

HARPER COUNTY

FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

COUNTY AUDIT



Oklahoma State Auditor
& Inspector

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

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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August 24, 2010

TO THE CITIZENS OF
HARPER COUNTY, OKLAHOMA

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

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

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

Sincerely,

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

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

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

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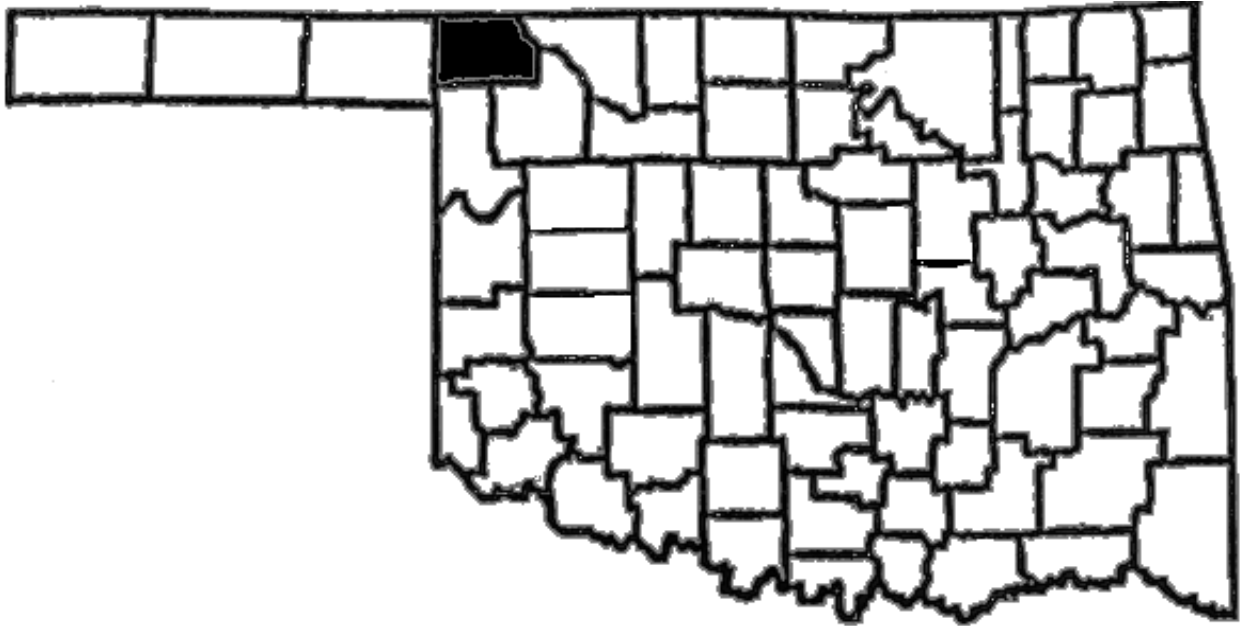
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**REPORT TO THE CITIZENS
OF
HARPER COUNTY, OKLAHOMA**



Part of the area opened in the Land Run of September 16, 1893, Harper County was named for Oscar G. Harper, clerk of the Oklahoma Constitutional Convention.

The mainstay of the Harper County economy is agriculture, but the production of oil and gas also plays an important economic role. Prime cattle are in evidence throughout feed yards of the area. A modern veterinarian clinic and hospital with facilities for large animal surgery is close at hand.

County Seat - Buffalo

Area - 1040.96 Square Miles

County Population - 3,254
(2007 est.)

Farms - 580

Land in Farms – 616,947 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor's report.

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

COUNTY ASSESSOR

Scotty Cosby

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

Joyce Johnson

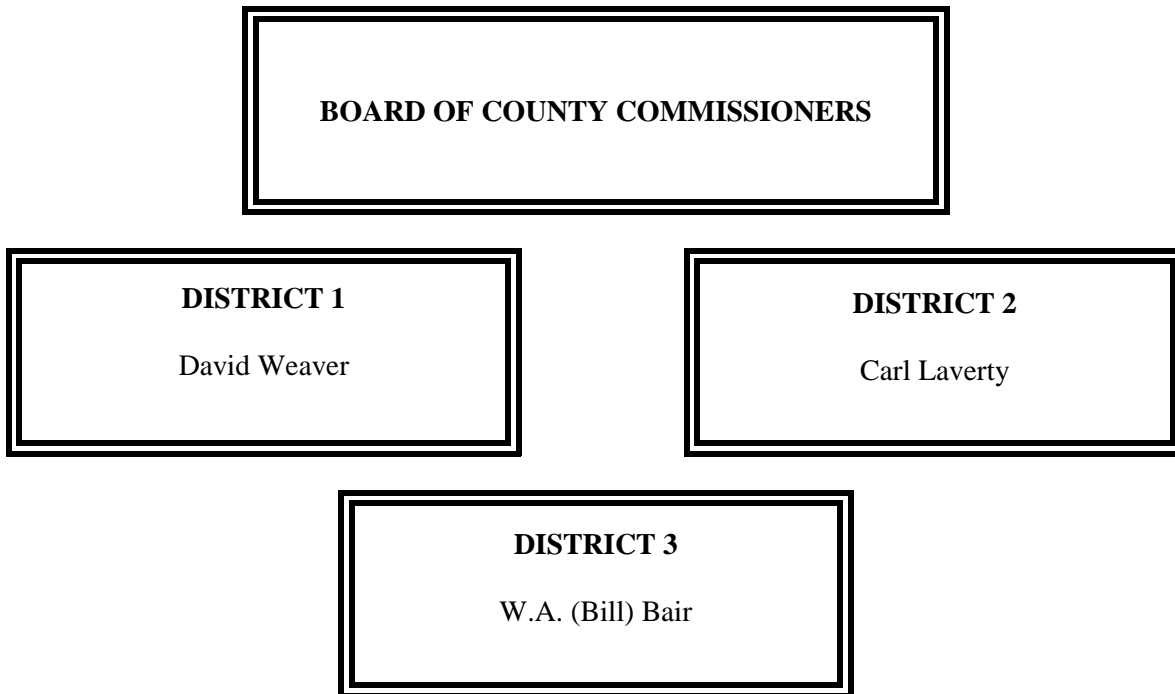
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

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



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.

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

COUNTY SHERIFF

Marty L. Drew

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

Peggy Tillery

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.

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

COURT CLERK

Linda Crouch

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

Michael Boring

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.

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

ELECTION BOARD SECRETARY

Pauletta Roberts

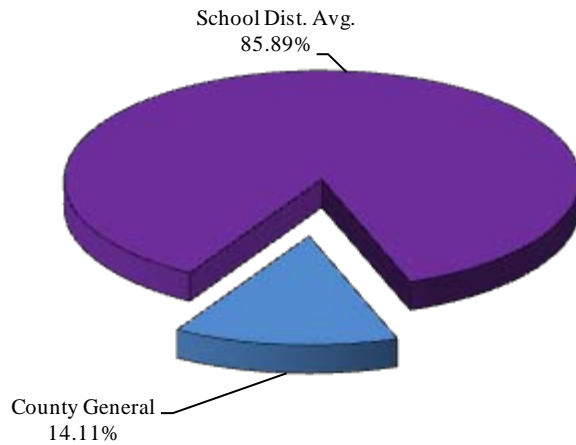
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

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



| <u>County-Wide Millages</u> | | <u>School District Millages</u> | | | | | | | | |
|-----------------------------|-------|---------------------------------|------|-------------|--------------|-------------|------------------------|---------------|------------|--------------|
| County General | 10.00 | | | <u>Gen.</u> | <u>Bldg.</u> | <u>Skg.</u> | <u>Career Tech</u> | <u>Common</u> | <u>EMS</u> | <u>Total</u> |
| Laverne | I-1 | 35.00 | 5.00 | 4.35 | | 4.00 | 3.00 | | 51.35 | |
| Buffalo | I-4 | 35.00 | 5.00 | 1.29 | 12.00 | 4.00 | 3.00 | | 60.29 | |
| Woodward | J-1 | 35.00 | 5.00 | 18.66 | 12.00 | 4.00 | | | 74.66 | |
| Ft. Supply | J-5 | 35.00 | 5.00 | 1.36 | 12.00 | 4.00 | | | 57.36 | |
| Freedom | J-6 | 35.00 | 5.00 | 3.79 | 13.00 | 4.00 | | | 60.79 | |

See independent auditor's report.

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

| | | |
|---|---|----------------------|
| Total net assessed value as of January 1, 2008 | | <u>\$ 80,109,555</u> |
| Debt limit - 5% of total assessed value | | 4,005,478 |
| Total bonds outstanding | - | |
| Total judgments outstanding | - | |
| Less cash in sinking fund | - | <u>-</u> |
| Legal debt margin | | <u>\$ 4,005,478</u> |

See independent auditor's report.

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

| | 2009 |
|---|---------------|
| Estimated population | 3,254 |
| Net assessed value as of January 1, 2008 | \$ 80,109,555 |
| Gross bonded debt | - |
| Less available sinking fund cash balance | - |
| Net bonded debt | \$ - |
| Ratio of net bonded debt to assessed value | 0.00% |
| Net bonded debt per capita | \$ - |

See independent auditor's report.

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

| Valuation Date | Personal | Public Service | Real Estate | Homestead Exemption | Net Value | Estimated Fair Market Value |
|-------------------|--------------|-------------------|----------------|------------------------|--------------|-----------------------------------|
| 1/1/2008 | \$36,300,770 | \$26,774,185 | \$18,034,896 | \$1,000,296 | \$80,109,555 | \$546,701,168 |

See independent auditor's report.

FINANCIAL SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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

Independent Auditor's Report

TO THE OFFICERS OF HARPER COUNTY, OKLAHOMA

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2010, on our consideration of Harper County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

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

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



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

August 16, 2010

Basic Financial Statement

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

| | Beginning Cash Balances July 1, 2008 | Receipts Apportioned | Transfer In | Transfer Out | Disbursements | Ending Cash Balances June 30, 2009 |
|---|--|-------------------------|-----------------|-----------------|---------------------|--|
| Combining Information: | | | | | | |
| County General Fund | \$ 671,203 | \$ 1,046,505 | \$ | \$ | \$ 1,210,069 | \$ 507,639 |
| Highway Cash | 3,597,820 | 2,834,778 | | | 2,787,830 | 3,644,768 |
| T-9 County Highway | 252,943 | 4,756 | | | 136,156 | 121,543 |
| Solid Waste Cash Fund | 2,030 | | | | | 2,030 |
| Visual Inspection Reimbursement | 29,477 | | | | | 29,477 |
| County Assessor Revolving | 6,387 | 4,041 | | | 8,388 | 2,040 |
| County Clerk Special | 71,423 | 20,709 | | | 11,024 | 81,108 |
| Sheriff Special Reserve Fee | | | | | | |
| Sheriff Forfeiture | 903 | | | | 903 | |
| Sheriff Special | 28,194 | 32,116 | 448 | | 29,092 | 31,666 |
| Sheriff Hazard Pay | 909 | | | 448 | 461 | |
| Sheriff Commissary | 890 | 1,345 | | | 1,036 | 1,199 |
| Sheriff Department of Corrections | 511 | 4,779 | | | 3,020 | 2,270 |
| Sheriff Courthouse Security | 9,057 | 8,649 | | | 9,306 | 8,400 |
| Treasurer Mortgage Certification Fee | 3,251 | 830 | | | | 4,081 |
| Resale Property | 21,360 | 10,791 | | | 5,925 | 26,226 |
| County Sales Tax: | | | | | | |
| Health Department | 47,021 | 75,477 | | | 61,024 | 61,474 |
| OSU Extension Sales Tax | 71,381 | 45,819 | | | 32,442 | 84,758 |
| Free Fair Sales Tax | 52,787 | 58,752 | | | 48,552 | 62,987 |
| Rural Fire Sales Tax | 84,505 | 56,228 | | | 72,644 | 68,089 |
| Laverne EMS Sales Tax | 3,141 | 40,893 | | | 41,484 | 2,550 |
| Buffalo Senior Sales Tax | 5,515 | 2,556 | | | 4,008 | 4,063 |
| Laverne Senior Citizens Sales Tax | 196 | 2,556 | | | 2,593 | 159 |
| Laverne Delphian Library Sales Tax | 196 | 2,556 | | | 2,593 | 159 |
| Rural Development Sales Tax | 22,514 | 12,608 | | | 8,629 | 26,493 |
| County General Sales Tax | 137,851 | 187,602 | | 3,000 | 184,570 | 137,883 |
| Buffalo Public Library Sales Tax | 196 | 2,556 | | | 2,593 | 159 |
| Buffalo EMS Sales Tax | 3,141 | 40,893 | | | 41,484 | 2,550 |
| County Hospital Sales Tax | 39,259 | 511,160 | | | 518,546 | 31,873 |
| Local Emergency Planning Committee | 2,843 | 2,020 | | | | 4,863 |
| Harper County Emergency Management | 8,307 | 14,250 | 3,000 | | 16,774 | 8,783 |
| Emergency Management Performance Grant | | 3,750 | | | | 3,750 |
| General Insurance Special | 1,555 | | | | | 1,555 |
| Combined Total--All County Funds | \$ 5,176,766 | \$ 5,028,975 | \$ 3,448 | \$ 3,448 | \$ 5,241,146 | \$ 4,964,595 |

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

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

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

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

T-9 County Highway – accounts for state funds set aside to be used for special road and bridge projects as mandated by the state.

Solid Waste Cash Fund – accounts for the residual balance of funds set aside for solid waste management.

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

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

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

County Clerk Special – accounts for lien collections and fees in the County Clerk’s office and disbursements are restricted by state statutes.

Sheriff Special Reserve Fee - accounts for fee collections and disbursements as restricted by statute.

Sheriff Forfeiture – accounts for proceeds from the sale of unclaimed livestock and disbursements consisted of advertisements for the livestock, feed and upkeep of the livestock with the remaining balance disbursed to the County General Fund after one year.

Sheriff Special – accounts for fee collections and disbursements as restricted by statute.

Sheriff Hazard Pay - accounts for fees collected by the Sheriff and distributed to Sheriff’s deputies as hazard pay.

Sheriff Commissary – accounts for fees collected on items purchased by inmates and disbursed to maintain commissary inventory.

Sheriff Department of Corrections - accounts for funds collected from the state to house inmates and disbursed to care for inmates.

Sheriff Courthouse Security – accounts for the \$10.00 fee collected on traffic, misdemeanor and felony court cases and is to be used for enhancing existing or providing additional courthouse security as set forth by 28 O.S. § 153.E.60.

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

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

County Sales Tax – accounts for the collection of a one-cent sales tax on gross receipts of proceeds on behalf of OSU Extension (9%); Free Fair (10%); Rural Fire (11%); Buffalo EMS (8%); Laverne EMS (8%); Laverne Senior Citizens (.5%); Buffalo Senior Citizens (.5%); Rural Development (2%); Laverne Delphian Library (.5%); Buffalo Public Library (.5%); Health Department (14%); and the General Fund (36%).

County Hospital Sales Tax - accounts for the collection of a one-cent sales tax on behalf of the hospital and is remitted monthly.

Local Emergency Planning Committee – accounts for annual fees collected from oil companies and disbursed for emergency preparation.

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

Harper County Emergency Management - accounts for collections and disbursements of funds for the purpose of data collection and establishing and implementing procedures to follow in the event of an emergency. Collections include annual contributions of \$3,000 each from Harper County, the Town of Buffalo and the town of Laverne, to be expended for the salary of the Emergency Management Representative. Grants received for projects completed are spent to supplement the salary and for maintenance and operations expenses.

Emergency Management Performance Grant – accounts for grant money for emergency management planning.

General Insurance Special – accounts for insurance reimbursements to be used to make repairs and replace damaged buildings.

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

C. Basis of Accounting

The basic financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

D. Budget

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

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

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

E. Cash

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

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

F. Investments

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

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

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

G. Compensated Absences

Vacation benefits for the Sheriff's office and Highway districts for a 40 hour work week are as follows:

| <u>Years of Service</u> | <u>Vacation Leave</u> | <u>Accumulation Limits</u> |
|-------------------------|-------------------------------|----------------------------|
| 0 - 5 Years | 15 Days (10 hrs per month) | 30 Days |
| 5 - 20 Years | 18 Days (12 hrs per month) | 60 Days |
| Over 20 Years | 20 Days (13.33 hrs per month) | 60 Days |

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

Vacation benefits for the Courthouse employees for a 35 hour work week are as follows:

| Years of Service | Vacation Leave | Accumulation Limits |
|------------------|-------------------------------|---------------------|
| 0 - 5 Years | 15 Days (8.75 hrs per month) | 30 Days |
| 5 - 20 Years | 18 Days (10.50 hrs per month) | 60 Days |
| Over 20 Years | 20 Days (11.67 hrs per month) | 60 Days |

Accrued vacation leave is payable upon termination up to the accumulation limit.

All full-time Harper County employees shall be entitled to sick leave with pay that is accrued on a monthly basis. Sick leave shall accumulate at the rate of 10 hours for each full calendar month of service to the County. Sick leave may be accrued up to a maximum of 800 hours and is not payable upon termination.

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2008, was approximately \$80,109,555.

The County levied 10.00 mills (the legal maximum) for general fund operations. In addition, the County collects the ad valorem taxes assessed by emergency medical districts, 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, 2009, were approximately 85 percent of the tax levy.

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

3. Fuel Tax

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

4. Risk Management

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

| Types of Loss | Method of Management | Risk of Loss Retained |
|---|---|--|
| General Liability <ul style="list-style-type: none"> • 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-Insurance Group. (See ACCO-SIG.) | If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool’s limits. |
| Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters | | |
| Employee <ul style="list-style-type: none"> • Medical • Disability • Dental • Life | The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.) | If claims exceed pool assets, the members would have surcharges assessed to pay the excess claims. |

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

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

OPEH&WP - The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. 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.

5. Long-term Obligations

Capital Leases

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

6. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 9.5% and 14.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 14.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2009, 2008, and 2007, were \$208,222, \$177,551, and \$146,598, respectively, equal to the required contributions for each year.

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

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

7. Other Post Employment Benefits (OPEB)

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

8. Contingent Liabilities

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

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

9. Inter-fund Transfers

Inter-fund transfers consist of a transfer of funds from Sheriff Hazard Pay Fund to Sheriff Special Fund in the amount of \$488 to close the Sheriff Hazard Pay Fund.

Inter-fund transfers also consist of a transfer of funds from the Harper County General Sales Tax Fund to the Harper County Emergency Management Fund in the amount of \$3,000 to cover payroll warrants. This amount represents the amount not transferred back to the Harper County Sales Tax Fund by June 30, 2009.

10. Sales Tax

On November 7, 2006, the voters of Harper County extended a one-cent (1%) sales tax to provide allocation of funds as follows: OSU Extension 9%; Free Fair 10%; Rural Fire Association 11%; Buffalo EMS 8%; Laverne EMS 8%; Laverne Senior Citizens .5%; Buffalo Senior Citizens .5%; Rural Development 2%; Laverne Delphian Club Library .5%; Buffalo Public Library .5%; Health Department 14%; and General Fund 36%.

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

On April 3, 2007, the voters of Harper County extended a one-cent (1%) sales tax to provide unrestricted revenues to be used by the Harper County Community Hospital beginning May 1, 2008 and ending April 30, 2013.

OTHER SUPPLEMENTARY INFORMATION

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

| | General Fund | | | |
|--|--------------------|------------------|------------------|-----------------|
| | Original Budget | Final Budget | Actual | Variance |
| Beginning Cash Balances | \$ 671,203 | \$ 671,203 | \$ 671,203 | \$ - |
| Less: Prior Year Outstanding Warrants | (58,197) | (58,197) | (58,197) | |
| Less: Prior Year Encumbrances | (7,785) | (7,785) | (4,777) | 3,008 |
| Beginning Cash Balances, Budgetary Basis | <u>605,221</u> | <u>605,221</u> | <u>608,229</u> | <u>3,008</u> |
| Receipts: | | | | |
| Ad Valorem Taxes | 728,268 | 728,268 | 615,517 | (112,751) |
| Charges for Services | 42,578 | 42,578 | 38,835 | (3,743) |
| Intergovernmental Revenues | 186,345 | 186,345 | 227,559 | 41,214 |
| Miscellaneous Revenues | 117,635 | 117,635 | 164,594 | 46,959 |
| Total Receipts, Budgetary Basis | <u>1,074,826</u> | <u>1,074,826</u> | <u>1,046,505</u> | <u>(28,321)</u> |
| Expenditures: | | | | |
| District Attorney | 2,250 | 2,250 | 2,250 | - |
| County Sheriff | 321,613 | 321,613 | 320,839 | 774 |
| County Treasurer | 82,100 | 82,100 | 76,295 | 5,805 |
| County Commissioners | 149,400 | 149,400 | 131,617 | 17,783 |
| County Clerk | 103,900 | 103,900 | 103,050 | 850 |
| Court Clerk | 88,290 | 88,290 | 87,897 | 393 |
| County Assessor | 71,200 | 71,200 | 61,171 | 10,029 |
| Revaluation of Real Property | 89,370 | 89,370 | 86,184 | 3,186 |
| General Government | 687,983 | 687,983 | 290,346 | 397,637 |
| Excise-Equalization Board | 3,800 | 3,800 | 2,458 | 1,342 |
| County Election Board | 50,853 | 50,853 | 45,128 | 5,725 |

continued on next page

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

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

continued from previous page

| | Original Budget | Final Budget | Actual | Variance |
|---|--------------------|-----------------|-------------------|----------------|
| County Supt of Health | 250 | 250 | 250 | - |
| Charity | 20,027 | 20,027 | 20,027 | - |
| Audit Budget | 8,011 | 8,011 | 482 | 7,529 |
| Library | 1,000 | 1,000 | 1,000 | - |
| Total Expenditures, Budgetary Basis | 1,680,047 | 1,680,047 | 1,228,994 | 451,053 |
| Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis | \$ - | \$ - | 425,740 | \$ 425,740 |
| Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances | | | | |
| Add: Current Year Encumbrances | | | 7,735 | |
| Add: Current Year Outstanding Warrants | | | 74,164 | |
| Ending Cash Balance | | | <u>\$ 507,639</u> | |

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

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

Budgetary Schedule

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

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

The general fund had a deficit in ad valorem collections of \$112,751. The deficit was due to money collected on the windmill farms but not apportioned before June 30, 2009.

INTERNAL CONTROL AND COMPLIANCE SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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

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

TO THE OFFICERS OF
HARPER COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Harper County, Oklahoma, as of and for the year ended June 30, 2009, which comprises Harper County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 16, 2010. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2009-1, 2009-2, 2009-3, 2009-4, 2009-5, 2009-6 and 2009-7 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2009-1 and 2009-3 to be material weaknesses.

Compliance and Other Matters

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

We noted a certain matter that we reported to the management of Harper County, which is included in Section 2 of the schedule of findings and responses contained in this report.

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

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



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

August 16, 2010

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

SECTION 1 - Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

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

Condition: The County Treasurer has one full-time deputy. The duties of balancing daily deposits, reconciling bank statements, and recording transactions within the Treasurer's office are shared between the Treasurer and the one deputy; however, there is no formal segregation of duties.

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

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

Views of responsible officials and planned corrective actions: The Treasurer stated that she is limited in segregation of duties due to the lack of personnel and funding; however, she is now reviewing monthly reports and approving daily reports.

Finding 2009-2 – Pledged Collateral (Repeat Finding)

Criteria: Statutory control requirements include collateralization for amounts deposited.

Title 62 O.S. § 517.4.A. states:

A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity

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

consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.

Condition: During peak tax collection periods of December 31, 2008, the County Treasurer was underpledged \$ 267,155.47 at the Oklahoma State Bank of Buffalo, and on March 31, 2009, the County Treasurer was underpledged \$ 179,950.80 at the Oklahoma State Bank of Buffalo.

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

Recommendation: OSAI recommends management establish policies and procedures to periodically compare the amount of pledged collateral to amounts deposited, to ensure pledges are adequate and all deposits are secured.

Views of responsible officials and planned corrective actions: The Treasurer now monitors pledged collateral much more closely during ad valorem tax collection periods.

Finding 2009-3 – Segregation of Duties – Receipting (Repeat Finding)

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

Condition: The Treasurer has one full-time deputy in her office. The duties of opening mail, issuing receipts, posting receipts, making deposits, and reconciling of bank accounts are performed by the Treasurer and her deputy. Duties are not segregated. Additionally we noted that:

- The deputy used the County Treasurer's log-in ID and password to correct bookkeeping errors.
- The County Treasurer's office was left unattended by both the County Treasurer and deputy on one occasion during our fieldwork.

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

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

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

mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Views of responsible officials and planned corrective actions: The Treasurer will lock her office door during times when she and her employee are not in the office. The Treasurer will change her log-in ID and password so that it is identified only to her. The receipting process will be closely monitored, but cannot be completely segregated due to the lack of personnel.

Finding 2009-4 – Documentation of Receiving Goods and Services (Repeat Finding)

Criteria: Effective internal controls include original purchase order be forwarded to the receiving agent of the requisitioning office for comparison of the invoice with the requisition and to provide confirmation of goods and or services being received. Also, 19 O.S. § 1505 includes all supporting documentation be attached to the purchase order prior to payment.

Condition: During our documentation of controls, it was noted that the County Commissioner’s secretary, who acts as assistant purchasing agent, keeps all original purchase orders in her office. Invoices and receiving reports are verified by the assistant purchasing agent as received.

The test of 45 purchase orders revealed 2 did not have the required documentation attached to the purchase order.

| <u>P.O.#</u> | <u>Vendor</u> | <u>Fund</u> | <u>Warr #</u> | <u>Amount</u> | <u>Item</u> | <u>Missing Document</u> |
|--------------|-------------------------|-------------|---------------|---------------|-----------------------|-------------------------|
| 1949 | John Deere Const Retail | Hwy | 1109 | \$36,790.08 | 325 Skid Steer | Copy of State Contract |
| 1384 | John Deere Co. | Hwy | 1465 | \$83,991.35 | 2-JD 6430 Trctr Mower | Copy of State Contract |

Effect: This condition could result in undetected errors, misappropriation of funds, and violation of purchasing requirements.

Recommendation: OSAI recommends the County attach all supporting documentation to the purchase orders to provide effective controls over disbursements.

Views of responsible officials and planned corrective actions: The purchasing agent will be obtaining the state contracts from the Department of Central Purchasing to document purchases.

Finding 2009-5 – Incomplete Disbursement Data

Criteria: Effective internal controls include the county clerk input the paid date of checks into the payment system in order to provide complete documentation of paid checks.

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

Condition: The reconciliation of County Clerk's checks issued to County Treasurer's disbursements by fund revealed that the County Clerk's data did not contain the paid date of checks in the system data.

Effect: This condition could result in incomplete disbursement data and ineffective reconciliation of disbursements.

Recommendation: OSAI recommends the County Clerk input paid date of checks into the payment system.

Views of responsible officials and planned corrective actions: The County Clerk will submit purchase orders for disbursements and issue checks through the County's computer system for payment. Her office will consistently input the paid date into the system.

Finding 2009-6 – Disbursements – Supporting Documentation

Criteria: An effective aspect of internal controls includes all purchases be requisitioned by the requisitioning agent to provide assurance that duties of purchasing are adequately segregated.

Condition: The documentation of controls revealed that the County Commissioner's secretary, working as the assistant purchasing agent, requisitioned many of the recurring purchase orders, thus negating effective segregation of duties regarding requisitioning and encumbering funds. The test of purchase orders further revealed 14 of 45 purchase orders were not properly requisitioned by an approved requisitioning agent.

Effect: This condition could result in incorrect account classification or misappropriation of funds.

Recommendation: OSAI recommends the appointed requisitioning officers for each office requisition purchase orders to provide effective internal controls over the disbursement process.

Views of responsible officials and planned corrective actions: The County Clerk will adhere to purchasing guidelines and advise each officer to requisition purchase orders.

Finding 2009-7 – Timesheet Documentation (Repeat Finding)

Criteria: Effective internal controls include monthly payroll disbursements be supported by signed and approved timesheets. Additionally, the County Personnel Policy requires timesheets to be on file with the County Clerk.

Condition: The following exceptions were noted in our test of timesheets:

1. The Highway departments did not forward timesheets to the County Clerk's office at the end of every month.
2. Six of twenty-five timesheets tested did not have the employee's signature.

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

3. Ten of twenty-five timesheets tested did not have the supervisor's or officer's signature.

Effect: This condition could result in wages being paid in incorrect amounts, in incorrect time periods, or for hours not actually worked.

Recommendation: OSAI recommends timesheets be signed by the employees and the approving supervisor/officer and that the original timesheets be forwarded to the County Clerk's office in accordance with the County Personnel Policy.

Views of responsible officials and planned corrective actions: The County officers will adhere to the Personnel Policy and submit signed and approved timesheets on a monthly basis to the County Clerk.

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

Finding 2009-8 – Temporary Interfund Transfers (Repeat Finding)

Criteria: Title 68 O.S. §3021.4 states:

If at any time during the budget year it appears to the county treasurer that there is temporarily insufficient money in a particular fund to meet the requirements of appropriation in the fund, the excise board, upon request of the county treasurer and upon notification to the county commissioners, may temporarily transfer money from one fund to any other fund with the permission of the county officer in charge of the fund that the money will be temporarily transferred from. No transfer shall be made from the debt service fund to any other fund except as may be permitted by the terms of the bond issue or applicable law. Any funds temporarily transferred shall be repaid to the original fund from which they were transferred within the fiscal year that the funds were transferred.

Condition: A transfer of funds was made from the Harper County General Sales Tax Fund to the Harper County Emergency Management Fund in the amount of \$3,000 to cover payroll warrants. This amount was not transferred back to the Harper County General Sales Tax Fund before June 30, 2009.

Effect: This condition could result in understatement of disbursements and noncompliance with 68 O.S. §3021.4.

Recommendation: OSAI recommends the County Treasurer comply with 68 O.S. §3021.4 and ensure that transfers are necessary, and if necessary, are transferred back to the original fund within the fiscal year. If the transfer is actually an expense then prepare it as such.

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

Views of responsible officials and planned corrective actions: The County Clerk will issue purchase orders for these types of disbursements and discontinue the process of transferring funds.



**OFFICE OF THE STATE AUDITOR AND INSPECTOR
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