

**HARPER COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

---

This publication is printed and issued by the State Auditor and Inspector as authorized by 19 O.S. § 171. Pursuant to 74 O.S. § 3105, 35 copies have been prepared and distributed at a cost of \$91.19. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

May 1, 2006

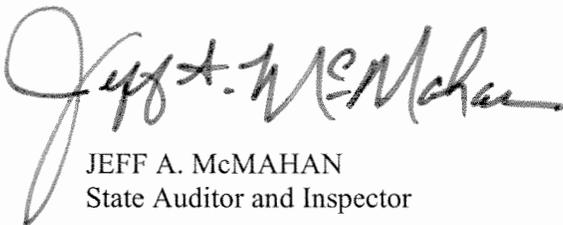
TO THE CITIZENS OF  
HARPER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Harper County, Oklahoma, for the fiscal year ended June 30, 2005. 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,



JEFF A. McMAHAN  
State Auditor and Inspector

HARPER COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

---

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Harper County .....	ii
County Officials and Responsibilities .....	iii
Ad Valorem Tax Distribution.....	viii
Computation of Legal Debt Margin .....	ix
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita .....	x
Assessed Value of Property .....	xi

FINANCIAL SECTION

Report of State Auditor and Inspector.....	1
Basic Financial Statement:	
Combined Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information).....	3
Notes to the Financial Statement .....	4

OTHER SUPPLEMENTARY INFORMATION

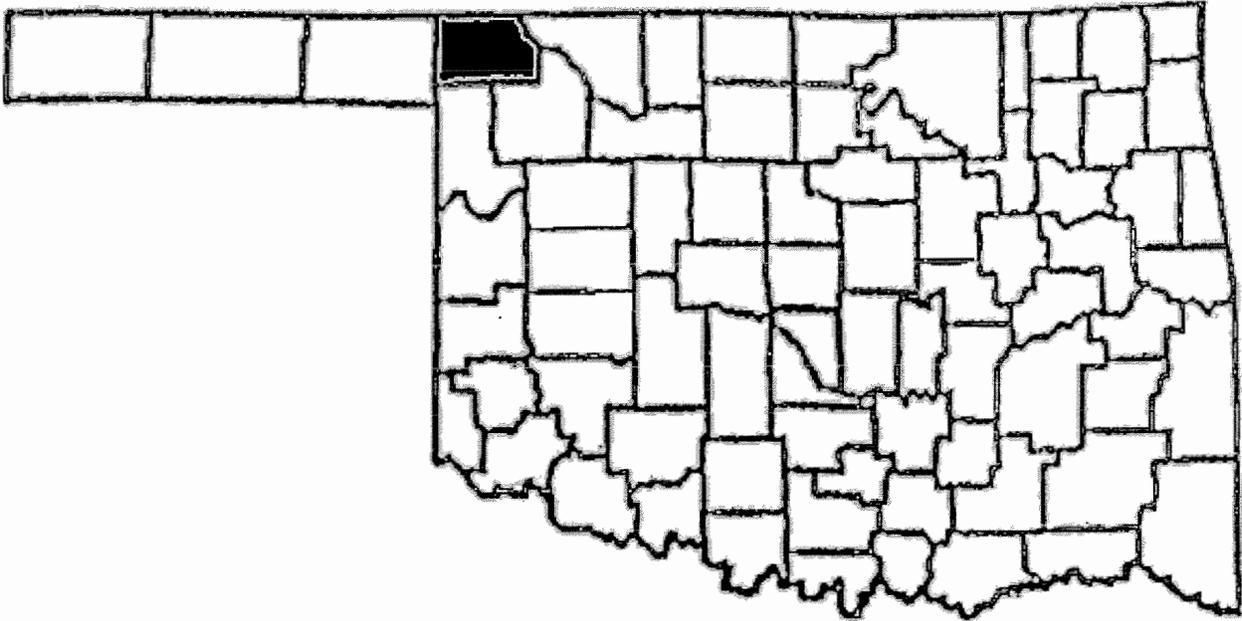
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund .....	11
Notes to Other Supplementary Information.....	13

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> .....	14
Schedule of Findings and Responses.....	16

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 - 3,397  
(2004 est.)

Farms - 517

Land in Farms – 601,162 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

**HARPER COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

---

**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**  
Joyce Johnson  
(D) Buffalo

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.

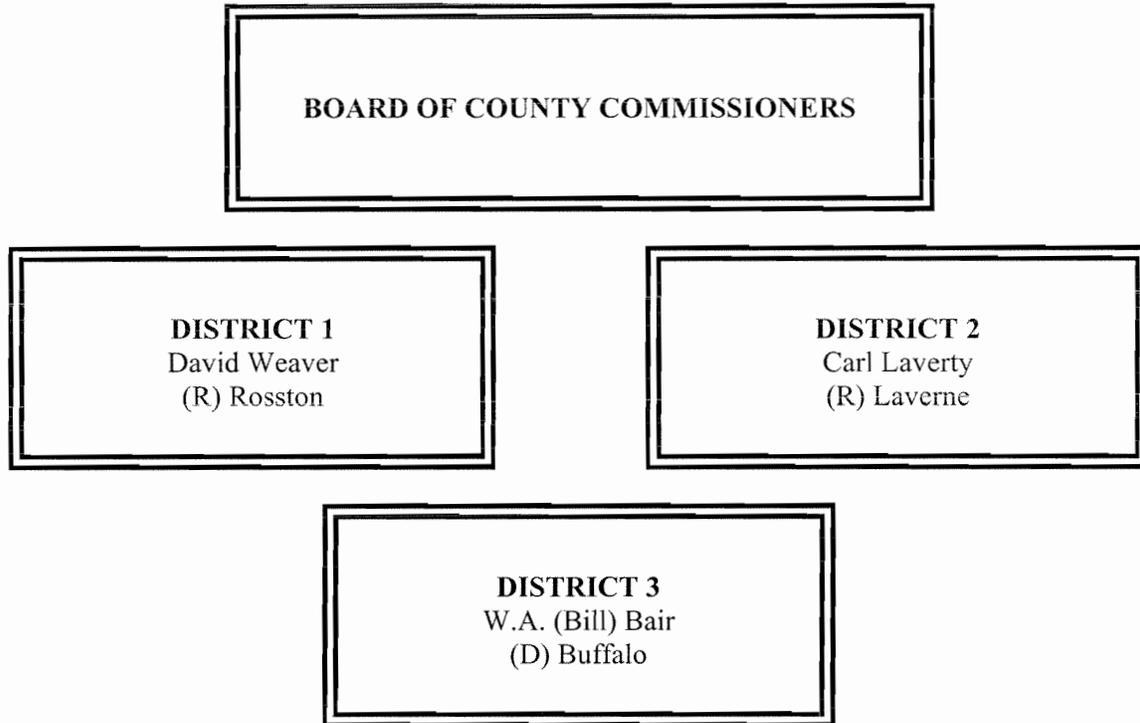
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. 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, 2005**

---



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, 2005**

---

**COUNTY SHERIFF**

Marty L. Drew  
(R) 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**

Peggy Tillery  
(D) Laverne

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, 2005**

---

**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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

---

**ELECTION BOARD SECRETARY**

Pauletta Roberts  
(R) Buffalo

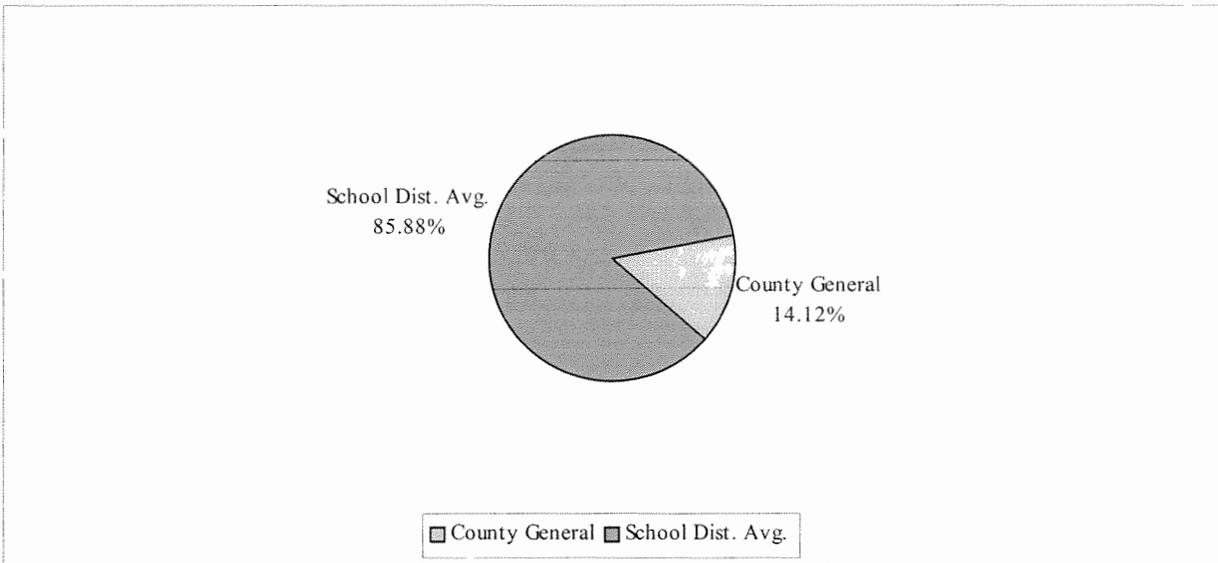
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

See independent auditor's report.

**HARPER COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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



County-Wide Millages		School District Millages						
County General	10.00	Gen.	Bldg.	Skg.	Career Tech	Common	EMS	Total
Laverne	I-1	35.00	5.00			4.00	3.00	47.00
Buffalo	I-4	35.00	5.00		12.00	4.00	3.00	59.00
Woodward	J-1	35.00	5.00	10.37	12.00	4.00		66.37
Ft. Supply	J-5	35.00	5.00	7.90	12.00	4.00		63.90
Freedom	J-6	35.00	5.00	10.93	13.00	4.00		67.93

See independent auditor's report.

**HARPER COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(UNAUDITED)**

---

Total net assessed value as of January 1, 2004		<u>\$ 38,313,678</u>
Debt limit - 5% of total assessed value		1,915,684
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 1,915,684</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, 2005  
(UNAUDITED)**

---

	2005
Estimated population	3,397
Net assessed value as of January 1, 2004	\$ 38,313,678
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, 2005  
(UNAUDITED)**

---

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2004	\$17,172,577	\$5,245,885	\$16,940,201	\$1,044,985	\$38,313,678	\$296,223,009

See independent auditor's report.

**FINANCIAL SECTION**

## 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, 2005, 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. 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.

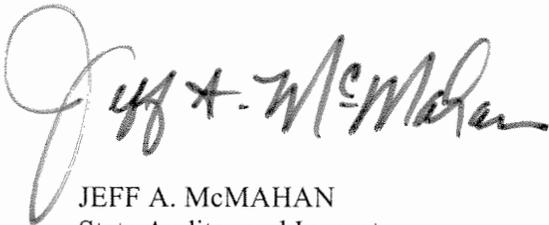
As described in Note 1, this financial statement was prepared using accounting practices prescribed by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory 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, 2005, 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, 2005, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24 2006, 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.

A handwritten signature in black ink, reading "Jeff A. McMahon". The signature is written in a cursive style with a large initial "J".

JEFF A. McMAHAN  
State Auditor and Inspector

April 24 2006

## **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, 2005**

	Beginning Cash Balances July 1, 2004	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2005
Combining Information:				
County General Fund	\$ 226,837	\$ 681,305	\$ 588,972	\$ 319,170
Highway Cash	2,685,352	2,768,045	2,173,634	3,279,763
Highway Improvement	223,158	4,206		227,364
Solid Waste Fund	2,030			2,030
County Assessor Visual Inspection	29,477			29,477
County Assessor Revolving	5,759	333		6,092
Treasurer Mortgage Certification Fee	2,085	805	131	2,759
Resale Property	9,594	8,802	3,326	15,070
County Clerk Lien Fee	24,127	20,384	2,602	41,909
Sheriff Service Fee	24,537	23,596	26,135	21,998
Board of Prisoners	12,889	9,120	18,707	3,302
Health Facility Sales Tax	51,031	53,704	22,165	82,570
OSU Extension Sales Tax	58,412	31,066	29,506	59,972
Free Fair Sales Tax	20,915	34,517	30,724	24,708
Rural Fire Sales Tax	36,145	40,257	16,532	59,870
Laverne EMS Sales Tax	1,586	27,614	27,625	1,575
Buffalo EMS Sales Tax	3,504	27,614	29,543	1,575
Buffalo Senior Citizens Sales Tax	1,038	1,726	1,244	1,520
Laverne Senior Citizens Sales Tax	99	1,726	1,726	99
Laverne Delphian Library Sales Tax	99	1,726	1,726	99
Rural Development Sales Tax	17,460	6,903	8,979	15,384
General Fund Sales Tax	111,735	128,224	125,433	114,526
Buffalo Public Library Sales Tax	99	1,726	1,727	98
County Hospital Sales Tax	19,826	345,175	345,316	19,685
Emergency Management	1,948	2,666		4,614
Hazard Mitigation Grant		5,000	5,000	
Community Development Block Grant		250,000	250,000	
<b>Combined Total--All County Funds</b>	<b>\$ 3,569,742</b>	<b>\$ 4,476,240</b>	<b>\$ 3,710,753</b>	<b>\$ 4,335,229</b>

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, 2005**

---

**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 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.

Highway Improvement – accounts for state funds set aside to be used for special road and bridges project as mandated by the state.

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

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

County Assessor Revolving - accounts for the collection of fees for copies restricted by state statute.

**HARPER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

---

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

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

Board of Prisoners – accounts for the monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections prisoners and for service fees received for transportation of inmates and juveniles.

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

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

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.

Community Development Block Grant – accounts for the federal funds passed through the Oklahoma Department of Commerce to be used for the construction of new rural water lines.

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.

**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

**HARPER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

---

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, the general fund is the only fund 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 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.

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.

**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

**HARPER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

---

- 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 are earned by the employee during the year and may not be accumulated. Employees with service years up through 5 years earn 15 days per year, and service up through 20 years earn 18 days per year. Employees with service years exceeding 20 years earn 20 days per year. Vacation leave is accrued monthly.

Sick leave benefits are accrued 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. Sick leave is not paid 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, 2004, was approximately \$38,313,678.

The County levied 10.00 mills (the legal maximum) for general fund operations. In addition, the County 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, 2005, were approximately 99.41 percent of the tax levy.

**HARPER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

---

**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:

<b>Types of Loss</b>	<b>Method of Management</b>	<b>Risk of Loss Retained</b>
General Liability <ul style="list-style-type: none"> <li>• Torts</li> <li>• Errors and Omissions</li> <li>• Law Enforcement Officers Liability</li> <li>• Vehicle</li> </ul>	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"> <li>• Theft</li> <li>• Damage to Assets</li> <li>• Natural Disasters</li> </ul>		
Workers' Compensation <ul style="list-style-type: none"> <li>• Employees' Injuries</li> </ul>	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee <ul style="list-style-type: none"> <li>• Medical</li> <li>• Disability</li> <li>• Dental</li> <li>• Life</li> </ul>	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 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

**HARPER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

---

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 workers' 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.

**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. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all pieces of machinery subsequently 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%

**HARPER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

---

and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2005, 2004, and 2003 were \$88,595, \$95,349, and \$96,080, respectively, equal to the required contributions for each year.

**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. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

The County 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 County.

**9. 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%.

**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, 2005**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 192,237	\$ 192,237	\$ 226,837	\$ 34,600
Less: Prior Year Outstanding Warrants	(33,423)	(33,423)	(33,423)	
Less: Prior Year Encumbrances	(1,177)	(1,177)	(916)	261
Beginning Cash Balances, Budgetary Basis	<u>157,637</u>	<u>157,637</u>	<u>192,498</u>	<u>34,861</u>
Receipts:				
Ad Valorem Taxes	383,292	383,292	362,357	(20,935)
Charges for Services	30,159	30,485	38,720	8,235
Intergovernmental Revenues	123,174	123,174	134,492	11,318
Miscellaneous Revenues	91,614	91,858	145,736	53,878
Total Receipts, Budgetary Basis	<u>628,239</u>	<u>628,809</u>	<u>681,305</u>	<u>52,496</u>
Expenditures:				
District Attorney	5,000	5,000	5,000	
Total District Attorney	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
County Sheriff	168,700	169,700	163,666	6,034
Capital Outlay	1,000			
Total County Sheriff	<u>169,700</u>	<u>169,700</u>	<u>163,666</u>	<u>6,034</u>
County Treasurer	46,575	46,575	45,693	882
Total County Treasurer	<u>46,575</u>	<u>46,575</u>	<u>45,693</u>	<u>882</u>
County Commissioners	78,776	78,251		78,251
Capital Outlay	50,000	50,000		50,000
Total County Commissioners	<u>128,776</u>	<u>128,251</u>	<u>-</u>	<u>128,251</u>
County Clerk	44,575	45,100	45,100	
Total County Clerk	<u>44,575</u>	<u>45,100</u>	<u>45,100</u>	<u>-</u>
Court Clerk	44,575	44,575	44,575	
Total Court Clerk	<u>44,575</u>	<u>44,575</u>	<u>44,575</u>	<u>-</u>
County Assessor	28,275	28,275	28,275	
Total County Assessor	<u>28,275</u>	<u>28,275</u>	<u>28,275</u>	<u>-</u>
Revaluation of Real Property	84,885	84,885	71,742	13,143
Capital Outlay	2,800	2,800		2,800
Total Revaluation of Real Property	<u>87,685</u>	<u>87,685</u>	<u>71,742</u>	<u>15,943</u>

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, 2005**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
General Government	173,300	173,095	136,695	36,400
Total General Government	<u>173,300</u>	<u>173,095</u>		<u>36,400</u>
Excise-Equalization Board	2,600	2,600	2,002	598
Total Excise-Equalization Board	<u>2,600</u>	<u>2,600</u>	<u>2,002</u>	<u>598</u>
County Election Board	36,988	37,763	36,608	1,155
Total County Election Board	<u>36,988</u>	<u>37,763</u>	<u>36,608</u>	<u>1,155</u>
County Supt of Health	250	250	250	
Total County Supt of Health	<u>250</u>	<u>250</u>	<u>250</u>	<u>-</u>
Charity	9,583	9,583	9,583	
Total Charity	<u>9,583</u>	<u>9,583</u>	<u>9,583</u>	<u>-</u>
Library	1,000	1,000	1,000	
Total Library	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
County Audit Budget	6,994	6,994	6,994	
Total County Audit Budget	<u>6,994</u>	<u>6,994</u>	<u>6,994</u>	<u>-</u>
Total Expenditures, Budgetary Basis	<u>785,876</u>	<u>786,446</u>	<u>597,183</u>	<u>189,263</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	276,620	<u>\$ 276,620</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			2,824	
Add: Current Year Outstanding Warrants			39,726	
Ending Cash Balance			<u>\$ 319,170</u>	

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

**HARPER COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

---

**1. Budgetary Schedules**

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.

**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  
*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, 2005, 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 April 24, 2006. 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. Also, our report 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

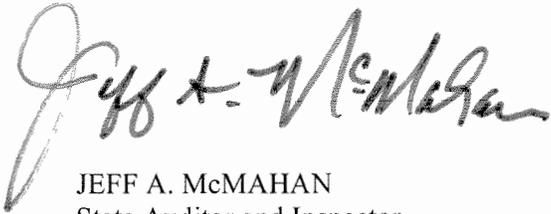
In planning and performing our audit, we considered Harper County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. 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 Harper County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying schedule of findings and responses 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 statement 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2005-1 and 2005-2.

This report is intended solely for the information and use of the management 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., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in black ink, appearing to read "Jeff A. McMahen". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN  
State Auditor and Inspector

April 24, 2006

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

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.

**Finding 2005-1 – Pledged Securities**

Criteria: Title 19 O.S. § 120 states in part, “the county treasurer shall take from each of such banks security in a sum equal to the largest approximate amount that may be deposited in each bank respectively at any one time. Such security is required to be pledged, taken, approved, held and withdrawn under the provisions of the Security for Local Public Deposits Act...”

Condition: The Treasurer did not have copies of all the securities that the banks had pledged including the following:

JP Morgan Chase Bank pledged:  
3133XOBF5 for \$300,000.00  
3133X7CW2 for \$500,000.00

**HARPER COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

---

In addition, the Treasurer was under pledged for two of the four days reviewed. December 30, 2004, was under pledged for \$576,154 and again on January 10, 2005, for \$576,154.

Recommendation: We recommend the Treasurer ensure each month a pledge report is available from the bank and that the County's balances in the bank have been adequately pledged, as provided by 19 O.S. §120. In addition, we recommend the Treasurer maintain copies of these securities in her possession.

Views of responsible officials and planned corrective actions: The Treasurer has requested that both banks provide her a security report each month to prevent this from happening, and now has a copy of the two security pledges she did not have in the office.

**Finding 2005-2 - Purchasing**

Criteria: Title 19 O.S. § 1505.D(1)(2), requires the procedure for the purchase of goods or services shall be as follows:

1. The county purchasing agent shall prepare a purchase order and submit it to the county clerk.
2. The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order.

Additionally, 19 O.S. § 1505.E(2)(3) states, "Upon the delivery of an item, the receiving officer shall determine if a purchase order exists for the item being delivered. If no such purchase order has been provided the receiving officer shall refuse delivery of the item."

Additionally, purchases should be charged to the correct account within the general account categories to provide proper budgeting and accounting information for management.

Condition: The test of 45 purchase orders revealed the following instances of noncompliance with purchasing guidelines:

1. Three purchase orders were not properly encumbered prior to the receipt of goods and services.
2. Two purchase orders were approved based on a packing list or a statement rather than an original invoice.
3. Two instances were noted where expenses of the Sheriff and the Assessor were charged to general sales tax government-utilities.

Effect: Purchasing guidelines were not followed that may have caused expenses to be improperly charged to the County.

Recommendation: We recommend the County adhere to state statutes with regard to purchasing procedures in 19 O.S. § 1505.D(1)(2) and 1505.E(2)(3).

**HARPER COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

---

Views of responsible officials and planned corrective actions: The Board of County Commissioners will ask that the general fund budget be restructured for the next fiscal year, to include maintenance and operations accounts for each officer's account. Additionally, the County will endeavor to follow purchasing guidelines with regard to encumbering funds and paying purchase orders based on original invoices.