

**ROGER MILLS COUNTY, OKLAHOMA
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2002**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

March 11, 2003

TO THE CITIZENS OF
ROGER MILLS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Roger Mills County, Oklahoma, for the fiscal year ended June 30, 2002. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

**ROGER MILLS COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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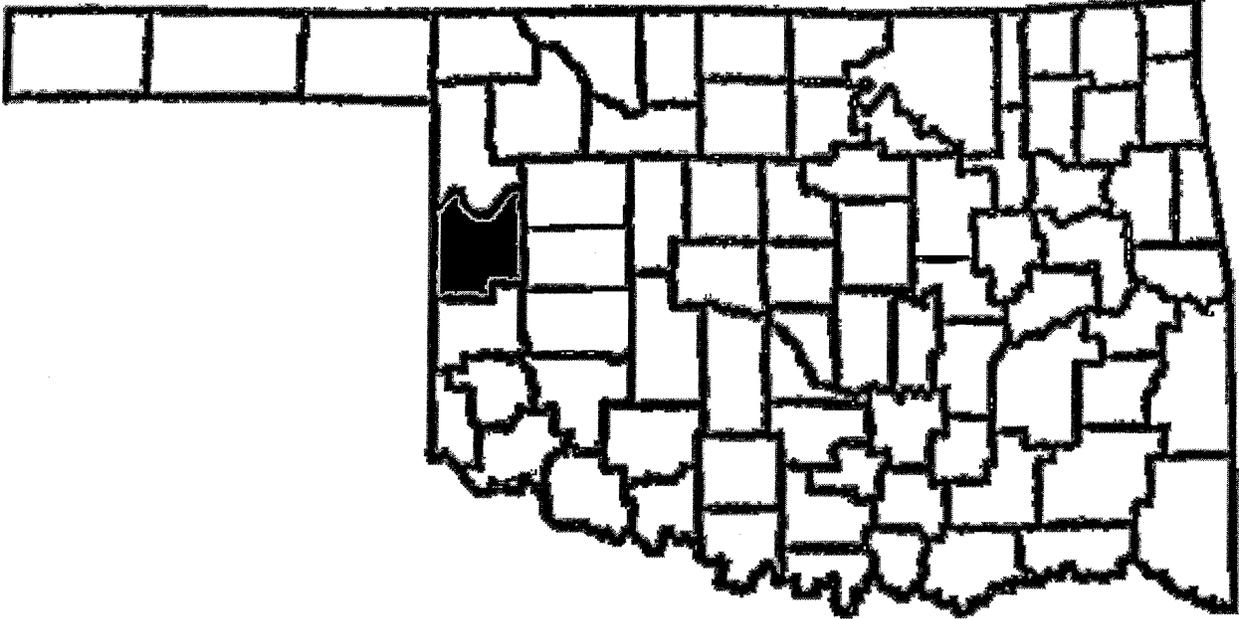
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REPORT TO THE CITIZENS
OF
ROGER MILLS COUNTY, OKLAHOMA



Roger Mills County was opened to settlement in the land run into the Cheyenne and Arapaho reservations on April 19, 1892, and election changed the name to honor Roger Q. Mills of Texas, a former U.S. senator. West of Cheyenne is the marker commemorating the Battle of the Washita where General George Armstrong Custer raided a Cheyenne Indian village on November 27, 1868.

County Seat – Cheyenne

Area – 1,141.9 Square Miles

County Population - 3,593
(1999 est.)

Farms – 680

Land in Farms – 690,568 Acres

Source: Oklahoma Almanac 2001 - 2002

See independent auditor's report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Glenda S. Kirk
(D) Cheyenne

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
Jimmy Beavin
(D) Cheyenne

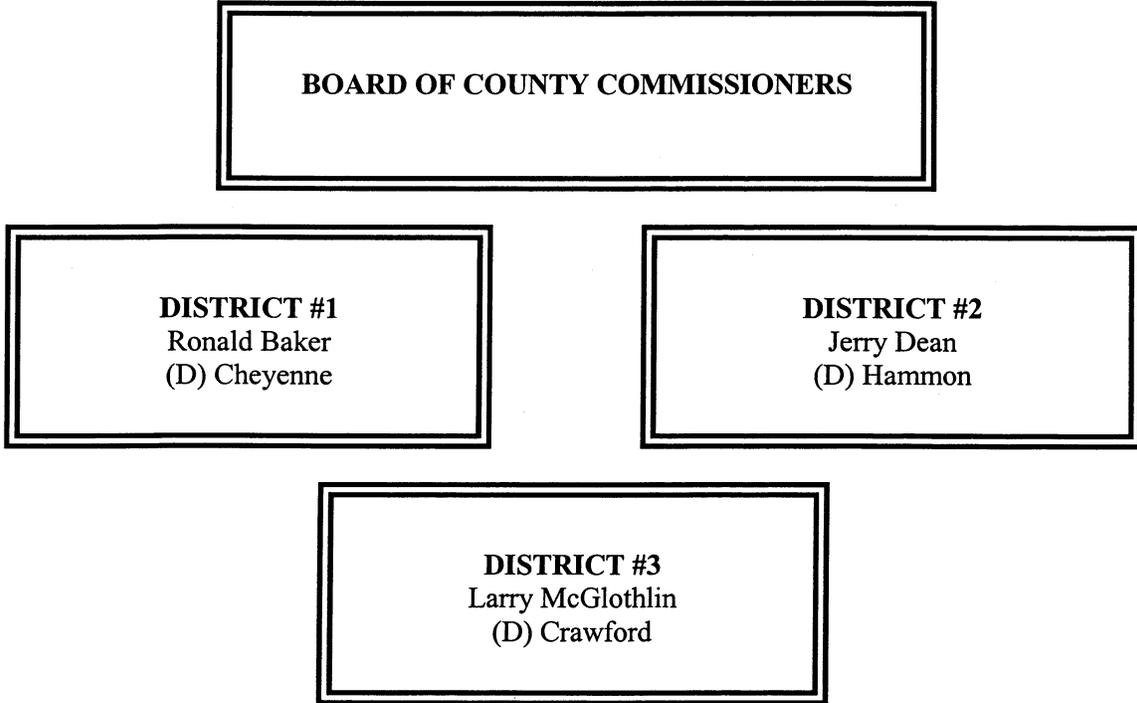
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**



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

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

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

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF

Joe Hay
(D) Cheyenne

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

John L. Smith
(D) Cheyenne

All revenues received 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 revenues and expenditures, 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

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Geneece Cook
(D) Cheyenne

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
Richard Dugger
(D) Elk City

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.

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

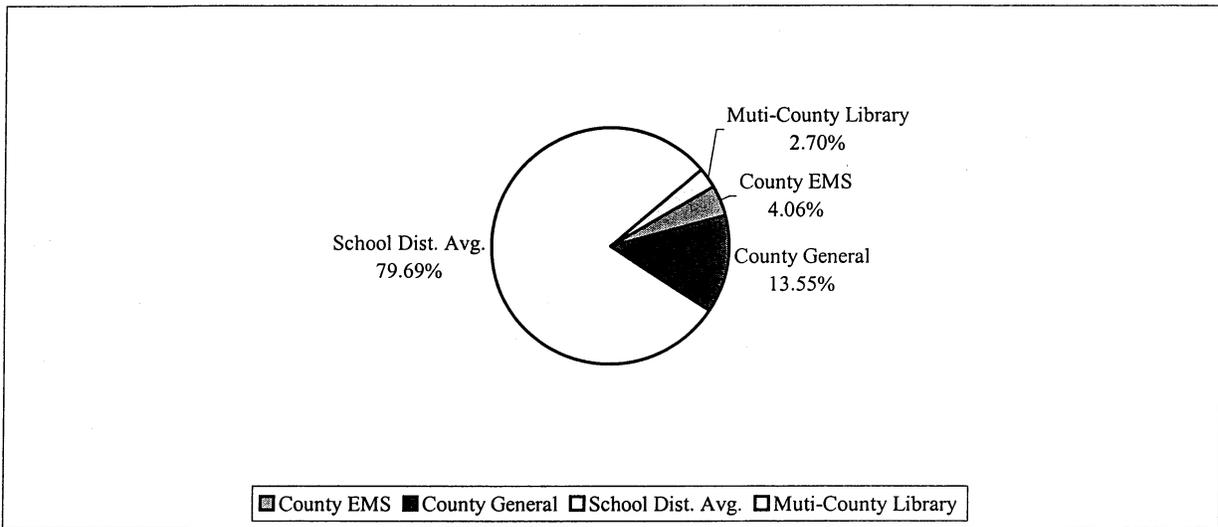
Donna L. Eakins
(D) Cheyenne

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 operating expenses 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.

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

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



County-Wide Millages		School District Millages							
Co. General				Gen.	Bldg.	Skg.	Vo-Tech	Common	Total
Co. General	10.57	Cheyenne	I-7	36.94	5.28	4.73		4.23	51.18
Multi-County Library	2.11	Reydon	I-6	37.09	5.30			4.23	46.62
EMS	3.17	Leedey	I-3	37.49	5.36	14.49		4.23	61.57
		Sweetwater	I-15	37.73	5.39		12.53	4.23	59.88
		Hammon	I-66	36.74	5.25		12.53	4.23	58.75
		Sayre	JI-31	36.47	5.21	19.49	12.53	4.23	77.93
		Merritt	2V12	35.30	5.04	11.96	12.53	4.23	69.06
		Elk City	6V12	36.07	5.15	14.30	12.53	4.23	72.28

See independent auditor's report



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
ROGER MILLS COUNTY, OKLAHOMA

We have audited the accompanying general-purpose financial statements of Roger Mills County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of Roger Mills County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Roger Mills County Hospital Authority reported in the discretely presented component unit column. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion as it relates to the amounts included for the component unit, is based on the report of the other auditors.

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

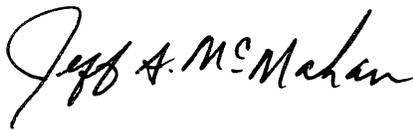
As explained in Note (1H), the general-purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, based on our audit and the report of the other auditors, except for the effect on the general-purpose financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Roger Mills County, Oklahoma, as of June 30, 2002, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2003, on our consideration of Roger Mills County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Roger Mills County, Oklahoma, taken as a whole. The other information listed in the table of contents under *Introductory Section* has not been audited by us and accordingly, we express no opinion on such data.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahán". The signature is written in a cursive style with a large initial "J" and a distinct "hán" at the end.

JEFF A. McMAHAN
State Auditor and Inspector

February 18, 2003

General-Purpose Financial Statements

ROGER MILLS COUNTY, OKLAHOMA
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUP
DISCRETELY PRESENTED COMPONENT UNIT
JUNE 30, 2002

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUP	TOTAL		TOTAL REPORTING ENTITY
	GENERAL	SPECIAL REVENUE	AGENCY	GENERAL LONG - TERM DEBT	(MEMORANDUM ONLY)	COMPONENT UNIT	(MEMORANDUM ONLY)
ASSETS							
Cash and investments	\$ 381,002	\$ 2,542,999	\$ 968,227	\$	\$ 3,892,228	\$ 345,590	\$ 4,237,818
Ad valorem taxes receivable	3,904		21,398		25,302		25,302
Sales tax receivable	31,881	25,035	88,095		145,011	155,000	300,011
Due from other governments	10,774	334,060	4,271		349,105		349,105
Accrued interest receivable	6,797				6,797		6,797
Lease deposits						3,054	3,054
Patients accounts receivable						370,295	370,295
Prepaid expenses						18,292	18,292
Supplies						78,625	78,625
Property, plant, and equipment (net of depreciation)						282,766	282,766
Amount to be provided for compensated absences				50,300	50,300		50,300
Amount to be provided for capitalized lease purchase agreements				1,008,260	1,008,260		1,008,260
Total assets	<u>\$ 434,358</u>	<u>\$ 2,902,094</u>	<u>\$ 1,081,991</u>	<u>\$ 1,058,560</u>	<u>\$ 5,477,003</u>	<u>\$ 1,253,622</u>	<u>\$ 6,730,625</u>
LIABILITIES AND FUND EQUITY							
Liabilities:							
Warrants payable	\$ 63,100	\$ 303,015	\$	\$	\$ 366,115	\$	\$ 366,115
Accounts payable	3,437	44,457			47,894	40,690	88,584
Due to other taxing units			1,046,054		1,046,054		1,046,054
Due to others			35,937		35,937		35,937
Accrued expenses						74,995	74,995
Notes payable						10,661	10,661
Current maturities of long-term debt						17,962	17,962
Amounts due third-party payer						65,000	65,000
Compensated absences payable				50,300	50,300		50,300
Long-term notes payable						15,500	15,500
Capitalized lease obligations payable				1,008,260	1,008,260	8,738	1,016,998
Total liabilities	<u>66,537</u>	<u>347,472</u>	<u>1,081,991</u>	<u>1,058,560</u>	<u>2,554,560</u>	<u>233,546</u>	<u>2,788,106</u>
Fund equity:							
Retained earnings:							
Unreserved						1,020,076	1,020,076
Fund balances:							
Reserved for encumbrances	2,406	23,198			25,604		25,604
Unreserved:							
Undesignated	365,415	2,531,424			2,896,839		2,896,839
Total fund equity	<u>367,821</u>	<u>2,554,622</u>	<u>-</u>	<u>-</u>	<u>2,922,443</u>	<u>1,020,076</u>	<u>3,942,519</u>
Total liabilities and fund equity	<u>\$ 434,358</u>	<u>\$ 2,902,094</u>	<u>\$ 1,081,991</u>	<u>\$ 1,058,560</u>	<u>\$ 5,477,003</u>	<u>\$ 1,253,622</u>	<u>\$ 6,730,625</u>

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

ROGER MILLS COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>GOVERNMENTAL FUND TYPES</u>		TOTAL
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	(MEMORANDUM ONLY)
Revenues:			
Ad valorem taxes	\$ 504,636	\$ 12,601	\$ 517,237
Sales tax	31,881	11,123	43,004
Charges for services	87,678	41,438	129,116
Intergovernmental revenues	185,292	4,453,261	4,638,553
Miscellaneous revenues	206,751	333,170	539,921
Total revenues	<u>1,016,238</u>	<u>4,851,593</u>	<u>5,867,831</u>
Expenditures:			
Current operating:			
General government	823,044	29,977	853,021
Public safety	309,460	244,932	554,392
Culture and recreation	11,479	33,582	45,061
Education		26,877	26,877
Roads and highways	6,199	6,126,106	6,132,305
Total expenditures	<u>1,150,182</u>	<u>6,461,474</u>	<u>7,611,656</u>
Excess revenues over (under) expenditures	<u>(133,944)</u>	<u>(1,609,881)</u>	<u>(1,743,825)</u>
Other financing sources:			
Capitalized lease agreements		287,257	287,257
Total other financing sources		<u>287,257</u>	<u>287,257</u>
Excess revenues and other sources (under) expenditures	(133,944)	(1,322,624)	(1,456,568)
Beginning fund balances	501,765	3,959,146	4,460,911
Increase (decrease) in reserved for inventory		(81,900)	(81,900)
Ending fund balances	<u>\$ 367,821</u>	<u>\$ 2,554,622</u>	<u>\$ 2,922,443</u>

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

ROGER MILLS COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
-BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002

	General Fund		
	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 467,086	\$ 467,087	\$ 1
Revenues:			
Ad valorem taxes	530,780	504,460	(26,320)
Charges for services	30,500	87,678	57,178
Intergovernmental revenues	111,800	175,043	63,243
Miscellaneous revenues	61,448	212,990	151,542
Total revenue, budgetary basis	<u>734,528</u>	<u>980,171</u>	<u>245,643</u>
Expenditures:			
General government	863,897	812,946	50,951
Public safety	311,115	309,824	1,291
Health and welfare	4,900		4,900
Culture and recreation	12,202	10,777	1,425
Roads and highways	9,500	4,661	4,839
Total expenditures, budgetary basis	<u>1,201,614</u>	<u>1,138,208</u>	<u>63,406</u>
Excess of revenues and beginning fund balances over expenditures, budgetary basis	<u>\$ -</u>	309,050	<u>\$ 309,050</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances			
Add: Ad valorem receivable		3,904	
Sales tax receivable		31,881	
Accrued interest		6,797	
Due from other governments		10,774	
Reserved for encumbrances		2,406	
Adjustment to prior year reserved for encumbrances		3,009	
Ending fund balance		<u>\$ 367,821</u>	

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

**ROGER MILLS COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPE
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Roger Mills County Hospital Authority</u>
Operating Revenues:	
Net patient service revenue	\$ 1,883,217
EMS contract revenue	120,000
Sales tax revenue	651,146
Other	45,635
Total operating revenues	<u>2,699,998</u>
Operating Expenses:	
Salaries and wages	1,340,700
Employee benefits	402,344
Purchased services and professional fees	87,526
Supplies and other	652,147
Depreciation	72,175
Interest	5,956
Provision for uncollectible amounts	71,241
Total operating expenses	<u>2,632,089</u>
Operating income	<u>67,909</u>
Other income:	
Interest income	6,913
Contributions to purchase long-lived assets	20,000
Total other income	<u>26,913</u>
Net income	94,822
Retained earnings, May 1, 2001	<u>925,254</u>
Retained earnings April 30, 2002	<u>\$ 1,020,076</u>

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

ROGER MILLS COUNTY, OKLAHOMA
STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2002

	Roger Mills County Hospital Authority
<u>Cash flows from operating activities:</u>	
Operating income	\$ 67,909
Interest expense considered financing activities	5,956
Sales tax revenue considered financing activities	(651,146)
Items not requiring cash:	
Depreciation	72,175
Changes in:	
Patient accounts receivable, net	12,836
Estimated amounts due to third-party payer	(35,000)
Accounts payable and accrued expenses	(16,933)
Supplies and prepaid expenses	1,466
Net cash provided (used) by operating activities	<u>(542,737)</u>
<u>Cash flows from noncapital and related activities:</u>	
Principal payments on notes payable	(39,575)
Interest payments on notes payable	(993)
Proceeds from notes payable	39,832
Sales tax revenue supporting operations	634,923
Net cash provided (used) by capital related activities	<u>634,187</u>
<u>Cash flows from capital and related financing activities:</u>	
Purchase of property and equipment	(46,806)
Principal paid on long-term debt	(40,747)
Interest payments on long-term debt	(4,963)
Contributions to purchase long-lived assets	20,000
Net cash provided (used) by financing activities	<u>(72,516)</u>
<u>Cash flows from investing activities:</u>	
Income on investments	6,913
Net cash provided by investing activities	<u>6,913</u>
Increase (decrease) in cash	25,847
Cash at beginning of year May 1, 2001	319,743
Cash at end of year April 30, 2002	<u>\$ 345,590</u>
<u>Reconciliation of cash to the balance sheet:</u>	
Cash	\$ 345,590
Total	<u>\$ 345,590</u>

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

Notes to the Financial Statements

ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

1. Summary of Significant Accounting Policies

The financial statements of the County are required to be presented in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies and practices are described below.

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.

In accordance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," the County is required to present the entities, which comprise the general-purpose and its legally separate component units in the fiscal year 2002 financial statements.

Discretely Presented Component Unit

The component unit column in the combined financial statements includes the financial data of the County's discretely presented component unit. It is reported in a separate column to distinguish between the financial data of the primary government and those of the discretely presented component unit. The following component unit is included in the reporting entity because the primary government is financially accountable and is able to impose its will on the organization.

Roger Mills County Hospital Authority – The Authority is a public trust organized under the provisions of Title 60 of the Oklahoma Statutes for the benefit of Roger Mills County, Oklahoma. The Roger Mills County Board of County Commissioners appoints the Authority's Board of Trustees, and the Authority may not issue debt without the County's approval. The Authority's sole activity is the operation of Roger Mills County Memorial Hospital (the Hospital) under a bargain-lease agreement with Roger Mills County. The one-year lease expires June 30 annually and is automatically renewable each year upon payment of the bargain-lease rent. Upon termination of the lease, control of the Hospital's operation reverts back to Roger Mills County. The Hospital, located in Cheyenne, is a short-term acute care facility licensed to operate 15 beds.

The financial statements of the Authority, with a fiscal year ending April 30, 2002, were audited by other auditors. A copy of their report is available at the Roger Mills County Clerk's office. Those financial statements have been included in the total reporting entity, Roger Mills County, with a fiscal year ending June 30, 2002.

Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into the categories governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, when the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) except for those that conflict with GASB pronouncements.

Fiduciary Funds

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. Agency funds are generally used to account for assets that the government holds on behalf of others as their agent.

Summary of Significant Accounting Policies (continued)

Account Groups

General Fixed Assets Account Group (GFAAG) - Generally accepted accounting principles (GAAP) require that those fixed assets of a government not reported in a proprietary fund or a trust fund be reported in a general fixed assets account group (GFAAG). This account group is not a fund. It does not have a balance sheet as such, nor does it report operations. Instead, the GFAAG serves as a list of the government's fixed assets and is designed to ensure accountability.

General Long-Term Debt Account Group (GLTDAG) - The general long-term debt account group (GLTDAG) is used to account for a government's unmatured long-term indebtedness that has not been identified as a specific fund liability of a proprietary or trust fund. In addition to general obligation debt instruments (e.g., bonds, notes, warrants), the GLTDAG is also used to report revenue bonds that will be repaid from general government resources, special assessment debt when the government is "obligated in some manner," special revenue bonds, and certain liabilities that are normally not expected to be liquidated with expendable available financial resources (e.g., capitalized lease-purchase obligations).

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these fund types present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accrual basis of accounting is utilized by proprietary fund types, pension trust funds, and nonexpendable trust funds. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be quantified, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if collected within 60 days after year-end.

Summary of Significant Accounting Policies (continued)

Expenditures are recorded when incurred and the related fund liability is expected to be paid from available spendable resources. Principal and interest on general long-term debt are recorded as fund expenditures when paid or when amounts for principal and interest have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, interest revenue, sales tax, and other taxes collected and held by the Oklahoma Tax Commission at year-end on behalf of the government. At June 30, 2002, the only material amount of accruals resulted in due from other governments. Charges for services are not susceptible to accrual because generally they are not measurable until received in cash.

D. Budgetary Policies and Procedures

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

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

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

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - 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 Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

E. Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2002.

Summary of Significant Accounting Policies (continued)

Cash and Investments - Component Unit

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At April 30, 2002, there were no cash equivalents held by the Hospital.

F. Receivables

All receivables are reported at their gross value.

G. Interest Receivable

Interest on deposits and investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

H. Fixed Assets

The County presently maintains some individual records of personal property; however, the County does not keep similar records for land, buildings, and improvements. Because the County does not maintain detailed records of its land, buildings, and improvements, a statement of general fixed assets, required by accounting principles generally accepted in the United States of America, is not presented on the Combined Balance Sheet – All Fund Types and Account Group.

I. Property and Equipment – Component Unit

Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. Amortization of assets subject to capital leases is reported as part of depreciation expense.

J. Risk Management

The County is exposed to various risks of loss as follows:

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability	The County participates in a	If claims exceed pool
- Torts	public entity risk pool -	assets, the County would
- Errors and Omissions	Association of County	have to pay its share of
- Law Enforcement	Commissioners of Oklahoma -	the pool deficit.
Officers Liability	Self-Insured Group. (See ACCO-	
- Vehicle	SIG.)	

ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool. (See ACCO-SIF)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of risk.	None

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county pays a deductible amount (\$1,000 to \$10,000; Roger Mills County has a \$7,500 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool pays legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

ACCO-SIF - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. ACCO-SIF was set up in 1984 and pays legitimate worker's compensation claims up to \$500,000 per incident. A reinsurance policy, with no limit, pays claims that exceed \$500,000 for a particular incident. The pool has not assessed additional premiums to be paid by its members in the past three years.

The County continues to carry commercial insurance for employees' health and accident insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. No significant reductions in insurance coverage occurred during the fiscal year ended June 30, 2002.

Risk Management – Component Unit

For fiscal year 2002, the Hospital was insured commercially for its employee health plan.

ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Summary of Significant Accounting Policies (continued)

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to employee health benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Through April 30, 2001, the Hospital maintained a self-insured health care plan for its employees. In general, the Hospital was self-insured under the plan to the extent of \$10,000 per person, per plan year, with excess risk coverage obtained from an insurance company. The Hospital accrued the expense of claim costs and plan administrative expenses for actual claims and expenses incurred and estimates of unfilled claims based upon the Hospital's own claims experience. For fiscal year 2002, the Hospital was insured commercially for its employee health plan.

Accrued expenses on the balance sheet include an accrual for claims that have been incurred but not reported. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors.

Changes in balance of claims liabilities during 2002 are summarized as follows:

Balance, beginning of year	\$ (15,097.00)
Current year provision for claims	
payments and plan expenses	122,371.00
Claims and plan expenses paid	<u>(87,274.00)</u>
Balance, end of year	<u>\$ 20,000.00</u>

K. Compensated Absences

The County does accrue liability for future vacation benefits up to 15 days. Vacation benefits are earned by the employee during the year and may be accumulated. Employees must work a full year before being entitled to annual leave. For the fiscal year ending June 30, 2002, the County had a liability of \$50,300 in accumulated compensated absences.

Summary of Significant Accounting Policies (continued)

Compensated Absences – Component Unit

Hospital policies permit most employees to accumulate paid leave benefits that may be realized as paid time off for vacation, illness, personal time off, or any other purpose the employee feels necessary. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

L. Long-Term Obligations

The County reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

M. Memorandum Only - Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated from the total column of each financial statement.

N. Grant Revenue

Revenues from federal and state grants are recognized when expenditures are incurred.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

3. Detailed Notes on Account Balances

A. Deposits

Title 62 O.S. § 348.1 authorizes the County Treasurer to invest in:

- 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

Primary Government Deposits. At year-end, the carrying amount of the County's deposits was \$3,892,228, and the bank balance was \$3,895,757. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County name.

Component Unit Deposits. At April 30, 2002, the carrying amount of the Hospital Authority's deposits was \$345,590. The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At April 30, 2002, there were no cash equivalents held by the Hospital.

		Total Bank Balance
Category 1	Insured by Federal Government	\$100,000
Category 2	Uninsured, collateralized by state and municipal securities held by Pledging financial institution's agent in the Hospital's name	262,384
Category 3	Uninsured, uncollateralized	-
	Total	<u>\$362,384</u>
	Total carrying value – cash	<u>\$345,340</u>

B. Patient Accounts Receivable – Component Unit

Patient accounts receivable at April 30, 2002, consist of the following:

Patient accounts receivable	\$ 475,295
Less: allowance for uncollectible accounts and contractual adjustments	(105,000)
Total	<u>\$ 370,295</u>

ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Detailed Notes on Account Balances

C. Receivables

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 net assessed property value as of January 1, 2001, was \$53,887,084.

The County levied 10.57 mills (the legal maximum) for general fund operations, 2.11 mills for the Multi-County Library, and 3.17 mills for County Emergency Medical Service. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and apportions 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, 2002, were approximately 99 percent of the tax levy.

D. Pension Plan

Plan Description. The County and the Hospital Authority contribute 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.

Detailed Notes on Account Balances (continued)

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 contributed between 5% and 10% of earned compensation for fiscal year 2002. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributed 10% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2002, 2001, and 2000, were \$163,632, \$148,604, and \$151,884, respectively, equal to the required contributions for each year.

The Hospital has a retirement plan covering all full-time employees who have been employed at least six months. The Hospital matches 50% of the employee's contribution. Employees may contribute up to 3% of their gross salary. Participating employees are fully vested after three years of continuous contributions to the plan. Contributions made by plan members and the Hospital approximated \$39,000 and \$11,000, respectively.

E. Capital Leases - Primary Government

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 subsequent pieces of machinery acquired. The one-time fee will be reported as interest. Oklahoma Statutes prohibit the County from entering into contracts of this nature longer than one year. For this reason, these lease-purchase agreements do not qualify for capitalization until the year the lease-purchase agreements are completed and title to the equipment is transferred to the County. However, it is the County's intent to exercise its right to purchase this property; accordingly, the lease-purchase agreements have been capitalized to conform with generally accepted accounting principles. The unpaid portions of these agreements have been reflected as capitalized lease obligations within the general long-term debt account group.

Providing all capital leases are renewed each year by resolution of the Board of Commissioners, minimum lease commitments under capitalized lease-purchase agreements as of June 30, 2002, are as follows:

**ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Detailed Notes on Account Balances (continued)

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 386,723	\$ 50,299	\$ 437,022
2004	272,257	30,950	303,207
2005	179,382	16,132	195,514
2006	115,712	6,437	122,149
2007	<u>54,186</u>	<u>1,465</u>	<u>55,651</u>
Total	<u>\$1,008,260</u>	<u>\$ 105,283</u>	<u>\$ 1,113,543</u>

During the year, the County capitalized leases totaling \$287,257 and paid \$590,415 on the outstanding balances of lease-purchase agreements.

F. Changes in Long-Term Liabilities – Primary Government

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2002</u>
Capital leases	\$1,311,418	\$ 287,257	\$ 590,415	\$1,008,260
Compensated absences	<u>65,831</u>	<u>-</u>	<u>15,531</u>	<u>50,300</u>
Total	<u>\$1,377,249</u>	<u>\$ 287,257</u>	<u>\$ 605,946</u>	<u>\$1,058,560</u>

G. Notes Payable and Line of Credit – Component Unit

At April 30, 2002, the Hospital had two notes payable with insurance companies for the financing of insurance premiums. The notes mature between October 1, 2002 and January 2003.

The Hospital has obtained a line of credit of \$100,000 from a commercial bank with interest payable at 7 percent. As of April 30, 2002, the Hospital has not taken a draw on the line of credit.

H. Long-Term Debt – Component Unit

Aggregate annual maturities of long-term debt and payments on capital lease obligations at April 30, 2002, are:

ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Detailed Notes on Account Balances (continued)

	<u>Long-term Debt</u>	<u>Capital Lease Obligations</u>	
2003	\$ 10,858	\$ 8,589	
2004	11,584	8,187	
2005	<u>3,916</u>	<u>1,175</u>	
	26,358	17,951	
Less amount representing interest		<u>2,109</u>	
Present value of future minimum			
lease payments		15,842	
Less current maturities	<u>10,858</u>	<u>7,104</u>	
Noncurrent portion	\$ <u>15,500</u>	\$ <u>8,738</u>	

I. Fund Equity

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Designations of fund balances represent tentative plans for future use of financial resources, which are available for appropriation. Specific reservations of the fund balance accounts are summarized below.

Reserved for Encumbrances- The reserve for encumbrances represents encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the County but not completed as of the close of the fiscal year.

J. Supplies – Component Unit

Supply inventories are stated at the lower of cost, determined using the first-in first-out method, or market.

K. Operating Leases – Component Unit

Noncancellable operating leases for equipment expire in various years through 2005.

ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Detailed Notes on Account Balances (continued)

Future minimum lease payments at April 30, 2002, were:

	2003	\$11,434
	2004	11,212
	2005	<u>4,756</u>
Future minimum lease payments		<u>\$27,402</u>

Rental expense for all operating leases consisted of \$37,382 in 2002.

4. Contingent Liabilities

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

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

5. Sales Tax

In November 1997, Roger Mills County voters approved a 1.05% sales tax effective December 1, 1997, through November 30, 2001. Roger Mills County Hospital Authority (d.b.a. Roger Mills Memorial Hospital) receives 77% of the 1.05% sales tax. The remaining 23% is divided as follows: OSU Extension 20%, Rural Fire Departments 50%, Senior Citizens 15%, Civil Defense 5%, and Free Fair 10%. In January 2000, the Roger Mills County Commissioners approved to change the remaining 23% to be divided as follows: OSU Extension 20%, Rural Fire Departments 50%, Senior Citizens 5%, and Free Fair 10%.

In June 2001, Roger Mills County voters approved a 1.5% sales tax effective December 1, 2001, through November 30, 2007. Roger Mills County Hospital Authority (d.b.a. Roger Mills Memorial Hospital) receives 60 % of the 1.5% sales tax. The remaining 40% is divided as follows: County General Fund 21.9855%, OSU Extension 3%, Rural Fire Department 8.33%, Senior Citizens 2.951%, Civil Defense .9835%, Economic Development .75%, and Free Fair 2%.

For the fiscal year ending June 30, 2002, \$651,146 was apportioned to the Hospital Authority, \$3,051 was apportioned to Economic Development, \$31,881 was apportioned to General, and the remaining amount apportioned to Special Revenue was \$11,123.

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
ROGER MILLS COUNTY, OKLAHOMA

We have audited the financial statements of Roger Mills County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated February 18, 2003. We did not audit the financial statements of the Roger Mills County Hospital Authority, whose financial information is included as a discretely presented component unit. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us. 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. We qualified our opinion because the general fixed assets account group was not included in the general-purpose financial statements.

Compliance

As part of obtaining reasonable assurance about whether Roger Mills County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Roger Mills County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described below.

Finding 1996-1 – General Fixed Assets

Criteria: Generally accepted accounting principles for a governmental entity using governmental fund types require the presentation of the general fixed assets account group (GFAAG) in the financial statements.

Title 19 O.S. 2001, § 178.1 requires the County to maintain necessary information regarding land, buildings, and improvements.

Condition: Information is not available for reporting general fixed assets in accordance with generally accepted accounting principles for a government entity. The general fixed assets control account is not accurate.

Effect: This component of internal control is not effective. Accordingly, there is a greater risk that a fixed asset may not be properly accounted for and safeguarded against loss.

Recommendation: We recommend records include acquisition cost, a complete description, purchase date, location of such assets, and that a control total of cost of these assets be maintained and reconciled annually.

Finding 2002-1 – Segregation of Duties

Criteria: The overall goal of accounting principles generally accepted in the United States of America is to demonstrate accountability and stewardship to be used in evaluating management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, recording, and depositing cash and checks should be segregated.

Condition: The limited number of office personnel within several County offices prevents a proper amount of segregation of accounting functions, which is necessary to assure adequate internal accounting controls.

Recommendation: We recommend management be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of County operations and periodic review of those operations.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider items 96-1 and 2002-1 to be material weaknesses.

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

February 18, 2003

Management Response

**BOARD OF COUNTY COMMISSIONER'S
BOX 708
CHEYENNE, OK 73628
(580) 497-3365**

**District #1
MARK BOSWELL**

**District #2
JERRY DEAN**

FEBRUARY 26, 2003

**District #3
LARRY MCGLOTHLIN**

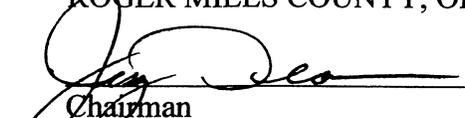
**Secretary
KRISTY MARTIN
NORMA MOLER**

STATE AUDITOR & INSPECTOR
1401 LERA, SUITE G
RT. 2
WEATHERFORD, OK 73096

TO WHOM IT MAY CONCERN:

The Board of County Commissioners of Roger Mills County will have fixed asset records for year 2001-2002 in the near future.

BOARD OF COUNTY COMMISSIONERS
ROGER MILLS COUNTY, OKLAHOMA

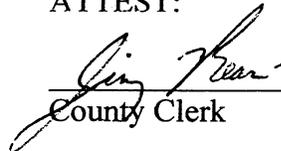

Chairman

Member


Member



ATTEST:


County Clerk