

**HARMON COUNTY, OKLAHOMA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2004**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

December 16, 2004

TO THE CITIZENS OF
HARMON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Harmon County, Oklahoma, for the fiscal year ended June 30, 2004. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

**HARMON COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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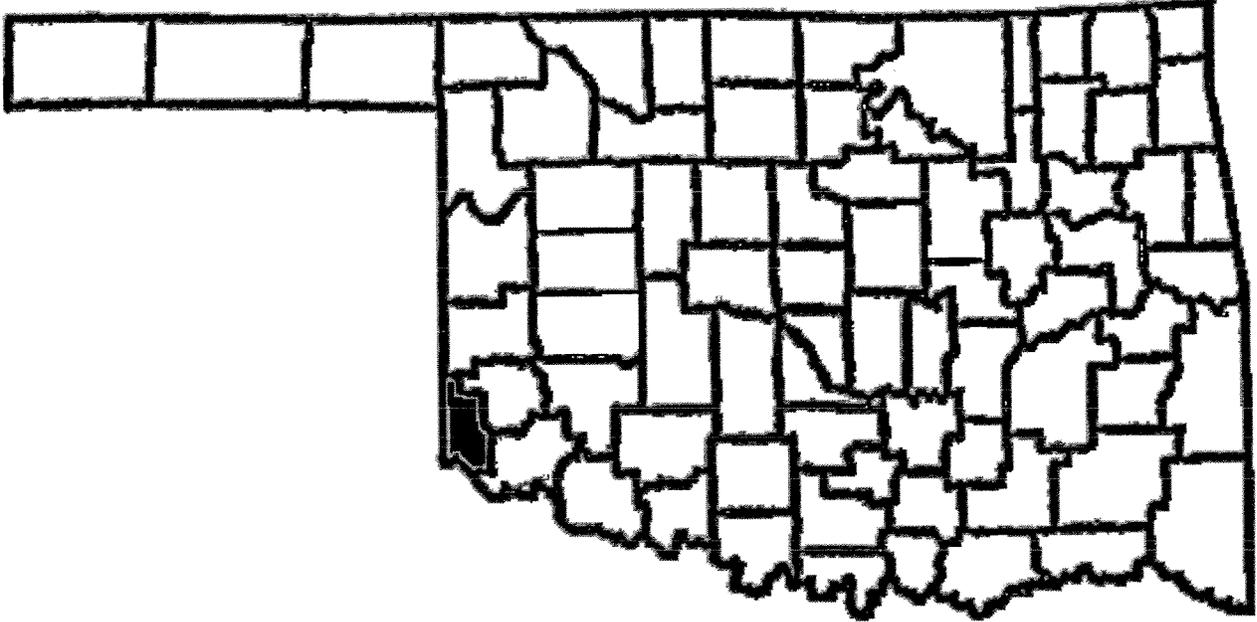
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**HARMON COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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REPORT TO THE CITIZENS
OF
HARMON COUNTY, OKLAHOMA



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 - 3,283
(2000 est.)

Farms - 338

Land in Farms - 304,189 acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**HARMON COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Lavinda Smith
(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

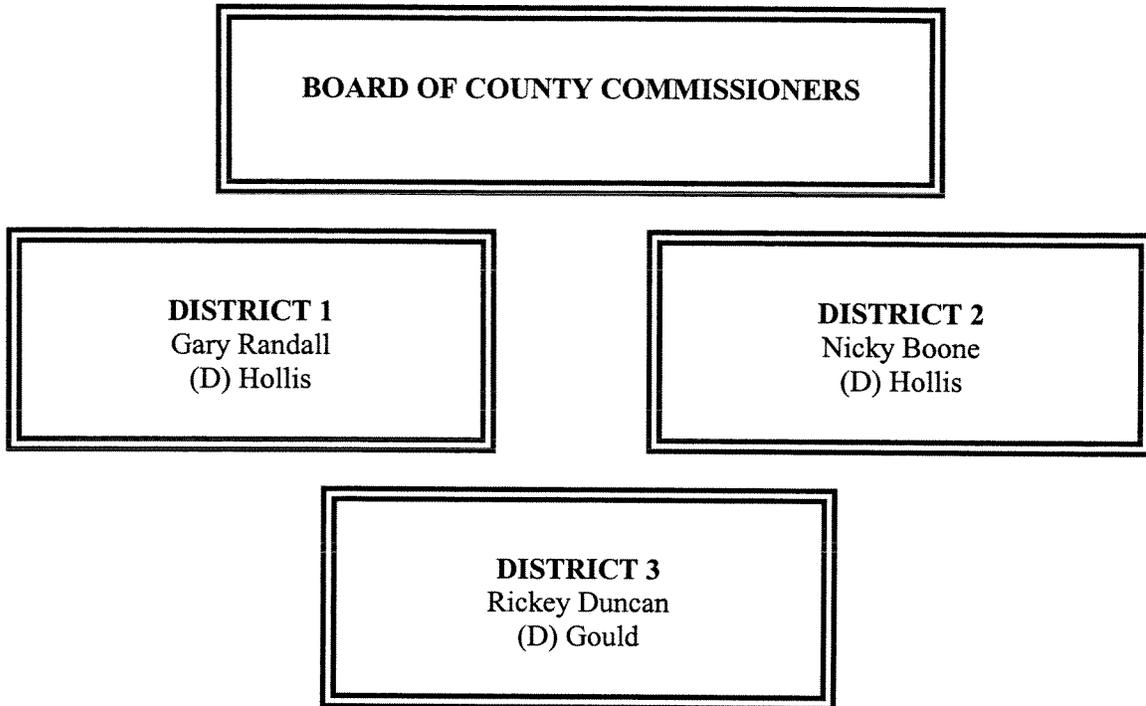
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**HARMON COUNTY OFFICIALS
AND RESPONSIBILITIES**



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

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

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

See independent auditor's report.

**HARMON COUNTY OFFICIALS
AND RESPONSIBILITIES**

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

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

**HARMON COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Stacy Macias
(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
John Wampler
(D) Altus

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

See independent auditor's report.

**HARMON COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY
David Fulton
(D) Hollis

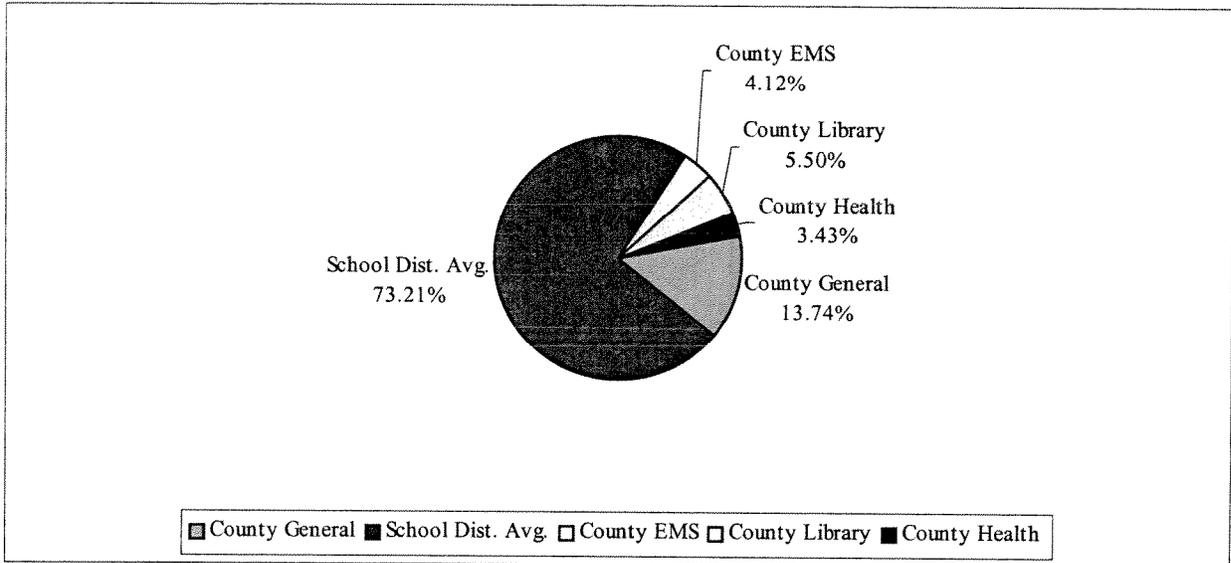
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

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

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.	Technology Center Building	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	12.23		4.00	56.23
County Library	4.00	Jackson County	JC-14	35.00	5.00	5.62	10.00	4.00	59.62
		Jackson County	JC-25	35.00	5.00		10.00	4.00	54.00
		Beckham County	JC-51	35.00	5.00	8.53		4.00	52.53

See independent auditor's report.

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 special-purpose financial statements of Harmon County, Oklahoma, as of and for the year ended June 30, 2004, as listed in the table of contents. These special-purpose 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. Oklahoma statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Harmon County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general and county health department funds of the County, and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Harmon County in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Harmon County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, as of and for the year ended June 30, 2004, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2004, on our consideration of Harmon County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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 special-purpose financial statements of Harmon County, Oklahoma, taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we express no opinion on such data.

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

November 15, 2004

Special-Purpose Financial Statements

HARMON COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
County General	\$ 218,838	\$ 593,945	\$ 579,443	\$	\$ 233,340
County Highway	2,711,905	1,289,617	1,558,814		2,442,708
County Health Department	91,660	119,905	163,321		48,244
Resale Property	28,736	7,815	10,059		26,492
Sheriff Service Fee	34,841	13,621	9,398		39,064
Sheriff Department of Corrections	15,468	14,457	6,174		23,751
Sheriff Drug	309				309
Sheriff Estray Cattle	37				37
County Clerk Lien Fee	5,538	1,956	999		6,495
County Clerk Records Preservation Fee	9,370	5,180			14,550
Treasurer Mortgage Tax Certification Fee	3,471	1,230	953		3,748
Assessor Revolving Fee	5,740	2,078	1,796		6,022
Assessor Visual Inspection	21,488	592	3,451		18,629
Hazard Mitigation		10,296			10,296
REAP Grant	111,213	146,229	252,011		5,431
FEMA	423	4			427
Schools	1,650,816	4,329,530	4,163,535		1,816,811
Cities and Towns	3,061	52,524	51,744		3,841
Official Depository	25,874	529,444	548,850	11,386	17,854
Law Library	4,979	6,810	3,533		8,256
Southwest Oklahoma Ambulance Authority	112	55,290	53,775		1,627
Protest Tax		22,162			22,162
County Library	150	71,840	71,700		290
Change Fund	75				75
Total County Funds	<u>\$ 4,944,104</u>	<u>\$ 7,274,525</u>	<u>\$ 7,479,556</u>	<u>\$ 11,386</u>	<u>\$ 4,750,459</u>

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

HARMON COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 218,838	\$ 218,838	\$ 218,838	\$ -
Less: Prior Year Outstanding Warrants	(48,187)	(48,187)	(48,187)	
Less: Prior Year Encumbrances	(58)	(58)		58
Beginning Cash Balances, Budgetary Basis	<u>170,593</u>	<u>170,593</u>	<u>170,651</u>	<u>58</u>
Receipts:				
Ad Valorem Taxes	168,177	168,177	178,852	10,675
Sales Tax	187,000	187,000	228,129	41,129
Charges for Services	13,400	13,400	15,076	1,676
Intergovernmental Revenues	77,565	81,701	83,127	1,426
Miscellaneous Revenues	58,900	58,900	88,761	29,861
Total Receipts, Budgetary Basis	<u>505,042</u>	<u>509,178</u>	<u>593,945</u>	<u>84,767</u>
Expenditures:				
District Attorney	250	250		250
Capital Outlay				
Total District Attorney	<u>250</u>	<u>250</u>	<u>-</u>	<u>250</u>
County Sheriff	76,715	79,492	78,544	948
Capital Outlay	1	1		1
Total County Sheriff	<u>76,716</u>	<u>79,493</u>	<u>78,544</u>	<u>949</u>
County Treasurer	41,365	41,364	40,129	1,235
Capital Outlay	1	1,301	1,282	19
Total County Treasurer	<u>41,366</u>	<u>42,665</u>	<u>41,411</u>	<u>1,254</u>
County Commissioners OSU Extension	12,550	12,016	9,191	2,825
Capital Outlay	750	750	321	429
Total County Commissioners OSU Extension	<u>13,300</u>	<u>12,766</u>	<u>9,512</u>	<u>3,254</u>
County Clerk	57,064	57,064	47,475	9,589
Capital Outlay	1	1		1
Total County Clerk	<u>57,065</u>	<u>57,065</u>	<u>47,475</u>	<u>9,590</u>
Court Clerk	45,495	48,331	45,945	2,386
Capital Outlay				
Total Court Clerk	<u>45,495</u>	<u>48,331</u>	<u>45,945</u>	<u>2,386</u>
Juvenile Shelter Bureau	7,000	7,000	6,250	750
Capital Outlay				
Total Juvenile Shelter Bureau	<u>7,000</u>	<u>7,000</u>	<u>6,250</u>	<u>750</u>
County Assessor	45,995	45,995	44,592	1,403
Capital Outlay				
Total County Assessor	<u>45,995</u>	<u>45,995</u>	<u>44,592</u>	<u>1,403</u>
Revaluation of Real Property	19,900	19,900	5,257	14,643
Capital Outlay	3,000	3,000		3,000
Total Revaluation of Real Property	<u>22,900</u>	<u>22,900</u>	<u>5,257</u>	<u>17,643</u>
General Government	64,801	64,801	46,937	17,864
Capital Outlay	28,951	19,886	307	19,579
Total General Government	<u>93,752</u>	<u>84,687</u>	<u>47,244</u>	<u>37,443</u>
Excise-Equalization Board	3,500	3,500	2,370	1,130
Capital Outlay				
Total Excise-Equalization Board	<u>3,500</u>	<u>3,500</u>	<u>2,370</u>	<u>1,130</u>

continued on next page

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

**HARMON COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Election Board	\$ 41,916	\$ 41,919	\$ 38,576	\$ 3,343
Capital Outlay	50	50	38	12
Total County Election Board	41,966	41,969	38,614	3,355
Insurance - Benefits	101,455	98,676	84,002	14,674
Capital Outlay				
Total Insurance - Benefits	101,455	98,676	84,002	14,674
Charity	1	1		1
Capital Outlay				
Total Charity	1	1	-	1
County Audit Budget	1,850	1,850	542	1,308
Capital Outlay				
Total County Audit Budget	1,850	1,850	542	1,308
Free Fair Budget	2,450	2,450	2,447	3
Capital Outlay				
Total Free Fair Budget	2,450	2,450	2,447	3
County Hospital Budget	105,000	114,065	114,065	
Capital Outlay				
Total County Hospital Budget	105,000	114,065	114,065	
Building Maintenance Account	15,574	16,108	2,525	13,583
Capital Outlay				
Total Building Maintenance Account	15,574	16,108	2,525	13,583
Total Expenditures, Budgetary Basis	675,635	679,771	570,795	108,976
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	193,801	\$ 193,801
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Outstanding Warrants			39,539	
Ending Cash Balance			\$ 233,340	

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

**HARMON COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
COUNTY HEALTH DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2004**

	County Health Department			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 91,660	\$ 91,660	\$ 91,660	\$ -
Less: Prior Year Outstanding Warrants	(1,190)	(1,190)	(1,190)	
Less: Prior Year Encumbrances	(14,558)	(14,558)	(14,558)	
Beginning Cash Balances, Budgetary Basis	<u>75,912</u>	<u>75,912</u>	<u>75,912</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	42,045	42,044	44,712	2,668
Charges for Services	5,000	5,000	186	(4,814)
Intergovernmental Revenue	100,000	174,296	74,043	(100,253)
Miscellaneous Revenues			963	963
Total Receipts, Budgetary Basis	<u>147,045</u>	<u>221,340</u>	<u>119,904</u>	<u>(101,436)</u>
Expenditures:				
Health and Welfare	152,000	226,295	153,822	72,473
Capital Outlay	70,957	70,957	8,771	62,186
Total Expenditures Budgetary Basis	<u>222,957</u>	<u>297,252</u>	<u>162,593</u>	<u>134,659</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	33,223	<u>\$ 33,223</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Outstanding Warrants			15,021	
Ending Cash Balance			<u>\$ 48,244</u>	

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

**HARMON COUNTY, OKLAHOMA
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2004**

Official Depository Accounts	Beginning Cash Balances July 1, 2003	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
District Court Clerk	\$ 3,206	\$ 190,510	\$ 204,890	\$ 11,208	\$ 34
District Court Fund	14,971	60,961	62,969		12,963
Court Clerk Revolving	2,723	3,715	5,311		1,127
Victim Restitution	1,508	1,377	2,885	174	174
State Witness Fee	100		20		80
County Sheriff		67,562	67,562		
County Clerk		28,929	28,929		
County Election Board	389	6,768	4,347		2,810
County Assessor		2,078	2,078		
County Treasurer	2,977	13,659	15,974	4	666
County Health Department		73,885	73,885		
Harmon County Economic Development		80,000	80,000		
Total Official Depository Accounts	<u>\$ 25,874</u>	<u>\$ 529,444</u>	<u>\$ 548,850</u>	<u>\$ 11,386</u>	<u>\$ 17,854</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

A. Reporting Entity

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

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of Harmon County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes. Funds presented are established by statute, and their operations are under the control of the County officials.

B. Fund Accounting

A government entity 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.

C. Basis of Accounting

The financial statements are 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.

D. Budgetary Policies

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. The budget presented for the general fund and county health department fund includes the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other funds are made on a monthly basis, according to the funds then available.

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

Summary of Significant Accounting Policies (continued)

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

The Comparative Statements of Receipts, Expenditures, and Changes in Fund Balances - Budget and Actual - 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 Statement of Receipts, Disbursements, and Changes in Fund Balances - All Funds because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, county or city-county health departments, school districts and cities and towns. These other budgetary entities produce and file their own financial statements and estimates of needs (budgets). These related receipts and disbursements of other budgetary entities are not included in the County's Estimate of Needs.

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, 2004.

F. 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	The County participates in a public entity risk pool - Association of County Commissioners of Oklahoma-Self-Insured Group (ACCO-SIG).	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
- Torts		
- Errors and Omissions		
- Law Enforcement Officers Liability		
- Vehicle		
Physical Plant		
- Theft		
- Damage to Assets		
- Natural Disasters		

HARMON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Worker's Compensation - Employees' Injuries	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Employee - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of coverage.	None

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$10,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance to cover claims that exceed the pool's risk retention limits up to \$1,000,000. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Commercial Insurance - The County obtains commercial insurance coverage to pay legitimate worker's compensation claims and employees' insurance. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Management believes coverage is sufficient to preclude any significant uninsured losses to the County.

G. Compensated Absences

The County does not accrue 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 calendar year 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.

Summary of Significant Accounting Policies (continued)

The County does accumulate sick leave. An employee earns 6 days per year and may accumulate up to 19 days. In management's opinion, such an amount if recorded would not be material to the financial statements.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$4,750,459 and the bank balance was \$4,757,260. 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.

Title 62 O.S. § 348.1 and § 348.3 allow the following types of investments:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

Detailed Notes on Funds and Account Balances (continued)

B. Description of Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

Hazard Mitigation – accounts for monies received from the state for the implementation of policies and procedures for hazardous material.

Detailed Notes on Account Balances (continued)

REAP Grant – accounts for grant monies received for installation of an elevator and construction of EMS barn.

FEMA – accounts for interest earned on FEMA funds.

Schools - accounts for monies collected on behalf of the public schools in Harmon County from ad valorem taxes, state and local revenues, and remitted to them monthly.

Cities and Towns – accounts for Oklahoma Tax Commission collections distributed to the cities and towns of the County.

Official Depository - accounts for the collection and distribution of officer and board fees, held in trust until the end of the month.

Law Library - accounts for monies received for disbursement from the state for the Law Library Board.

Southwest Oklahoma Ambulance Authority – accounts for charges for services, ad valorem monies and miscellaneous collections apportioned and amounts disbursed for the expenses of the Southwest Oklahoma Ambulance Authority.

Protest Tax – accounts for collection of ad valorem taxes which have been protested and are held until a decision is made on tax cases filed and released as directed by the courts.

County Library – accounts for monies received from property taxes for support of a county library.

Change Fund – accounts for the change funds used by officers to make change for cash collections received.

Additionally, the following official depository accounts are described as follows:

District Court Clerk – The “court clerk” or “district court” trust account is for money received from attorneys, defendants, plaintiffs, estates, or others. These deposits are for court fees, cash bonds, judgments, fines, etc. The Court Clerk acts as custodian in a fiduciary capacity for these deposits until the court fees are assessed, fines imposed, judgments rendered, etc. Disbursements are made to transfer funds to the court fund, the court clerk revolving fund, the Oklahoma Supreme Court, other state agencies, for refunds of excess deposits, or for other distributions as ordered by the court.

Detailed Notes on Account Balances (continued)

District Court Fund – This account is established by 20 O.S. 2001, § 1301. Its purpose is for “defraying the expenses of holding court” and is the local operating fund for the court. Deposits made to the court fund are fees which have been charged to the various court cases, collected by the Court Clerk, then transferred from the court clerk (or district court) trust account.

Court Clerk Revolving – This account was established July 1, 1991, by Oklahoma Statute Title 19 § 220 for the collection of administrative fees collected by the Court Clerk to be used to defray costs incurred for the operation of the Court Clerk’s office.

Victim Restitution – Administered by the District Attorney, accounts for the collection and disbursement of checks issued on bank accounts with insufficient funds. Bogus check writers make restitution to vendors and other victims through this program.

State Witness Fee – Administered by the District Attorney’s office. These are state funds for the payment of trial witnesses.

County Sheriff – Deposits are for cash bonds, service fees, tax warrants, collected copies, etc. Disbursements are made to transfers funds collected to the Court Clerk, the County Treasurer for apportionment to the general ledger and other county funds, the Oklahoma Tax Commission or other state agencies, as required.

County Clerk – Deposits include collections for recording fees, fax and copy fees, etc. Disbursements are made for transfers to the general fund and other county funds, to the Oklahoma Tax Commission, and for any refunds.

County Election Board – Deposits are from the State Election Board and from local government entities for the purpose of offsetting election costs. Disbursements are made for election workers, printing costs, and other operating expenses.

County Assessor – Deposits are from all collections for copies and proceeds from sale of ownership books to be disbursed at the end of the month and deposited in the Assessor Revolving Fee Account for operating expenses.

County Treasurer – Deposits are from advance payments of real and personal property taxes, motor vehicle stamp collections, and interest earned on the official bank account. The account is also used as a “suspense” account for payments that are “long” or “short”, with refunds or additional collections made, as required by the circumstance. Disbursements are made to transfer funds collected to the general and other county funds, to the Oklahoma Tax Commission, or for refunds.

County Health Department – accounts for monies collected on behalf of the county health department for fees transferred to the County Health Department Cash Fund.

Detailed Notes on Account Balances (continued)

Harmon County Economic Development – a pass through account of money received from the health department and disbursed to the Stockman's Bank for the monthly loan payment of the county health department building.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2003, was approximately \$18,499,429.

The County levied 10 mills (the legal maximum) for general fund operations, 2.5 mills for the county health department, 4 mills for the county library, and 3 mills for Southwest Oklahoma Ambulance Authority. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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, 2004, were approximately 96 percent of the tax levy.

D. 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

Detailed Notes on Funds and Account Balances (continued)

writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

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 percent on all subsequent pieces of machinery acquired.

F. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

G. Fuel Tax

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

4. 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, in management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

5. 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 of the government and county roads 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.

**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***



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
HARMON COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Harmon County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 15, 2004. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Harmon County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide an opinion 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 as item 1996-2.

A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

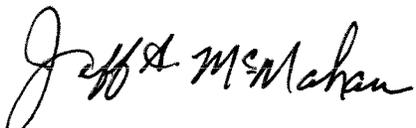
As part of obtaining reasonable assurance about whether Harmon County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

November 15, 2004

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 1996-2 - Segregation of Duties (Repeat Finding)

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

Condition: Based on inquiries and observation of County personnel, it was noted that the duties of receiving, receipting, recording, and depositing collections were not adequately segregated for offices handling cash transactions.

Cause: This lack of segregation of duties is caused by the limited number of employees.

Effect: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

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 office operations and periodic review of those operations.

Management Response: We concur with the auditor's comments and will conduct periodic reviews of County operations.

**Statistical Data
(Unaudited)**

**HARMON COUNTY, OKLAHOMA
TOP TEN TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

TAXPAYER	JANUARY 1, 2003 NET ASSESSED ASSESSED VALUE	% OF TOTAL NET VALUATION
Shamrock Pipeline Corp	\$ 4,087,783	22.10%
Centerpoint Energy	613,895	3.32%
Pioneer Telephone Coop Inc.	580,621	3.14%
Public Service Company	577,846	3.12%
Harmon County Dairy LLC	569,459	3.08%
Oklahoma Natural Gas	277,253	1.50%
BP Pipeline (N America) Inc.	215,363	1.16%
Beanland, Heath & Deana	173,430	0.94%
Dill, Bill & Karen	162,260	0.88%
Skelly-Belvieu Pipeline LLC	150,415	0.81%
Total	<u>\$ 7,408,325</u>	<u>40.05%</u>

Source: (Provided by Oklahoma Tax Commission - Ad Valorem Division)

**HARMON COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

Total net assessed value as of January 1, 2003		<u>\$ 18,499,429</u>
Debt limit - 5% of total assessed value		\$ 924,971
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	-
Legal debt margin		<u>\$ 924,971</u>

**HARMON COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

	2004
Estimated population	3,283
Net assessed value as of January 1, 2003	\$ 18,499,429
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

**HARMON COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/03	\$3,181,007	\$3,083,801	\$13,017,439	\$782,818	\$18,499,429	\$141,959,413