

**HARPER 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

August 1, 2005

TO THE CITIZENS OF
HARPER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Harper 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

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Harper County	iii
County Officials and Responsibilities	iv
Ad Valorem Tax Distribution.....	ix

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Special-Purpose Financial Statements:	
Statement of Receipts, Disbursements, and Changes in Cash Balances - All Funds	3
Comparative Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund.....	4
Detailed Statement of Receipts, Disbursements, and Changes in Cash Balances - Official Depository Accounts.....	6
Notes to the Financial Statements.....	7

INTERNAL CONTROL AND COMPLIANCE SECTION

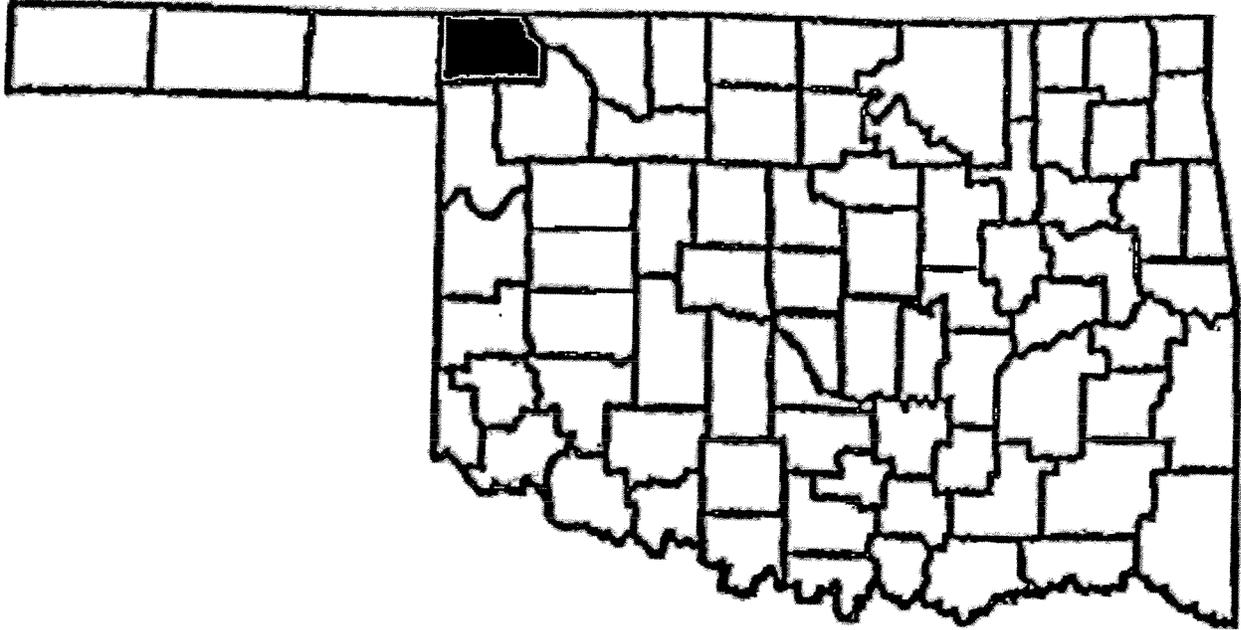
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	17
Schedule of Findings	19

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

STATISTICAL SECTION (Unaudited)

Top Ten Taxpayers.....	20
Computation of Legal Debt Margin	21
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	22
Assessed Value of Property	23

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 - 1039.1 Square Miles

County Population - 3,562
(2000 est.)

Farms - 443

Land in Farms - 579,644 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**HARPER COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Scotty Cosby
(D) Buffalo

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
Charlotte Cash
(D) Laverne

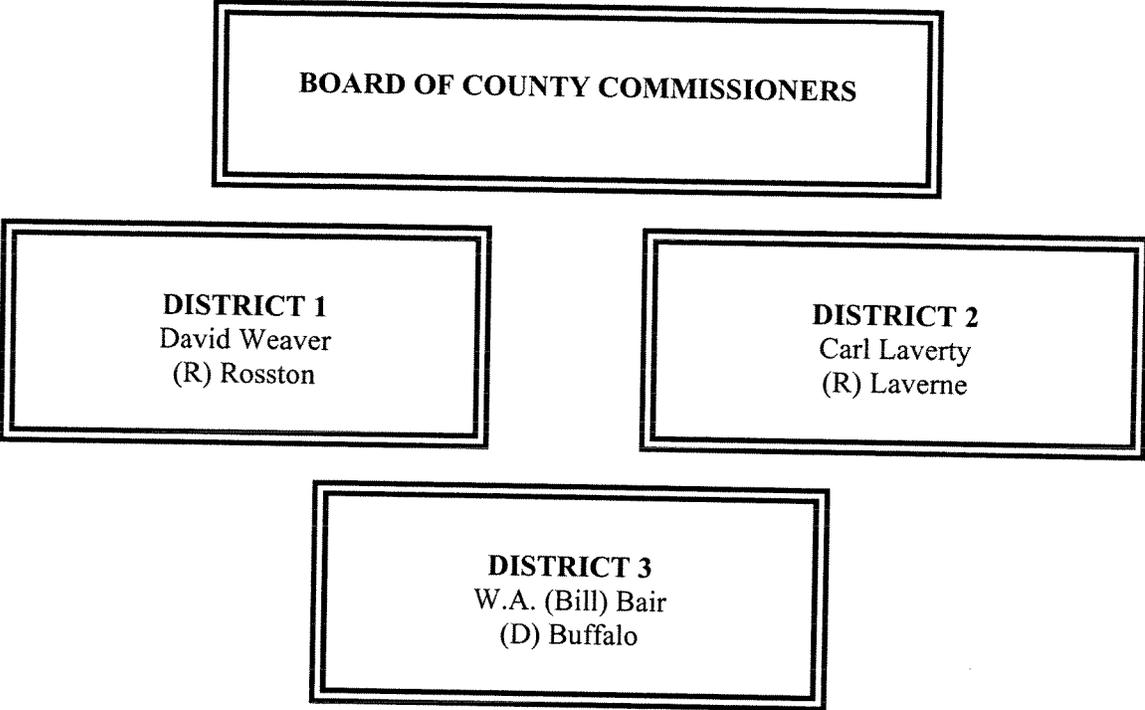
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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**



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**

COUNTY SHERIFF
Ronald Wycaver
(D) Buffalo

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
Karen Krenz Payne
(R) Buffalo

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**

COURT CLERK
Linda Crouch
(D) Buffalo

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
James M. Boring
(R) Guymon

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**

ELECTION BOARD SECRETARY

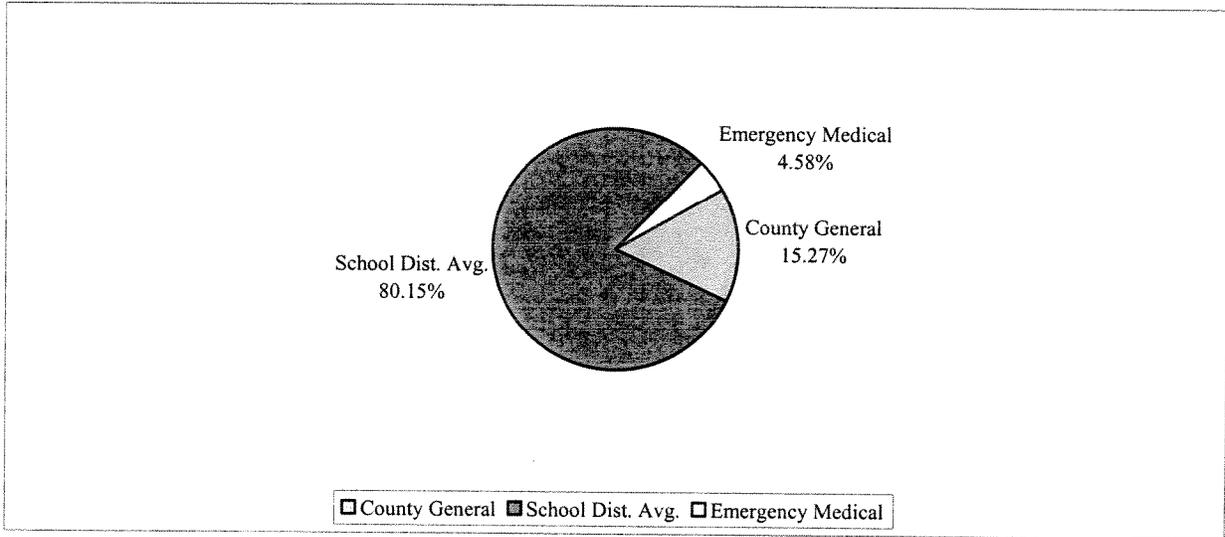
Harriet Pearson
(D) Buffalo

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.

**HARPER 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

Co. General	10.00
County EMS	3.00

School District Millages

		School District Millages							Total
		Gen.	Bldg. Fund	Sinking Fund	Tech Center	Tech Building	Common		
Laverne	I-T	35.00	5.00				4.00	44.00	
Laverne Rural	I-R	35.00	5.00				4.00	44.00	
Rosston	IT-2	35.00	5.00				4.00	44.00	
May	JT.5T	35.00	5.00	8.89	10.00	2.00	4.00	64.89	
Buffalo	4T	35.00	5.00		10.00	2.00	4.00	56.00	
Buffalo Rural	4R	35.00	5.00		10.00	2.00	4.00	56.00	
Joint/Woodward	J-1	35.00	5.00	12.67	10.00	2.00	4.00	68.67	
Joint/Ft. Supply Woodward	J-5	35.00	5.00	8.89	10.00	2.00	4.00	64.89	
Joint/Woods	J-6	35.00	5.00	11.31	10.00	3.00	4.00	68.31	

See independent auditor's report.

FINANCIAL SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
HARPER COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Harper 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 Harper 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 Harper County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund 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 Harper 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 Harper County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general 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 July 18, 2005, 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 performed for the purpose of forming an opinion on the special-purpose financial statements of Harper County, Oklahoma, taken as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the special-purpose financial statements. The information listed in the table of contents under *Introductory Section* and *Statistical Section* has not been audited by us, and accordingly, we express no opinion on them.

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

July 18, 2005

Special-Purpose Financial Statements

**HARPER 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 Fund	\$ 222,788	\$ 635,052	\$ 631,003	\$	\$ 226,837
Highway Cash	2,450,701	2,573,246	2,338,595		2,685,352
T-9 Highway	219,667	3,491			223,158
T-7 Selman Fire	9,223	2,395	8,011		3,607
Resale Property	18,799	13,155	22,360		9,594
Treasurer's Mortgage Tax Certification Fee	1,397	895	207		2,085
County Clerk Lien Fee	12,300	37,140	25,312		24,128
Court Clerk Records Preservation Fee	19,184	4,630	23,814		
Assessor Revolving	3,557	2,783	581		5,759
Assessor Visual Inspection	29,477				29,477
Sheriff Service Fee	17,176	20,149	12,788		24,537
Sheriff Department of Corrections	19,313	10,218	16,871		12,660
Sheriff Reserves	229				229
Solid Waste Fund	2,030				2,030
Harper County Emergency Management	12,987	7,634	18,673		1,948
EMPG Management Performance		3,926	3,926		
Hazard Mitigation Grant		10,000	10,000		
County Sales Tax:					
General Fund	120,203	97,249	105,717		111,735
Health Department	27,174	39,909	16,052		51,031
OSU Extension	80,981	24,343	46,912		58,412
Free Fair	11,226	26,201	16,512		20,915
Rural Fire	23,126	31,145	18,126		36,145
Buffalo EMS	2,882	20,883	20,260		3,505
Laverne EMS	1,319	20,883	20,616		1,586
Buffalo Senior Citizen	975	1,305	1,242		1,038
Laverne Senior Citizen	82	1,305	1,289		98
Buffalo Public Library	82	1,305	1,289		98
Laverne Delphian Library	180	1,305	1,386		99
Rural Development	20,781	5,222	7,596		18,407
County Hospital	16,494	260,088	257,703		18,879
Schools	7,768	1,962,071	1,962,945		6,894
Municipal	4,394	80,881	79,488		5,787
Law Library	915	8,640	8,642		913
EMS I-1	166	46,031	45,964		233
EMS I-4	1,616	53,291	53,769		1,138
Court Clerk Invest/Wright T	14,062	211	137		14,136
Court Clerk Trust Cash Voucher	13,070	210			13,280
Change Fund	300				300
2001 Protest Tax	6,633	44	6,677		
2002 Protest Tax	9,168	77	9,245		
2003 Tax		25,960	25,960		
Payroll Taxes EFT Account	1	183,336	183,336		1
Individual Redemption		197	197		
Official Depository	58,150	535,879	535,925	2,734	60,838
Total County Funds	\$ 3,460,576	\$ 6,752,685	\$ 6,539,126	\$ 2,734	\$ 3,676,869

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

HARPER 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	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 222,789	\$ 222,789	\$ 222,788	\$ (1)
Less: Prior Year Outstanding Warrants	(44,651)	(44,651)	(44,651)	
Less: Prior Year Encumbrances	(5,761)	(5,761)	(5,761)	
Beginning Cash Balances, Budgetary Basis	<u>172,377</u>	<u>172,377</u>	<u>172,376</u>	<u>(1)</u>
Receipts:				
Ad Valorem Taxes	325,627	325,627	362,403	36,776
Charges for Services	38,790	38,790	34,370	(4,420)
Intergovernmental Revenues	117,376	117,984	122,900	4,916
Miscellaneous Revenues	63,664	63,664	115,379	51,715
Total Receipts, Budgetary Basis	<u>545,457</u>	<u>546,065</u>	<u>635,052</u>	<u>88,987</u>
Expenditures:				
District Attorney	4,000	4,000	3,850	150
Capital Outlay				
Total District Attorney	<u>4,000</u>	<u>4,000</u>	<u>3,850</u>	<u>150</u>
County Sheriff	184,766	184,766	167,523	17,243
Capital Outlay	1,050	1,050	1,033	17
Total County Sheriff	<u>185,816</u>	<u>185,816</u>	<u>168,556</u>	<u>17,260</u>
County Treasurer	47,480	47,480	47,480	
Capital Outlay				
Total County Treasurer	<u>47,480</u>	<u>47,480</u>	<u>47,480</u>	<u>-</u>
Commissioners	57,080	57,080	253	56,827
Capital Outlay				
Total Commissioners	<u>57,080</u>	<u>57,080</u>	<u>253</u>	<u>56,827</u>
County Clerk	47,340	47,340	47,340	
Capital Outlay				
Total County Clerk	<u>47,340</u>	<u>47,340</u>	<u>47,340</u>	<u>-</u>
Court Clerk	43,140	43,140	43,140	
Capital Outlay				
Total Court Clerk	<u>43,140</u>	<u>43,140</u>	<u>43,140</u>	<u>-</u>
County Assessor	27,540	27,540	27,540	
Capital Outlay				
Total County Assessor	<u>27,540</u>	<u>27,540</u>	<u>27,540</u>	<u>-</u>
Revaluation of Real Property	83,310	83,310	71,303	12,007
Capital Outlay	2,000	2,000		2,000
Total Revaluation of Real Property	<u>85,310</u>	<u>85,310</u>	<u>71,303</u>	<u>14,007</u>
General Government	165,000	165,051	154,559	10,492
Capital Outlay				
Total General Government	<u>165,000</u>	<u>165,051</u>	<u>154,559</u>	<u>10,492</u>
Excise-Equalization Board	2,600	2,600	2,433	167
Capital Outlay				
Total Excise-Equalization Board	<u>2,600</u>	<u>2,600</u>	<u>2,433</u>	<u>167</u>

continued on next page

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

**HARPER 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	37,300	37,857	36,671	1,186
Capital Outlay				
Total County Election Board	37,300	37,857	36,671	1,186
Charity	8,955	8,955	8,955	
Capital Outlay				
Total Charity	8,955	8,955	8,955	-
County Supt. Of Health	250	250	250	
Capital Outlay				
Total County Supt. Of Health	250	250	250	-
Library	1,000	1,000	1,000	
Capital Outlay				
Total Library	1,000	1,000	1,000	-
County Audit Budget	5,023	5,023	1,861	3,162
Capital Outlay				
Total County Audit Budget	5,023	5,023	1,861	3,162
 Total Expenditures, Budgetary Basis	 717,834	 718,442	 615,191	 103,251
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 \$ -	 192,237	 \$ 192,237
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			1,177	
Add: Current Year Outstanding Warrants			33,423	
Ending Cash Balance			<u>\$ 226,837</u>	

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

**HARPER 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			Cancelled Vouchers	Ending Cash Balances June 30, 2004
	July 1, 2003	Receipts	Disbursements		
District Court Clerk	\$ 27,955	\$ 184,560	\$ 195,518	\$ 224	\$ 17,221
District Court Fund	17,632	114,446	116,702	570	15,946
Court Clerk Revolving	1,455	3,715	2,116		3,054
District Attorney Bogus Check	1,057	45,788	33,900	1,587	14,532
District Attorney Witness Fee	483	564	525	51	573
District Attorney Evidence Restitution	4,970	4,454	5,158		4,266
District Attorney Drug		665	684	25	6
County Sheriff		37,115	37,115		
County Clerk		57,808	57,811	3	
County Treasurer	3,761	70,072	72,206	5	1,632
County Election Board	764	10,365	7,790	269	3,608
Health Department	7	3,609	3,616		
County Assessor Fee	66	2,718	2,784		
Total Official Depository Accounts	\$ 58,150	\$ 535,879	\$ 535,925	\$ 2,734	\$ 60,838

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

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 Harper County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general 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 is required to adopt a formal budget. The budget presented for the general 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.

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 Statement of Receipts, Expenditures, and Changes in Fund Balances - Budget and Actual - 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 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	If claims exceed
- Torts	in a public entity risk	the authorized
- Errors and Omissions	pool; Association of	deductibles, the
- Law Enforcement	County Commissioners of	County could have to
Officers Liability	Oklahoma-Self-Insurance	pay its share of any
- Vehicle	Group. (See ACCO-SIG.)	pool deficit. A
Physical Plant		judgment could be
- Theft		assessed for claims in
- Damage to Assets		excess of the pool's
- Natural Disasters		limits.

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 participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed authorized deductibles, the County 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 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 in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. 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. 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.

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.

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

G. Compensated Absences

The County does not accrue any liability for future vacation benefits. All County employees are entitled to annual leave that is accrued on a monthly basis in accordance with the schedule outlined below:

Summary of Significant Accounting Policies (continued)

Years of Service	Accrual Rate	Accrual Limits
0 to 5 years	15 days (10 hrs/month)	30 days
6 to 20 years	18 days (12.0 hrs/month)	60 days
Over 20 years	20 days (13.33 hrs/month)	60 days

The County does accumulate sick leave. All County employees are entitled to sick leave with pay that is accrued on a monthly basis. Sick leave is accumulated 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 130 days.

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 \$3,676,869 and the bank balance was \$3,684,857. 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 Fund - accounts for the general operations of the government.

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

T-9 Highway – accounts for a grant from the Oklahoma State Department of Transportation to be used for highway improvements.

T-7 Selman Fire – accounts for a grant from the Oklahoma State Department of Agriculture Forestry Division and is to be used for the general operation of the Rural Selman Fire Department.

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

Treasurer's 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.

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 in the Registrar of Deeds as restricted by statute for preservation of records.

Assessor Revolving - accounts for the collection of fees for copies 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.

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 and capital outlay items.

Sheriff Reserves– the source of balance is unknown, the account was combined with the Sheriff Service Fee Fund as of July 2003.

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

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

Detailed Notes on Funds and Account Balances (continued)

Harper County Emergency Management – accounts for a grant used for establishment of the emergency operation plan.

EMPG Management Performance – accounts for an emergency management grant.

Hazard Mitigation Grant – accounts for a grant used for organization and coordination of hazard mitigation meetings, data collection and public participation to provide a security plan for the County.

County Sales Tax – separately accounts for the collection of sales tax monies collected on behalf of the Health Department, OSU Extension, Free Fair, Rural Fire, Buffalo EMS, Laverne EMS, Buffalo Senior Citizens, Laverne Senior Citizens, Buffalo Public Library, Laverne Delphian Library, Rural Development, and the General Fund.

County Hospital – accounts for sales tax collected on behalf of the county hospital and remitted monthly.

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

Municipal – accounts for Oklahoma Tax Commission collections distributed to the cities of the County.

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

Emergency Medical Service – accounts for charges for services, ad valorem monies and miscellaneous collections apportioned and amounts disbursed for the expenses of the Harper County Emergency Medical Service for School District I-1 and I-4.

Court Clerk Invest/Wright T – accounts for funds being held in trust per court order. Interest earned on these funds is accrued in this account until the court orders disbursement.

Court Clerk Trust Cash Voucher – accounts for funds received from the Court Administrator's office to be used for the purchase of computer equipment.

Change Fund – cash used to make change for citizens making transactions in cash.

Protest Tax – accounts for ad valorem collected under protest and held until the issue is resolved and then apportioned or refunded as decided. Funds are separated by tax year.

2003 Tax - accounts for the ad valorem tax collected and disbursed prior to certification of the tax rolls.

Detailed Notes on Funds and Account Balances (continued)

Payroll Taxes EFT Account – a temporary account in which federal withholdings are held until the IRS electronically transfers the funds for payroll taxes.

Individual Redemption – accounts for the monies collected and due to individuals from property tax sales on delinquent taxes.

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

The accounts within the Official Depository Fund are described as follows:

District Court Clerk – accounts for the collection of bond money, court fines and fees. Money is disbursed for fees and restitution.

District Court Fund – accounts for fees transferred from District Court Clerk Account and interest. Money is disbursed for the purpose of fees for various entities, salaries, and the operation of the office.

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 cost incurred for the operation of the Court Clerk's office.

District Attorney Bogus Check – accounts for the collection of bogus checks to be disbursed to the merchant to whom the bogus check was written.

District Attorney Witness Fee – accounts for the appropriated money from the District Attorney's Council for witness fees.

District Attorney Evidence Restitution – accounts for monies received from criminal defendants and disbursed to victims of crimes.

District Attorney Drug – accounts for property forfeitures related to drug case convictions and used for the general operations of the office.

County Sheriff – accounts for all collection of foreign service fees and bonds. Monies are disbursed at the end of the month to the Sheriff Service Fee Fund and District Court Clerk Account.

County Clerk – accounts for the collection for filing fees and disbursed to the Oklahoma Tax Commission and general fund.

County Treasurer – accounts for collection of taxes paid in advance.

Detailed Notes on Funds and Account Balances (continued)

County Election Board – accounts for reimbursement of election cost by entities within the County and disbursed for refund of election fees and cost of election.

Health Department – accounts for monies collected on behalf of the health department from fees for services.

County Assessor Fee – accounts for all collection of copy fees and is to be disbursed at the end of the month and deposited in the Assessor Revolving Fund.

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 \$35,622,428.

The County levied 10.00 mills (the legal maximum) for general fund operations and 3.00 mills each for the two emergency medical service districts. 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 98 percent of the tax levy.

Detailed Notes on Funds and Account Balances (continued)

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 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. 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.

**HARPER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

5. Sales Tax

On April 1, 1997, an additional one-cent (1%) sales tax was passed by voters, to begin May 1, 1990 and subsequently extended to April 30, 2009, to provide unrestricted revenues to be used by the Harper County Community Hospital.

On April 1997, an additional (1%) sales tax ordinance was approved to begin July 1, 1997 and extend to July 1, 2008, to provide the allocation of funds as follows: OSU Extension 9%, Free Fair 10%, Rural Fire Association 11%, Buffalo EMS 8%, Buffalo Library .5%, Buffalo Senior Citizens .5%, Laverne EMS 8%, Laverne Delphian Club Library .5%, Laverne Senior Citizens .5%, Rural Development 2%, Health Department 14%, and General Fund Maintenance and Operations 36%.

INTERNAL CONTROL AND COMPLIANCE SECTION



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
HARPER COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Harper County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated July 18, 2005. 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 Harper 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 2000-2.

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 2000-2 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harper 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

July 18, 2005

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 2000-2 - 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: Due to the limited number of employees in the County Sheriff, County Clerk, Treasurer, Assessor, and Election Board offices, there are individuals who are primarily responsible for all or most of the collection, receipting, balancing, depositing, and reporting of collections and who are primarily responsible for all or most of the calculating, reviewing, approving, disbursing, and reporting of disbursements from official depository accounts.

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.

Views of responsible officials and planned corrective actions: We concur with the auditor's comments and will conduct periodic reviews of office operations. Additionally, the County Clerk's office now segregates this duty between two of the deputies.

**STATISTICAL SECTION
(Unaudited)**

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

TAXPAYER	JANUARY 1, 2003 NET ASSESSED VALUATION	% OF TOTAL NET VALUATION
Duke Energy Field Services	\$ 2,675,314	7.51%
Murphy Family Farms LLC	1,528,888	4.29%
Buffalo Feeders LLC	1,024,935	2.88%
Oneok Gas Processing LLC	875,044	2.46%
Phillips Pipeline	583,490	1.64%
CMS Laverne Gas Process LLC	478,865	1.35%
Natural Gas Pipeline	436,103	1.22%
CIG Field Service	324,553	0.91%
Southern Star	288,638	0.81%
Pioneer Telephone Coop	278,927	0.78%
Total	<u>\$ 8,494,757</u>	<u>23.85%</u>

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

**HARPER 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>\$ 35,622,428</u>
Debt limit - 5% of total assessed value		\$ 1,781,121
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 1,781,121</u>

**HARPER 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	3,562
Net assessed value as of January 1, 2003	\$ 35,622,428
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	\$ -

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2003	\$14,679,452	\$5,462,929	\$16,533,712	\$1,053,665	\$35,622,428	\$265,827,039