

**HARPER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

January 11, 2008

TO THE CITIZENS OF
HARPER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Harper County, Oklahoma, for the fiscal year ended June 30, 2007. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

**HARPER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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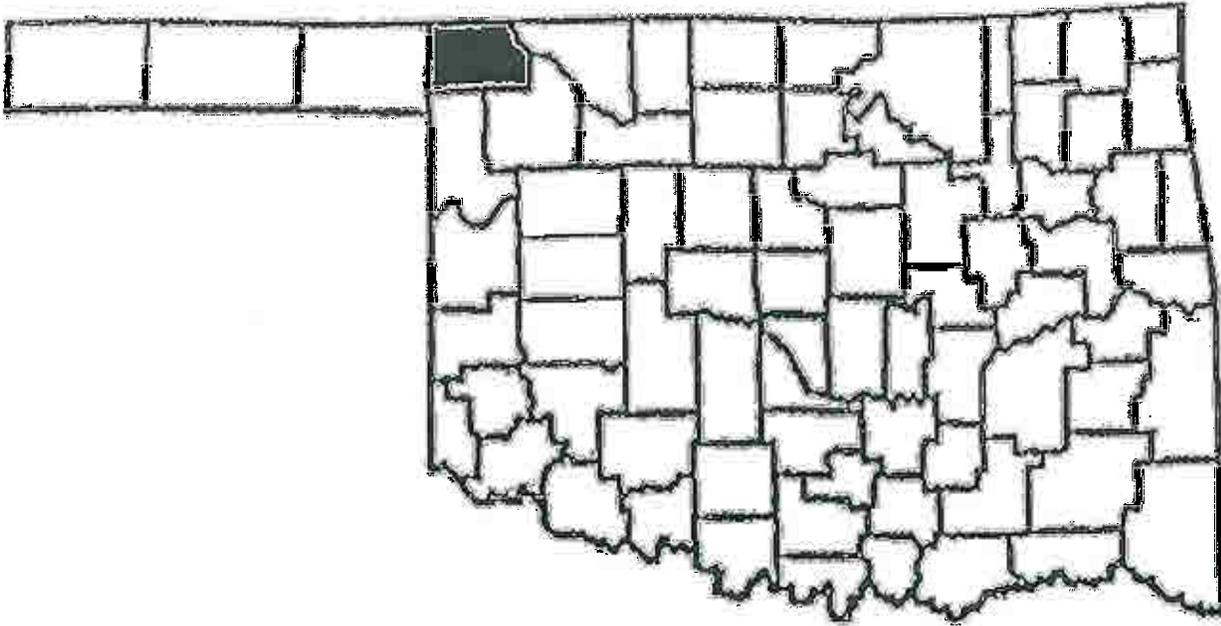
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**REPORT TO THE CITIZENS
OF
HARPER COUNTY, OKLAHOMA**



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

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

County Seat - Buffalo

Area - 1040.96 Square Miles

County Population - 3,313
(2005 est.)

Farms - 517

Land in Farms – 601,162 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

**HARPER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

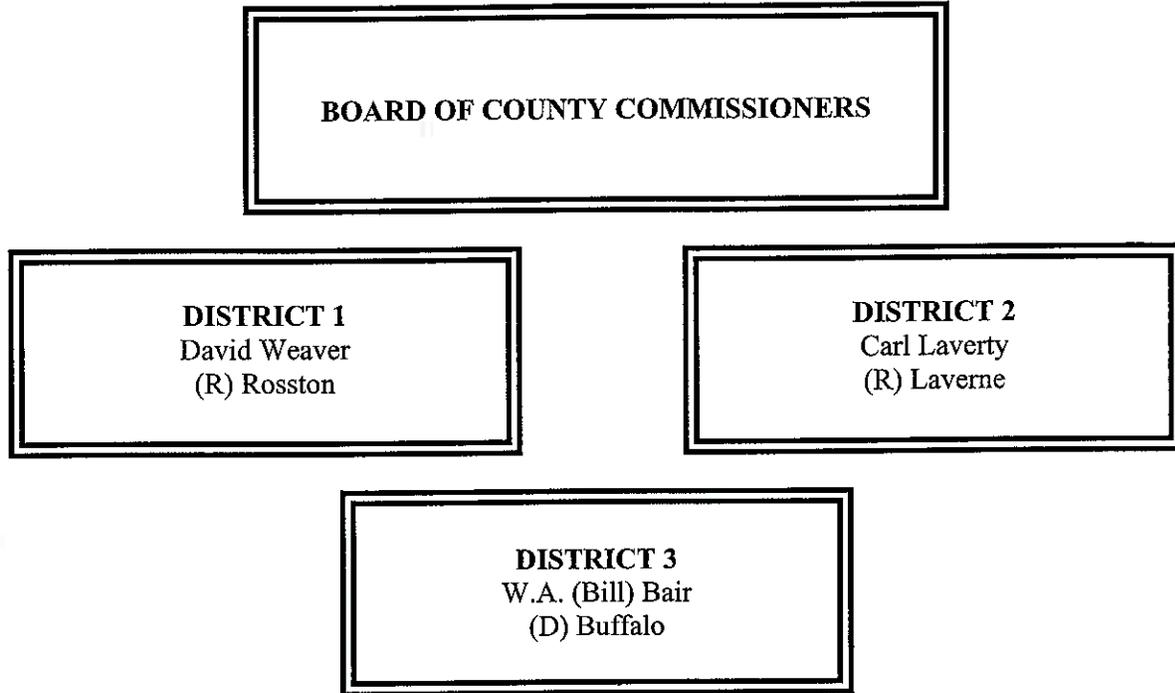
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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, 2007**



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.

**HARPER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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, 2007**

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.

**HARPER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

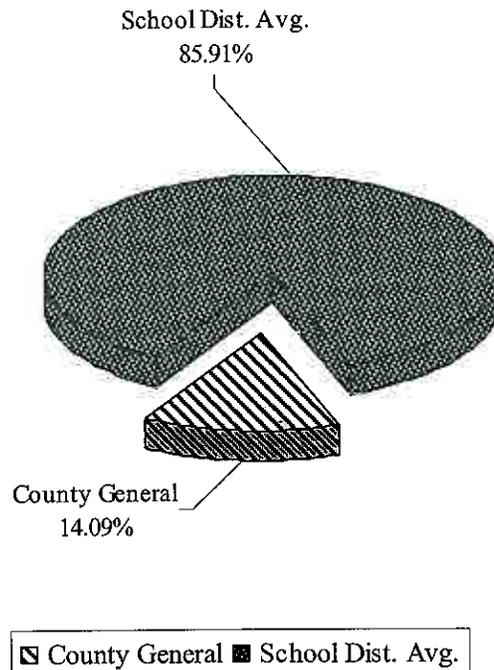
<p>ELECTION BOARD SECRETARY Pauletta Roberts (R) Buffalo</p>

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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	5.11		4.00	3.00	52.11
		Buffalo	I-4	35.00	5.00		12.00	4.00	3.00	59.00
		Woodward	J-1	35.00	5.00	11.46	12.00	4.00		67.46
		Ft. Supply	J-5	35.00	5.00	10.23	12.00	4.00		66.23
		Freedom	J-6	35.00	5.00	3.10	13.00	4.00		60.10

See independent auditor's report.

**HARPER COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Total net assessed value as of January 1, 2006		<u>\$ 41,527,216</u>
Debt limit - 5% of total assessed value		2,076,361
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 2,076,361</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, 2007
(UNAUDITED)**

	2007
Estimated population	3,313
Net assessed value as of January 1, 2006	\$ 41,527,216
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, 2007
(UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2006	\$18,590,853	\$6,525,347	\$17,407,862	\$996,846	\$41,527,216	\$316,629,395

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 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, 2007, 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.

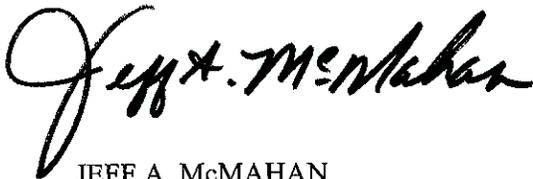
As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between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

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Harper County as of June 30, 2007, 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, 2007, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2008, 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.



JEFF A. McMAHAN
State Auditor and Inspector

January 7, 2008

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, 2007**

	Beginning Cash Balances July 1, 2006	Receipts Apportioned	Transfer In	Transfer Out	Disbursements	Ending Cash Balances June 30, 2007
Combining Information:						
County General Fund	\$ 411,060	\$ 923,917	\$	\$	\$ 723,733	\$ 611,244
Highway Cash	3,754,510	2,935,743			3,283,619	3,406,634
Highway Improvement	234,543	9,432				243,975
Solid Waste Fund	2,030					2,030
CDBG		16			16	
Visual Inspection Reimb Fund	29,477					29,477
County Assessor Revolving	5,017	1,159			1,127	5,049
Treasurer Mortgage Certification Fee	2,849	930			549	3,230
Resale Property	19,284	10,413			13,898	15,799
County Clerk Special	60,735	26,749			16,484	71,000
Sheriff Service Fee	20,087	141,431		4,845	124,042	32,631
Sheriff Hazard Pay			4,845		4,206	639
Sheriff Commissary		1,264			498	766
Sheriff Department of Corrections	3,505	10,323			8,538	5,290
County Sales Tax:						
Health Facility Sales Tax	77,608	63,201			87,124	53,685
OSU Extension Sales Tax	64,548	39,974			44,877	59,645
Free Fair Sales Tax	32,813	48,916			32,908	48,821
Rural Fire Sales Tax	48,947	54,012			31,671	71,288
Laverne EMS Sales Tax	2,214	35,533			35,249	2,498
Buffalo Senior Sales Tax	1,652	2,221				3,873
Laverne Senior Citizens Sales Tax	138	2,221			2,203	156
Laverne Delphian Library Sales Tax	138	2,221			2,203	156
Rural Development Sales Tax	18,029	8,883			10,141	16,771
County General Sales Tax	104,433	173,280			192,535	85,178
Buffalo Public Library Sales Tax	138	2,221			2,203	156
Buffalo EMS Sales Tax	4,504	35,533			27,946	12,091
County Hospital Sales Tax	27,669	444,161			440,608	31,222
Emergency Management	6,928	2,747		1,213	426	8,036
General Insurance Special	2,046				492	1,554
Local Emergency Planning Committee			1,213			1,213
Combined Total--All County Funds	\$ 4,934,902	\$ 4,976,501	\$ 6,058	\$ 6,058	\$ 5,087,296	\$ 4,824,107

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, 2007**

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 bridge projects as mandated by the state.

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

CDBG – accounts for the collection of community development block grant funds.

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

**HARPER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

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

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

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

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

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

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

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

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

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

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. The cash receipts and

**HARPER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 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 and the county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved 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

**HARPER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

G. Compensated Absences

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

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

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

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

All full-time Harper County employees shall be entitled to sick leave with pay that is accrued on a monthly basis. Sick leave shall accumulate at the rate of 10 hours for each full calendar month of service to the County. Sick leave may be accrued up to a maximum of 800 hours.

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

**HARPER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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, 2006, was approximately \$41,527,216.

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, 2007, were approximately 92.59 percent of the tax levy.

3. Fuel Tax

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

4. Risk Management

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

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers Liability • Vehicle 	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 		

**HARPER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Types of Loss	Method of Management	Risk of Loss Retained
Workers' Compensation <ul style="list-style-type: none"> • Employees' Injuries 	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee <ul style="list-style-type: none"> • Medical • Disability • Dental • Life 	The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed pool assets, the members would have surcharges assessed to pay the excess claims.

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating 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 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

**HARPER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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% and 8.5% of earned compensation. The County contributes between 7.5% and 12.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 12.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2007, 2006 and 2005 were \$146,598, \$117,480, and \$88,595, 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.

**HARPER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

There is no pending or threatened litigation against the County. Although the outcome of any lawsuits is not determinable, in management's opinion, the resolution of any such matter would not have a material adverse effect on the financial condition of the County.

9. Sales Tax

On August 25, 1992, a one-cent sales tax was passed by the voters of Harper County for a five year period to provide unrestricted revenues to be used by the Harper County Community Hospital. On August 12, 1997, the voters extended the sales tax for another five years and then again on August 27, 2002. The sales tax was voted on again on April 30, 2007, and will now extend until April 30, 2013.

On April 1, 1997, an additional one-cent (1%) sales tax was passed by voters, to begin July 1, 1997 through July 1, 2002. It was extended on November 13, 2001, to be effective from July 1, 2002 through July 1, 2007. The sales tax was voted on again on November 7, 2006. The sales tax will now extend to July 1, 2012. The tax was 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, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 411,060	\$ 411,060	\$ 411,060	\$ -
Less: Prior Year Warrants	(42,395)	(42,395)	(42,395)	
Less: Prior Year Encumbrances	(3,334)	(3,334)	(2,634)	700
Beginning Cash Balances, Budgetary Basis	<u>365,331</u>	<u>365,331</u>	<u>366,031</u>	<u>700</u>
Receipts:				
Ad Valorem Taxes	377,520	377,520	388,123	10,603
Charges for Services	40,466	40,466	47,481	7,015
Intergovernmental Revenues	146,635	146,985	219,016	72,031
Miscellaneous Revenues	139,869	139,869	269,297	129,428
Total Receipts, Budgetary Basis	<u>704,490</u>	<u>704,840</u>	<u>923,917</u>	<u>219,077</u>
Expenditures:				
District Attorney	2,908	2,908	2,908	-
County Sheriff	210,000	210,300	210,121	179
County Treasurer	67,080	67,080	64,044	3,036
County Commissioners	294,609	294,609		294,609
County Clerk	81,400	81,400	80,107	1,293
Court Clerk	56,350	56,350	55,813	537
County Assessor	57,100	57,100	47,949	9,151
Revaluation of Real Property	87,621	87,621	74,450	13,171
General Government	150,000	149,700	132,100	17,600
Excise-Equalization Board	2,700	2,700	2,325	375
County Election	44,268	44,618	42,183	2,435

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, 2007

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Supt. Of Health	250	250	250	-
Charity	10,382	10,382	10,382	-
Library	1,000	1,000	1,000	-
County Audit Budget	4,153	4,153	547	3,606
Total Expenditures, Budgetary Basis	1,069,821	1,070,171	724,179	345,992
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	565,769	\$ 565,769
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			44	
Add: Current Year Outstanding Warrants			45,431	
Ending Cash Balance			\$ 611,244	

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, 2007**

Budgetary Schedules

The Comparative Schedules 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



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 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, 2007, 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 January 7, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. 2007-1

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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



JEFF A. McMAHAN
State Auditor and Inspector

January 7, 2008

**HARPER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 2007-1 – Segregation of Duties (Repeat Finding)

Criteria: Demonstration of accountability and stewardship are goals used 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 separated.

Condition: Based on inquiries and observation of the County Treasurer, County Sheriff, County Clerk, Court Clerk, and County Assessor's offices, it was noted that the duties of receipting, receipting, recording, and depositing collections were not adequately segregated.

Effect: This lack of separation of duties is caused by the limited number of available personnel to perform these functions.

Recommendation: We recommend management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individual 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: The County is aware of this condition and will make every effort to ensure the segregation of duties in these offices.