

**CADDO COUNTY, OKLAHOMA
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2001**

This publication is printed and issued by the State Auditor and Inspector as authorized by 74 O.S. § 212. Pursuant to 74 O.S. § 3105, 35 copies have been prepared and distributed at a cost of \$72.45. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA
Office of The Auditor and Inspector

CLIFTON H. SCOTT
STATE AUDITOR AND INSPECTOR

2300 NORTH LINCOLN BLVD.
100 STATE CAPITOL
OKLAHOMA CITY, OK 73105-4896
405/521-3495

May 14, 2002

TO THE CITIZENS OF
CADDO COUNTY, OKLAHOMA

Transmitted herewith is the audit of Caddo County, Oklahoma, for the fiscal year ended June 30, 2001. 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 "Clifton H. Scott".

CLIFTON H. SCOTT
State Auditor and Inspector

**CADDO COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Caddo County	ii
County Elected Officials and Responsibilities.....	iii
Ad Valorem Tax Distribution	vii

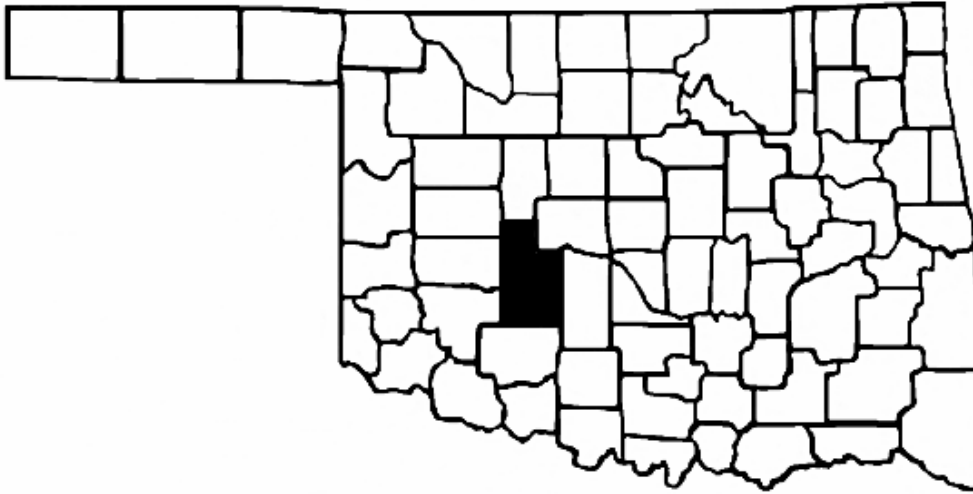
FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types.....	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue (County Health Department only) Funds	5
Notes to the Financial Statements	6

COMPLIANCE/INTERNAL CONTROL SECTION

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18
Management Response	21

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



Caddo County was organized on August 6, 1901, when much of southwestern Oklahoma was opened by land lottery. Caddo comes from an Indian word, Kaddi, meaning “life” or “chief.” The county is primarily agricultural and produces much of Oklahoma’s peanuts, alfalfa and wheat.

The American Indian Exposition, the largest event of its kind in the world, is held annually in Anadarko, as are the Southern Plains Indian Rendezvous Art Show and the Pumpkin Festival of the Arts.

County Seat – Anadarko

Area – 1,286 Square Miles

County Population – 30,600
(1995 est.)

Farms – 1,441

Land in Farms – 726,264 acres

Source: Oklahoma Almanac 2000-2001

See independent auditor’s report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR

Vernon Crumm
(D) Anadarko

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, and assesses it at no more than 35 percent of its fair cash value.

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

Patrice Dolch
(D) Anadarko

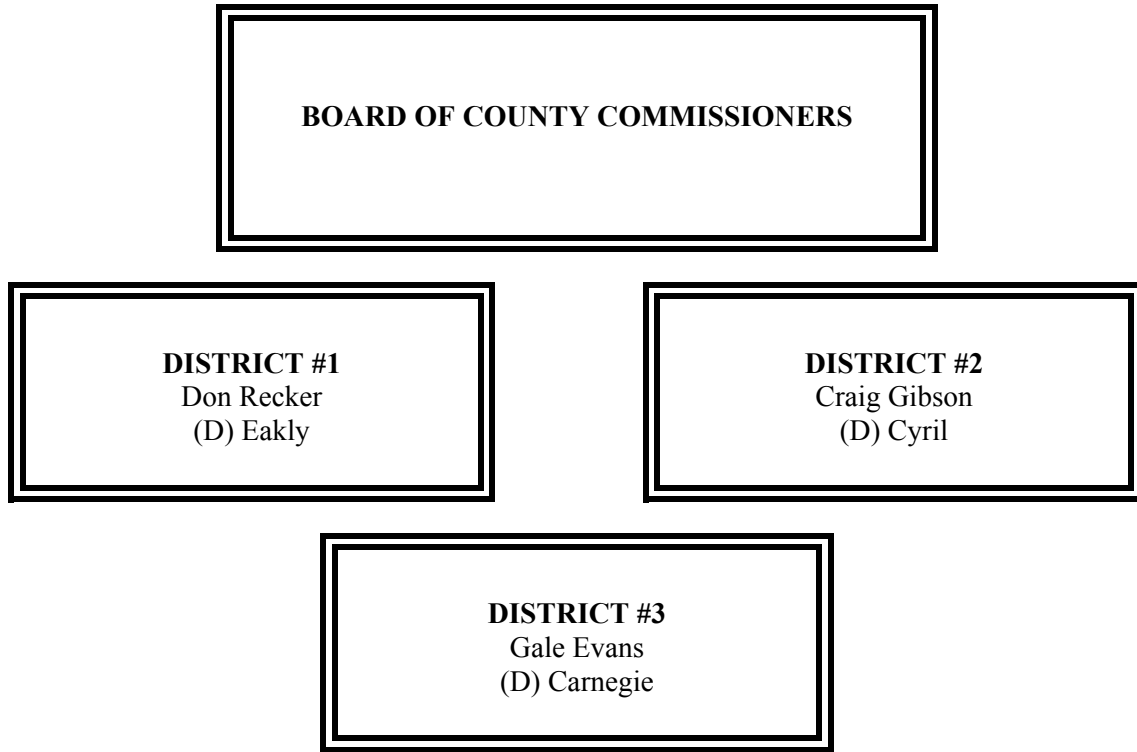
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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

Gene Cain
(D) Anadarko

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

Stan Jennings
(D) Gracemont

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.

COURT CLERK

Judy Cain
(D) Anadarko

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

See independent auditor's report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

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
Gene Christian
(D) Duncan

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. When any county in the District is involved in civil litigation, the District Attorney serves as its defender or prosecutor. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

ELECTION BOARD SECRETARY
Jean Anne McKee
(D) Anadarko

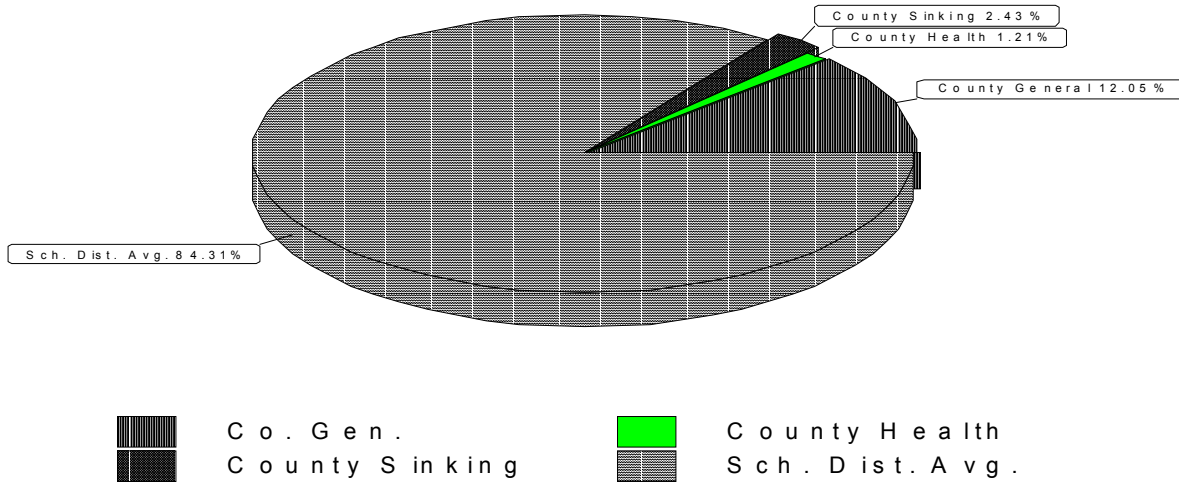
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

See independent auditor's report

**AD VALOREM TAX DISTRIBUTION
CADDO 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

Co. General	10.00
County Health	1.00
County Sinking	2.01

	<u>Gen.</u>	<u>Bldg.</u>	<u>Skg.</u>	<u>EMS</u>	<u>Vo-Tech</u>	<u>Common</u>	<u>Total</u>
Anadarko I-20	35.00	5.00	20.77		11.00	4.00	75.77
Hydro I-1	35.00	5.00	23.08		11.00	4.00	78.08
Apache-Boone I-56	35.00	5.00	22.94		11.00	4.00	77.94
Ft. Cobb-Broxton I-167	35.00	5.00	15.21		11.00	4.00	70.21
Lookeba-Sickles I-12	35.00	5.00	9.02		11.00	4.00	64.02
Binger-Oney I-168	35.00	5.00	13.10	3.00	11.00	4.00	71.10
Binger I-168V6	35.00	5.00	13.10	3.00	15.00	4.00	75.10
Carnegie I-33	35.00	5.00			11.00	4.00	55.00
Cyril I-64	35.00	5.00	24.42		11.00	4.00	79.42
Gracemont I-86	35.00	5.00	12.95		11.00	4.00	67.95
Cement I-160	35.00	5.00	12.76		11.00	4.00	67.76
Hinton I-161V2	35.00	5.00	8.85		11.00	4.00	63.85
Hin(Can) I161V6	35.00	5.00	8.85		15.00	4.00	67.85

Joint School Districts

	<u>Gen.</u>	<u>Bldg.</u>	<u>Skg.</u>	<u>EMS</u>	<u>Vo-Tech</u>	<u>Common</u>	<u>Total</u>
Jt 2 Gdy V6	35.00	5.00	21.20		15.46	4.00	80.66
Jt 11 /6/9 (Com V9)	35.00	5.00	21.33		11.00	4.00	76.33
Jt 9 Washita	35.00	5.00	3.82			4.00	47.82
Jt 99V2 Grady	35.00	5.00	18.18		11.65	4.00	73.83
Jt 131 Grady	35.00	5.00	7.04		15.46	4.00	66.50

See independent auditor's report



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

CLIFTON H. SCOTT
STATE AUDITOR AND INSPECTOR

2300 NORTH LINCOLN BLVD.
100 STATE CAPITOL
OKLAHOMA CITY, OK 73105-4896
405/521-3495

Independent Auditor's Report

TO THE OFFICERS OF
CADDO COUNTY, OKLAHOMA

We have audited the accompanying primary government financial statements of Caddo County, Oklahoma, as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of Caddo County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As explained in Note (1A), the financial statements referred to above do not include the financial statements of the Caddo County Industrial Authority, a component unit of Caddo County, which should be included in order to conform with accounting principles generally accepted in the United States of America. Those financial statements, which are prepared by other auditors, were not available for inclusion in our report.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the financial position of the primary government of Caddo County, Oklahoma, as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements, because they do not include financial data of the component units of Caddo County, do not purport to, and do not, present fairly the financial position of Caddo County, Oklahoma, as of June 30, 2001, and the results of its operations 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 28, 2002, on our consideration of Caddo 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 primary government financial statements of Caddo 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,

CLIFTON H. SCOTT
State Auditor and Inspector

February 28, 2002

Financial Statements

CADDO COUNTY, OKLAHOMA
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

	GOVERNMENTAL FUND TYPES			FIDUCIARY	ACCOUNT GROUPS		TOTAL
	GENERAL	SPECIAL	DEBT	FUND TYPE	GENERAL	GENERAL	(MEMORANDUM ONLY)
		REVENUE	SERVICE	AGENCY	LONG-TERM DEBT	FIXED ASSETS	
ASSETS							
Cash and investments	\$ 1,064,293	\$ 5,918,277	\$ 269,056	\$ 1,026,740	\$	\$	\$ 8,278,366
Ad valorem taxes receivable	17,641	1,765	3,553	125,724			148,683
Sales tax receivable	27,269	56,816					84,085
Due from other governments	4,613	502,179		18,316			525,108
Accrued interest receivable	32,018	126	469	977			33,590
Fixed assets						8,575,957	8,575,957
Amount available in debt service fund					273,078		273,078
Amount to be provided for retirement of general long-term debt					416,922		416,922
Amount to be provided for compensated absences					72,895		72,895
Amount to be provided for capitalized lease purchase agreements					1,429,026		1,429,026
Total assets	<u>\$ 1,145,834</u>	<u>\$ 6,479,163</u>	<u>\$ 273,078</u>	<u>\$ 1,171,757</u>	<u>\$ 2,191,921</u>	<u>\$ 8,575,957</u>	<u>\$ 19,837,710</u>
LIABILITIES AND FUND EQUITY							
Liabilities:							
Warrants payable	\$ 130,406	\$ 380,745	\$	\$	\$	\$	\$ 511,151
Accounts payable	9,117	653,328					662,445
Due to other taxing units				213,321			213,321
Due to others				958,436			958,436
Compensated absences payable					72,895		72,895
General obligation bonds payable					690,000		690,000
Capitalized lease obligations payable					1,429,026		1,429,026
Total liabilities	<u>139,523</u>	<u>1,034,073</u>	<u>-</u>	<u>1,171,757</u>	<u>2,191,921</u>	<u>-</u>	<u>4,537,274</u>
Fund equity:							
Investment in general fixed assets						8,575,957	8,575,957
Fund balances:							
Reserved for encumbrances	1,239	11,313					12,552
Reserved for debt service			273,078				273,078
Unreserved:							
Undesignated	1,005,072	5,433,777					6,438,849
Total fund equity	<u>1,006,311</u>	<u>5,445,090</u>	<u>273,078</u>	<u>-</u>	<u>-</u>	<u>8,575,957</u>	<u>15,300,436</u>
Total liabilities and fund equity	<u>\$ 1,145,834</u>	<u>\$ 6,479,163</u>	<u>\$ 273,078</u>	<u>\$ 1,171,757</u>	<u>\$ 2,191,921</u>	<u>\$ 8,575,957</u>	<u>\$ 19,837,710</u>

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

CADDO COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	GOVERNMENTAL FUND TYPES			TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	
Revenues:				
Ad valorem taxes	\$ 1,046,626	\$ 164,406	\$ 209,072	\$ 1,211,032
Sales tax	233,443	575,038		808,481
Charges for services	200,149	183,025		383,174
Intergovernmental revenues	238,045	6,244,139		6,482,184
Miscellaneous revenues	237,298	1,289,201	506,087	2,032,586
Total revenues	<u>1,955,561</u>	<u>8,455,809</u>	<u>715,159</u>	<u>11,126,529</u>
Expenditures:				
General government	1,460,087	324,143		1,784,230
Public safety	531,306	664,261		1,195,567
Health and welfare		160,368		160,368
Culture and recreation		118,787		118,787
Education		87,107		87,107
Roads and highways		5,845,231		5,845,231
Debt service:				
Principal retirement			560,000	560,000
Interest and fiscal agent charges			80,000	80,000
Total expenditures	<u>1,991,393</u>	<u>7,199,897</u>	<u>640,000</u>	<u>9,831,290</u>
Excess revenue over/(under) expenditures	<u>(35,832)</u>	<u>1,255,912</u>	<u>75,159</u>	<u>1,295,239</u>
Other financing sources (uses):				
Transfers in		30,000		30,000
Transfers out	(30,000)			(30,000)
Capitalized lease purchase agreements		127,663		127,663
Total other financing sources (uses)	<u>(30,000)</u>	<u>157,663</u>	<u>-</u>	<u>127,663</u>
Excess revenue and other sources over (under) expenditures and other uses	<u>(65,832)</u>	<u>1,413,575</u>	<u>75,159</u>	<u>1,422,902</u>
Beginning fund balances	<u>1,072,143</u>	<u>4,031,515</u>	<u>197,919</u>	<u>5,301,577</u>
Ending fund balances	<u>\$ 1,006,311</u>	<u>\$ 5,445,090</u>	<u>\$ 273,078</u>	<u>\$ 6,724,479</u>

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

CADDO COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
-BUDGET AND ACTUAL-GENERAL AND SPECIAL REVENUE
(COUNTY HEALTH DEPARTMENT ONLY) FUNDS
FOR THE YEAR ENDED JUNE 30, 2001

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 1,018,239	\$ 1,018,239	\$ -	\$ 58,352	\$ 58,352	\$ -
Revenues:						
Ad valorem taxes	930,750	1,036,274	105,524	93,075	103,629	10,554
Sales tax	209,147	226,215	17,068			-
Charges for services	131,410	200,149	68,739	53,156	56,586	-
Intergovernmental revenues	166,912	232,522	65,610			-
Miscellaneous revenues	143,088	230,854	87,766			-
Total revenue, budgetary basis	<u>1,581,307</u>	<u>1,926,014</u>	<u>344,707</u>	<u>146,231</u>	<u>160,215</u>	<u>13,984</u>
Expenditures:						
General government	2,063,788	1,461,436	602,352			
Public safety	535,758	533,164	2,594			
Health and welfare				204,583	162,929	41,654
Total expenditures, budgetary basis	<u>2,599,546</u>	<u>1,994,600</u>	<u>604,946</u>	<u>204,583</u>	<u>162,929</u>	<u>41,654</u>
Excess of revenues and beginning fund balances over expenditures, budgetary basis	<u>\$ -</u>	<u>949,653</u>	<u>\$ 949,653</u>	<u>\$ -</u>	<u>55,638</u>	<u>\$ 55,638</u>
Other financing (uses):						
Transfer out		(30,000)			-	
Total other financing (uses)		<u>(30,000)</u>			<u>-</u>	
Excess of revenues and beginning fund balances over expenditures and other uses		919,653			55,638	
Expenditures and Changes in Fund Balances						
Add: Ad valorem receivable		17,641			1,765	
Sales tax receivable		27,269				
Accrued interest		32,018			116	
Due from other governments		4,613				
Reserved for encumbrances		1,239				
Adjustment to prior year reserved for encumbrances		3,878			2,562	
Ending fund balances		<u>\$ 1,006,311</u>			<u>\$ 115,719</u>	

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

Notes to the Financial Statements

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 primary government and its legally separate component units in the fiscal year 2001 financial statements.

Excluded Component Unit

Caddo County Industrial Authority— is a separate legal entity created under Title 60 of the Oklahoma Statutes. However, it is considered a component unit under governmental accounting and financial reporting standards. The Caddo County Board of Commissioners appoints the majority of the Board members and has the ability to significantly influence operations. Financial statements of the Authority for the fiscal year ending June 30, 2001, because they are reported on a cash basis, have not been included in the County's financial statements.

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 and fiduciary.

Summary of Significant Accounting Policies (continued)

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.

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.

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 and compensated absences).

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.

Summary of Significant Accounting Policies (continued)

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.

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. 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 and special revenue fund (County Health Department only) are the only funds 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 and Special Revenue Fund (County Health Department only) 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,

Summary of Significant Accounting Policies (continued)

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, 2001.

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

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, and drainage systems are not capitalized since these assets are immovable and of value only to the government. Assets in the general fixed assets account group are not depreciated.

Summary of Significant Accounting Policies (continued)

I. 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 - 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-Insured Group (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
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 Self-Insured Fund 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 will pay a deductible amount (\$1,000 to \$10,000; the County has a \$2,500 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 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 will pay 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.

Summary of Significant Accounting Policies (continued)

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. There have been no significant reductions in insurance coverage during the 2001 fiscal year.

J. Compensated Absences

All full-time employees are entitled to annual leave that is accrued on a monthly basis. After one year of service, the employee is entitled to five days of vacation. Employees with ten years of service, are entitled to ten days of vacation. The compensated absences payable as reported for fiscal year 2001, was \$72,895.

The County does not record any liability for sick leave. An employee earns up to 12 days per year and may accumulate up to 60 days. There is no history of sick leave usage from which to project future usage; hence, no liability for such has been recorded. In management's opinion, such an amount, if recorded, would not be material to the financial statements.

K. 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.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. Operating transfers consist of \$30,000 transferred from the general fund to the special revenue fund for matching funds on a Sheriff COPS grant.

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 or results of operations in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated from the total column of each financial statement.

Summary of Significant Accounting Policies (continued)

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.

3. Detailed Notes on Account Balances

A. Deposits and Investments

Title 62 O.S. 1996 Supp., § 348.3 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
- Negotiable Certificates of Deposit
- Prime Bankers Acceptances 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.

Primary Government Deposits. At year-end, the carrying amount of the County's deposits was \$8,278,366, and the bank balance was \$8,306,342. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

CADDO COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

Detailed Notes on Account Balances (continued)

B. 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. A continuous and systematic program of visual inspection of all taxable real property within the County is required at least once every four (4) years.

The net assessed property value as of January 1, 2000, was \$102,382,527.

The County levied 10 mills for general fund operations, 1 mill for County Health Department, and 2.01 mills for County Sinking. 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, 2001, were approximately 98 percent of the tax levy.

C. Fixed Assets

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2001</u>
Land	\$ 675,479	\$ -	\$ -	\$ 675,479
Buildings	740,907	-	-	740,907
Capital leases	<u>7,106,915</u>	<u>264,135</u>	<u>211,479</u>	<u>7,159,571</u>
Total	<u>\$8,523,301</u>	<u>\$ 264,135</u>	<u>\$211,479</u>	<u>\$8,575,957</u>

Detailed Notes on Account Balances (continued)

D. Pension Plan – Primary Government

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 contributed between 5% and 10% of earned compensation for fiscal year 2001. 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, 2001, 2000, and 1999, were \$290,156, \$269,364, and \$328,703, respectively, equal to the required contributions for each year.

E. Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. 1991, § 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, 2001, are as follows:

CADDO COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

Detailed Notes on Account Balances (continued)

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 1,219,607	\$ 35,293	\$ 1,254,900
2003	125,009	9,704	134,713
2004	57,849	4,074	61,923
2005	14,844	1,105	15,949
2006-2008	<u>11,717</u>	<u>311</u>	<u>12,028</u>
Total	<u>\$ 1,429,026</u>	<u>\$ 50,487</u>	<u>\$ 1,479,513</u>

During the year, the County capitalized leases totaling \$127,663 and paid \$590,257 on the outstanding balances of lease-purchase agreements.

F. Long-Term Debt

General Obligation Bonds – Primary Government

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government. General obligation bonds have been issued to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are generally issued as 25 year serial bonds, except for refunding issues, with equal amounts of principal maturing each year.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Caddo County G.O. Limited Tax Bonds, 1989	6%	<u>\$690,000</u>

Annual debt service requirements to maturity for general obligations bonds, including interest of \$42,050, are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2002	\$ 65,000	\$ 650	\$ 65,650
2003	65,000	3,900	68,900
2004	65,000	3,900	68,900
2005	65,000	3,900	68,900
2012-2016	285,000	21,000	306,000
2017-2019	<u>145,000</u>	<u>8,700</u>	<u>153,700</u>
Total	<u>\$ 690,000</u>	<u>\$ 42,050</u>	<u>\$ 732,050</u>

**CADDO COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001**

Detailed Notes on Account Balances (continued)

G. Changes in Long-Term Liabilities

During the year ended June 30, 2001, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Balance</u> <u>Reductions</u>	<u>June 30, 2001</u>
General obligation debt	\$1,250,000	\$ -	\$ 560,000	\$ 690,000
Capitalized leases	1,891,620	127,663	590,257	1,429,026
Compensated absences	-	72,895	-	72,895
Total	<u>\$3,141,620</u>	<u>\$ 200,558</u>	<u>\$1,150,257</u>	<u>\$2,191,921</u>

H. 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.

Reserved for Debt Service - The reserve for debt service was established to indicate that the fund balance or portion thereof is required by law to be used for the payment of any outstanding bonds, interest, or judgments against the County.

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.

CADDO COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

5. Sales Tax

The voters of Caddo County approved a .50% sales tax effective January 1, 1999. This sales tax will expire January 1, 2004. The sales tax was established to provide revenue in the following manner:

General Fund, Caddo County	\$233,443
Caddo County O.S.U. Extension and 4-H Office	135,853
Caddo County Free Fair and Caddo County Livestock Show	53,985
Caddo County Free Township Fairs	53,985
Capitol Improvements for Caddo County Courthouse Including Repair and Maintenance thereof	147,986
Office of the Sheriff, Caddo County	45,920
Rural and Volunteer Firefighting Programs	58,318
Improvements to and for Caddo County Grandstand Arena and Surrounding Area Including Repair and Maintenance thereof	25,006
Senior Citizens Nutrition Centers	<u>53,985</u>
Total	<u>\$808,481</u>

**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

CLIFTON H. SCOTT
STATE AUDITOR AND INSPECTOR

2300 NORTH LINCOLN BLVD.
100 STATE CAPITOL
OKLAHOMA CITY, OK 73105-4896
405/521-3495

TO THE OFFICERS OF
CADDO COUNTY, OKLAHOMA

We have audited the financial statements of Caddo County, Oklahoma as of and for the year ended June 30, 2001, and have issued our report thereon dated February 28, 2002. The financial statements do not include the financial data of Caddo County Industrial Authority, a component unit of Caddo County. 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.

Compliance

As part of obtaining reasonable assurance about whether Caddo 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 Caddo 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 98-1 – Component Unit

- Criteria: GASB 14 requires that a component unit's financial position and activity be included with the financial statements of the reporting entity.
- Condition: Financial statements of the Caddo County Industrial Authority were not compatible for inclusion with the primary government financial statements for June 30, 2001, at the date of our audit.
- Effect: This condition results in the exclusion of the financial position or activity of the component unit in the financial statements by the County.
- Recommendation: We recommend the County require auditors and financial preparers of the above component unit to prepare and present their financial statements compatible for inclusion with the financial statements of the county, on the accrual basis of accounting, in a timely manner, so that they may be included in accordance with accounting principles generally accepted in the United States of America.

Finding 2001-1 -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, receipting, recording, and depositing cash and checks should be segregated.
- Condition: Based on inquiries of County personnel, it was noted that the duties of receiving, receipting, recording and depositing collections were not adequately segregated.
- 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.

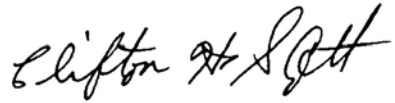
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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, of the reportable conditions described above, we consider item 1998-1 to be a material weakness.

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 management of the County, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,

A handwritten signature in black ink that reads "Clifton H. Scott". The signature is written in a cursive style with a large, stylized initial "C".

CLIFTON H. SCOTT
State Auditor and Inspector

February 28, 2002

Management Response