auditor's report



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Independent Auditor's Report**

TO THE OFFICERS OF  
HARMON COUNTY, OKLAHOMA

We have audited the accompanying general-purpose financial statements of Harmon County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of Harmon County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

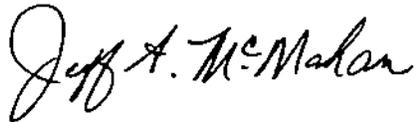
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Harmon County, Oklahoma, as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Harmon County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole. The other information listed in the table of contents under *Introductory Section* has not been audited by us and, accordingly, we express no opinion on such data.

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahon".

JEFF A. McMAHAN  
State Auditor and Inspector

June 2, 2003

**General-Purpose Financial Statements**

**HARMON COUNTY, OKLAHOMA  
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002**

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTAL
	GENERAL	SPECIAL REVENUE	AGENCY	GENERAL	GENERAL	(MEMORANDUM ONLY)
				LONG - TERM DEBT	FIXED ASSETS	
<b>ASSETS</b>						
Cash and investments	\$ 261,357	\$ 3,171,166	\$1,896,304	\$	\$	\$ 5,328,827
Ad valorem taxes receivable	3,100	775	16,039			19,914
Sales tax receivable	19,536					19,536
Due from other governments	352	114,412	3,270			118,034
Accrued interest receivable	2,351	294	1,001			3,646
Amount to be provided for capitalized lease purchase agreements				299,163		299,163
Land and building					514,034	514,034
Equipment					2,091,548	2,091,548
<b>Total assets</b>	<u>\$ 286,696</u>	<u>\$ 3,286,647</u>	<u>\$1,916,614</u>	<u>\$ 299,163</u>	<u>\$2,605,582</u>	<u>\$ 8,394,702</u>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>Liabilities:</b>						
Warrants payable	\$ 42,613	\$ 185,551	\$	\$	\$	\$ 228,164
Accounts payable		790				790
Due to other taxing units			1,879,519			1,879,519
Due to others			37,095			37,095
Capitalized lease obligations payable				299,163		299,163
<b>Total liabilities</b>	<u>42,613</u>	<u>186,341</u>	<u>1,916,614</u>	<u>299,163</u>	<u>-</u>	<u>2,444,731</u>
<b>Fund equity:</b>						
Investment in general fixed assets					2,605,582	2,605,582
<b>Unreserved:</b>						
Undesignated	244,083	3,100,306				3,344,389
<b>Total fund equity</b>	<u>244,083</u>	<u>3,100,306</u>	<u>-</u>	<u>-</u>	<u>2,605,582</u>	<u>5,949,971</u>
<b>Total liabilities and fund equity</b>	<u>\$ 286,696</u>	<u>\$ 3,286,647</u>	<u>\$1,916,614</u>	<u>\$ 299,163</u>	<u>\$2,605,582</u>	<u>\$ 8,394,702</u>

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

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

	GOVERNMENTAL FUND TYPES		TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	
<b>Revenues:</b>			
Ad valorem taxes	\$ 168,322	\$ 47,252	\$ 215,574
Sales tax	214,010		
Charges for services	14,365	20,360	34,725
Intergovernmental revenues	86,487	1,523,613	1,610,100
Miscellaneous revenues	80,907	23,261	104,168
Total revenues	<u>564,091</u>	<u>1,614,486</u>	<u>2,178,577</u>
<b>Expenditures:</b>			
Current operating:			
General government	411,941	15,021	426,962
Public safety	76,064	13,682	89,746
Health and welfare	105,169	81,293	186,462
Culture and recreation	2,500		
Education	11,089		11,089
Roads and highways		1,988,780	1,988,780
Total expenditures	<u>606,763</u>	<u>2,098,776</u>	<u>2,705,539</u>
Excess revenues (under) expenditures	<u>(42,672)</u>	<u>(484,290)</u>	<u>(526,962)</u>
<b>Other financing sources:</b>			
Capitalized lease agreements		211,754	211,754
Total other financing sources	<u>-</u>	<u>211,754</u>	<u>211,754</u>
Excess revenues and other sources (under) expenditures	<u>(42,672)</u>	<u>(272,536)</u>	<u>(315,208)</u>
Beginning fund balances	286,755	3,372,842	3,659,597
Ending fund balances	<u>\$ 244,083</u>	<u>\$ 3,100,306</u>	<u>\$ 3,344,389</u>

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

**HARMON COUNTY, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL-GENERAL AND SPECIAL REVENUE**  
**(COUNTY HEALTH DEPARTMENT ONLY) FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 262,293	\$ 262,294	\$ 1	70,710	70,709	(1)
Revenues:						
Ad valorem taxes	153,998	167,197	13,199	5,891	41,875	35,984
Sales tax	195,248	210,338	15,090			
Charges for services	16,202	14,365	(1,837)		4,768	4,768
Intergovernmental revenues	76,085	86,513	10,428	38,500	287	(38,213)
Miscellaneous revenues	56,415	82,687	26,272		1,059	1,059
Total revenues, budgetary basis	<u>497,948</u>	<u>561,100</u>	<u>63,152</u>	<u>44,391</u>	<u>47,989</u>	<u>3,598</u>
Expenditures:						
General government	543,328	410,104	133,224			
Public safety	90,532	75,950	14,582			
Health and welfare	110,971	105,169	5,802	115,101	81,116	33,985
Culture and recreation	2,600	2,500	100			
Education	12,810	11,089	1,721			
Total expenditures, budgetary basis	<u>760,241</u>	<u>604,812</u>	<u>155,429</u>	<u>115,101</u>	<u>81,116</u>	<u>33,985</u>
Excess of revenues and beginning fund balances over expenditures, budgetary basis	<u>\$ -</u>	218,582	<u>\$ 218,582</u>	<u>\$ -</u>	\$ 37,582	<u>\$ 37,582</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem receivable		3,100			775	
Sales tax receivable		19,536				
Accrued interest		2,351				
Due from other governments		352				
Adjustment to prior year reserved for encumbrances		162			16	
Ending fund balances		<u>\$ 244,083</u>			<u>\$ 38,373</u>	

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

**Notes to the Financial Statements**

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

In accordance with the GASB Statement No. 14, *The Financial Reporting Entity*, the County is required to present the entities that comprise the general-purpose and its legally separate component units in the fiscal year 2002 financial statements. The County had no component units in the fiscal year 2002.

Related Organizations Excluded From the Reporting Entity

The County's officials are responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. These organizations are not included in the financial statements.

Harmon County Health Care Authority

Board members are appointed by the Board of County Commissioners. Board members are all-authoritative. The County is not responsible for approving budgets, contracts, key personnel, fiscal matters, or day-to-day operations of the Authority. The Authority was inactive during the fiscal year.

B. Fund Accounting

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summary of Significant Accounting Policies (continued)

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

Governmental Funds

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

Fiduciary Funds

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

Account Groups

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

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

Summary of Significant Accounting Policies (continued)

liabilities that are normally not expected to be liquidated with expendable available financial resources (e.g., capitalized lease-purchase obligations).

C. Measurement Focus and Basis of Accounting

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

The modified-accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified-accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be quantified, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if collected within 60 days after year-end. Expenditures are recorded when incurred and the related fund liability is expected to be paid from available spendable resources. Principal and interest on general long-term debt are recorded as fund expenditures when paid or when amounts for principal and interest have been accumulated in the debt service fund for payments to be made early in the following year.

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

D. Budgetary Policies and Procedures

Under current Oklahoma Statutes, the general fund and the County Health Department fund are required to adopt a formal budget. The budget presented for the general and special revenue (County Health Department) funds include the originally approved budgeted appropriations for expenditures as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other cash funds are made on a monthly basis, according to the funds then available.

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

**HARMON COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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Summary of Significant Accounting Policies (continued)

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

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue (County Health Department only) Funds presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

E. Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2002.

F. Receivables

All receivables are reported at their gross value.

G. Interest Receivable

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

H. Fixed Assets

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

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

Summary of Significant Accounting Policies (continued)

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

Assets in the general fixed assets account group are not depreciated.

I. Risk Management

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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - Torts - Errors and Omissions - Law Enforcement Officers Liability - Vehicle	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insured Group. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insured Fund. (See ACCO-SIF.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of risk.	None

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

Summary of Significant Accounting Policies (continued)

The County continues to carry commercial insurance for employees' health and life insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. No significant reductions in insurance coverage occurred during the fiscal year ended June 30, 2002.

J. Compensated Absences

The County does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and must be used by the employee one year from anniversary date in accordance with the following schedule:

<u>Years of Service</u>	<u>Annual Leave</u>
1-4 years	10 days
Over 4 years	15 days

In management's opinion, the accumulated liability for vacation benefits would not be material to the financial statements.

The County does accumulate sick leave. An employee earns 6 days per year and may accumulate up to 19 days. There is no history of sick leave usage from which to project future usage; hence, no liability for such has been recorded. In management's opinion, such an amount if recorded would not be material to the financial statements.

K. Long-Term Obligations

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

L. Memorandum Only - Total Columns

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

Summary of Significant Accounting Policies (continued)

M. Grant Revenue

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

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Account Balances

A. Deposits

Title 62 O.S. § 348.1 authorizes the County Treasurer to invest in:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- General obligation bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district.

At year-end, the carrying amount of the County's deposits was \$5,328,827 and the bank balance was \$5,343,854. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

B. Receivables

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

**HARMON COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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Detailed Notes on Account Balances (continued)

The net assessed property value as of January 1, 2001, was \$16,939,791.

The County levied 10 mills for general fund operations, 2.5 mills for the County Health Department, 4 mills for the County Library, and 3 mills for Southwest Ambulance Authority. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and apportions the ad valorem taxes collected to the appropriate taxing units.

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

Current year tax collections for the year ended June 30, 2002, were approximately 97 percent of the levy for tax year 2001.

C. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation that is performed to determine the adequacy of contribution rates. County employees are required to contribute from 3.5% to 8.5% of earned compensation. Harmon County contributed from 5.0% to 10% of earned compensation for fiscal year 2002. Elected officials may contribute from 4.5% to 10% of their entire compensation. The County contributed 10% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2002, 2001, and 2000, were \$69,088, \$61,834, and \$59,810, respectively, equal to the required contributions for each year.

**HARMON COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

Detailed Notes on Account Balances (continued)

D. Fixed Assets

General Fixed Assets Account Group

The following is a summary of the changes and adjustments to the general fixed assets account group during fiscal 2002:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2002</u>
Land and building	\$ 514,034	\$ -	\$ -	\$ 514,034
Machinery and equipment	<u>2,022,868</u>	<u>346,397</u>	<u>277,717</u>	<u>2,091,548</u>
Total	<u>\$2,536,902</u>	<u>\$ 346,397</u>	<u>\$277,717</u>	<u>\$2,605,582</u>

E. Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest-free. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all subsequent pieces of machinery acquired. The one-time fee is reported as interest. Oklahoma statutes prohibit the County from entering into contracts of this nature longer than one year. For this reason, these lease-purchase agreements do not qualify for capitalization until the year the lease-purchase agreements are completed and title to the equipment is transferred to the County. However, because it is the County's intent to exercise its right to purchase this property, the lease-purchase agreements have been capitalized to conform to generally accepted accounting principles. The unpaid portions of these agreements have been reflected as capitalized lease obligations within the general long-term debt account group.

Providing all capital leases are renewed each year by resolution of the Board of County Commissioners, minimum lease commitments under capitalized lease-purchase agreements as of June 30, 2002, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 82,985	\$ 3,439	\$ 86,424
2004	64,000	3,008	67,008
2005	50,156	2,177	52,333
2006	36,035	1,316	37,351
2007-2009	<u>65,987</u>	<u>1,906</u>	<u>67,893</u>
Totals	<u>\$299,163</u>	<u>\$11,846</u>	<u>\$311,009</u>

**HARMON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

Detailed Notes on Account Balances (continued)

During the year, the County capitalized leases totaling \$211,754 and paid \$101,231 on the outstanding balances of lease-purchase agreements.

F. Changes in Long-Term Liabilities

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

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2002</u>
Capital leases	\$188,640	\$211,754	\$ 101,231	\$299,163
Total	<u>\$188,640</u>	<u>\$211,754</u>	<u>\$ 101,231</u>	<u>\$299,163</u>

G. Fund Balance

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures. Designations of fund balances represent tentative plans for future use of financial resources, which are available for appropriation.

H. Sales Tax

The citizens voted a one cent 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 sales tax effective October 1, 1993, for a limited life of 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 for the fiscal year ended June 30, 2002, was distributed as follows:

	<u>2002</u>
Harmon Memorial Hospital	\$107,005
Harmon County General fund	<u>107,005</u>
Total	<u>\$214,010</u>

J. Fuel Taxes

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

Detailed Notes on Account Balances (continued)

population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County highway fund. The County highway fund is reported herein as "special revenue," and the fuel tax revenue is presented as "intergovernmental."

4. Contingent Liabilities

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

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

**Schedule of Expenditures of Federal Awards**

**HARMON COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2002**

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<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY:</b>		
Passed through State Department of Civil Emergency Management		
Public Assistance Grant Program	83.544	\$ 998,604
Total Federal Emergency Management Agency		<u>998,604</u>
Total Expenditures of Federal Awards		<u>\$ 998,604</u>

**Basis of Presentation**

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

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



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

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

TO THE OFFICERS OF  
HARMON COUNTY, OKLAHOMA

We have audited the general-purpose financial statements of Harmon County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated June 2, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Harmon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*. The finding is reported as 2002-1 in the Schedule of Findings and Questioned Costs.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Harmon County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 1996-2.

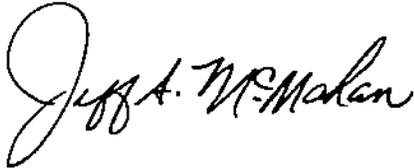
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 1996-2 to be a material weakness.

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

This report is intended solely for the information and use of the management of the County and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMAHAN". The signature is written in a cursive, flowing style with a large initial "J".

JEFF A. McMAHAN  
State Auditor and Inspector

June 2, 2003

**Report on Compliance With Requirements Applicable to Each Major Program  
and Internal Control Over Compliance in Accordance With  
OMB Circular A-133**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Report on Compliance With Requirements Applicable to Each Major Program  
and Internal Control Over Compliance in Accordance With  
OMB Circular A-133**

TO THE OFFICERS OF  
HARMON COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Harmon County, Oklahoma with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

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

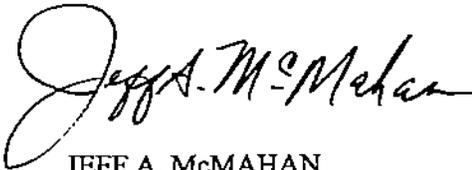
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,



JEFF A. McMAHAN  
State Auditor and Inspector

June 2, 2003

**Schedule of Findings and Questioned Costs**

HARMON COUNTY, OKLAHOMA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 JUNE 30, 2002

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SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
83.544	Federal Emergency Management Agency (FEMA) Public Assistance Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	No

**HARMON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2002**

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**SECTION 2 - Financial Statement Findings**

**Finding 1996-2 - Separation of Duties**

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

**Condition:** Based on inquiries of County personnel, it was noted that the duties of receiving, receipting, recording and depositing collections were not adequately separated.

**Recommendation:** We recommend management be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of County operations and periodic review of those operations.

**Finding 2002-1 – Investment Resolutions**

**Criteria:** State statutes 62 O.S. 2001, §348.1 and 348.3 dictate that investments be made in accordance with written investment policies.

**Condition:** There were no written resolutions for interest from investments to be apportioned to the Highway Fund and the Assessor Visual Inspection Fund. Furthermore, there has not been a written resolution to invest interest for school districts since the fiscal year ending June 30, 1999.

**Recommendation:** We recommend that written resolutions be made for apportioning interest in accordance with state statutes 62 O.S. 2001, §348.1 and 348.3.

**SECTION 3 – Federal Award Findings and Questioned Costs**

No matters reported.

## **Management Response**

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HARMON COUNTY COMMISSIONERS  
114 WEST HOLLIS  
HOLLIS, OK 73550  
580-688-3518 PHONE  
580-688-9784 FAX

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June 10, 2003

State Auditor and Inspector  
1401 Lera, Suite G  
Route 2  
Weatherford, Ok 73096

RE: Fiscal Year 2002

Dear Sirs:

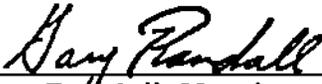
Finding 96-2: Segregation of Duties: It is not financially possible for a small county such as Harmon County to hire additional personnel to segregate duties in all county offices.

Finding 02-1: Investment Resolutions: All officers in charge of accounts that receive interest have been contacted and informed that the treasurer needs resolutions by July 1st.



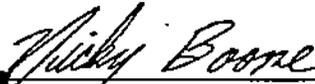
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Rickey Duncan, Chairman



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Gary Randall, Member



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Nicky Boone, Member