

**COTTON COUNTY, OKLAHOMA
SPECIAL-PURPOSE 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

July 16, 2003

TO THE CITIZENS OF
COTTON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cotton 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 black ink that reads "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

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

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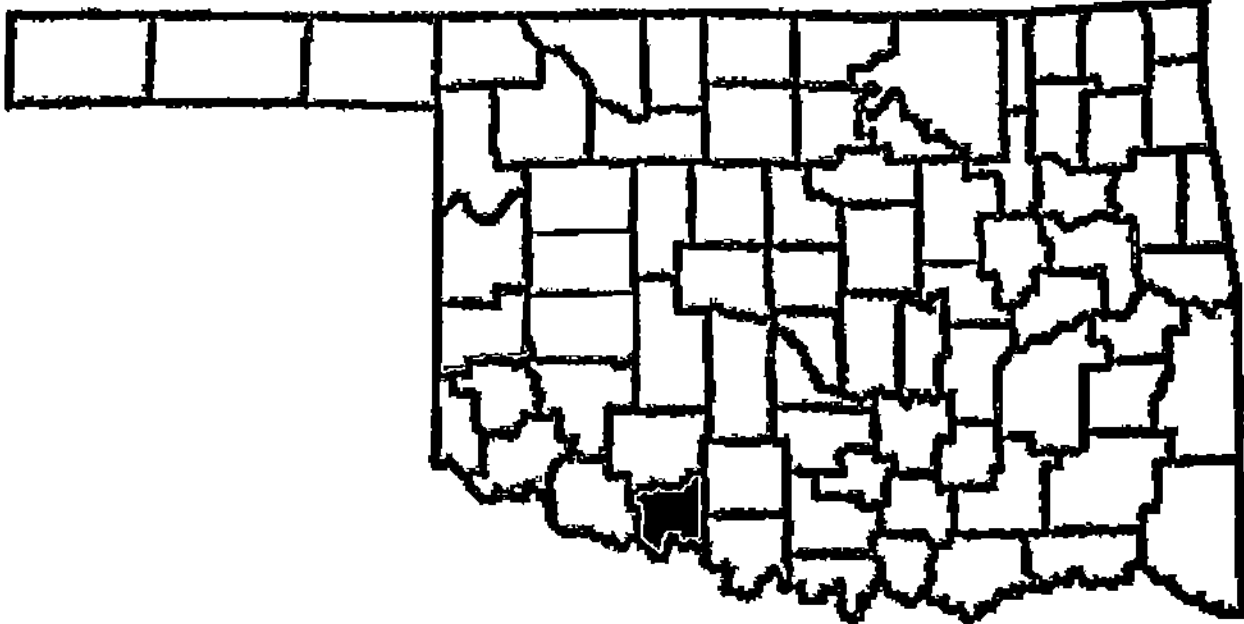
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**COTTON COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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REPORT TO THE CITIZENS
OF
COTTON COUNTY, OKLAHOMA



Cotton County is composed of land belonging at one time to Quapaws, Choctaws and Chickasaws, the Comanche Reservation, and the Big Pasture. Part of it was created from the southern portion of Comanche County, and was formed as a result of a vote of its residents on August 22, 1912, after statehood.

Principal crops include wheat and cotton. Livestock is also considered significant. Oil and gas production, begun in 1917, rose to nearly 800 producing wells by 1952, when it ranked ninth in the state in oil production.

Annual events include the Walters Round-Up Club Rodeo, the Cotton County Free Fair and the National Wheat Harvest Festival.

County Seat – Walters

Area – 636.7 Square Miles

County Population – 6,609
(1999 est.)

Farms – 512

Land in Farms – 350,016 Acres

Source: Oklahoma Almanac 2001-2002

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Shelly Sehrt
(D) Walters

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
Linda Thompson
(D) Walters

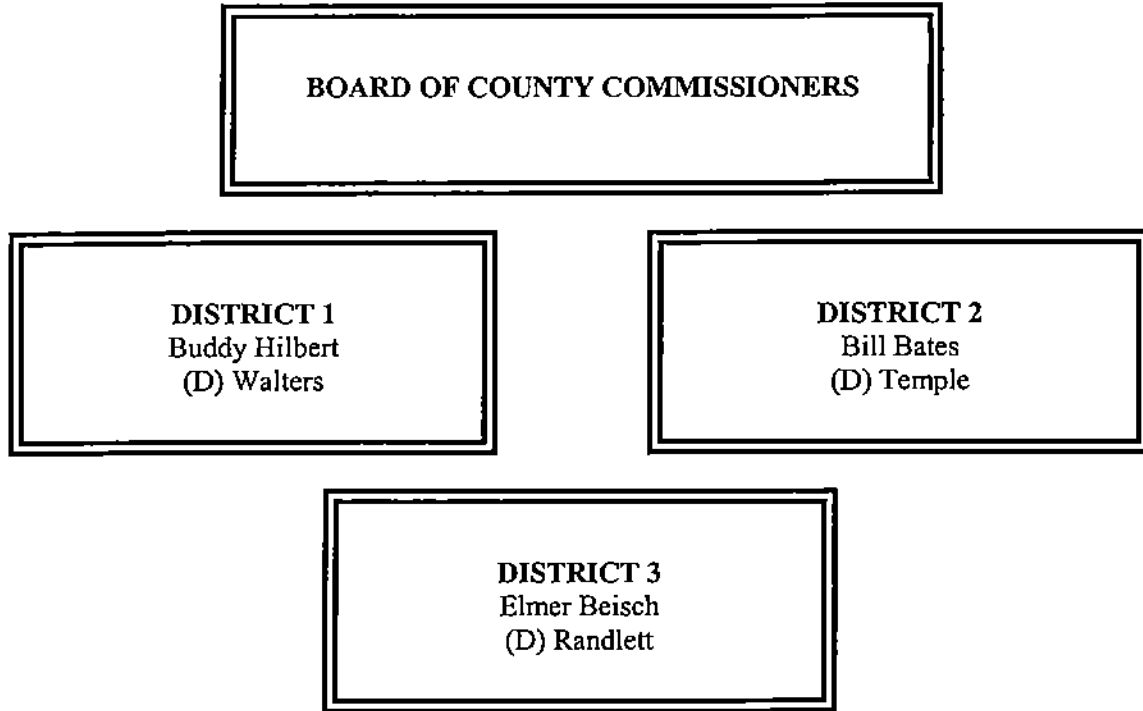
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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 OFFICIALS
AND RESPONSIBILITIES**



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

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

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
Paul Jeffrey
(D) Hastings

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
Geneva Hawkins
(D) Walters

All collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. The State Auditor and Inspector's Office prescribes all the forms used by the County Treasurer, and at least twice a year inspects the County Treasurer's accounts.

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Lana Spake
(D) Temple

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
Robert Schulte
(D) Lawton

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

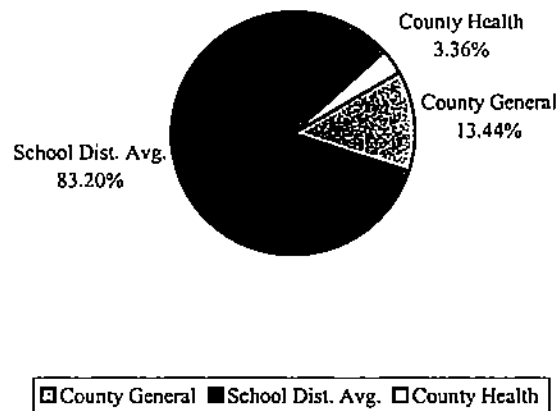
ELECTION BOARD SECRETARY
Leta Coats
(D) Randlett

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

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

**AD VALOREM DISTRIBUTION
COTTON 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	10.00			Gen.	Bldg.	Skg.	Vo-Tech	Common	Total
County Health	2.50	Walters	I-1	35.00	5.00	3.50	12.00	4.00	59.50
		Temple	I-101	35.00	5.00	18.95	12.00	4.00	74.95
		Big Pasture	I-333	35.00	5.00		11.00	4.00	55.00
		Comanche/Geronimo	I-4	35.00	5.00		11.00	4.00	55.00
		Stephens/Empire	I-21	35.00	5.00	13.34	12.00	4.00	69.34
		Jefferson/Waurika	I-23	35.00	5.00	4.70	12.00	4.00	60.70
		Comanche/Chattanooga	I-32	35.00	5.00		11.00	4.00	55.00
		Tillman/Grandfield	I-249	35.00	5.00	10.53	11.00	4.00	65.53

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
COTTON COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Cotton County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These special-purpose financial statements are the responsibility of Cotton 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.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Cotton County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Cotton County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Cotton County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, as of and for the year ended June 30, 2002, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2003, on our consideration of Cotton 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.

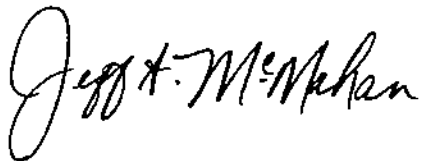
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Cotton County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we express no opinion on such data.

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, 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,



JEFF A. McMAHAN
State Auditor and Inspector

June 16, 2003

Special-Purpose Financial Statements

COTTON COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2002

All County Funds	Beginning Cash Balances July 1, 2001	Receipts Apportioned	Disbursements	Transfers In	Transfers Out	Ending Cash Balances June 30, 2002
County General Fund	\$ 184,820	\$ 673,779	\$ 721,751	\$	\$	\$ 136,848
Highway Cash	1,364,417	2,892,194	2,405,510			1,851,101
County Health Department	30,566	69,248	43,630			56,184
Assessor Visual Inspection	2,864	55	318			2,601
Sheriff Reserve	657	194	555			296
Sheriff Service Fee	29,758	36,477	33,807			32,428
Sheriff Board of Prisoners	63,522	113,186	128,186			48,522
Sheriff Drug Fund	971	1,072	1,015			1,028
Sheriff Equipment	384					384
Sheriff Fast Cop Grant	1,191		1,191			
Trash Cop Grant	8,287		1,417			6,870
Resale Property	19,864	18,617	17,078			21,403
Treasurer Mortgage Tax						
Certification Fee	3,442	2,388	568			5,262
County Clerk Lien Fee	4,583	1,439	625			5,397
Glessner Fund	45,992	10,119	4,504			51,607
Assessor Revolving	201	1,769	182			1,788
Free Fair Donations	8,716	6,385	7,712			7,389
Sheriff Law Enforcement Grant	120	2,323				2,443
Juvenile Grant	9,840	7,700	10,986			6,554
County Clerk Records Preservation		8,094				8,094
Schools	19,071	1,611,878	1,624,626			6,323
Cities and Towns	5,047	74,360	74,161			5,246
Law Library	1,443	11,069	5,170			7,342
Official Depository	176,168	1,052,196	1,017,153	3,374		214,585
Excess Resale	1,016	60	259			817
Mortgage Tax			36	36		
Refunds			8,544	8,544		
Insufficient Checks			1,965	1,965		
Total County Funds	<u>\$ 1,982,940</u>	<u>\$ 6,594,602</u>	<u>\$ 6,110,949</u>	<u>\$ 13,919</u>	<u>\$ -</u>	<u>\$ 2,480,512</u>

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

COTTON COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002

	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 184,791	\$ 184,791	\$ 184,820	\$ 29
Less: Prior Year Outstanding Warrants	(33,433)	(33,433)	(33,433)	
Less: Prior Year Encumbrances	(37,424)	(37,424)	(36,144)	1,280
Beginning Cash Balances, Budgetary Basis	<u>113,934</u>	<u>113,934</u>	<u>115,243</u>	<u>1,309</u>
Receipts:				
Ad Valorem Taxes	229,888	229,888	253,728	23,840
Sales Tax	185,268	185,268	159,409	(25,859)
Charges for Services	24,685	24,685	29,170	4,485
Intergovernmental Revenues	109,914	125,497	137,821	12,324
Miscellaneous Revenues	58,264	58,264	93,651	35,387
Total Receipts, Budgetary Basis	<u>608,019</u>	<u>623,602</u>	<u>673,779</u>	<u>50,177</u>
Expenditures:				
District Attorney	8,000	8,540	8,506	34
Capital Outlay				
Total District Attorney	<u>8,000</u>	<u>8,540</u>	<u>8,506</u>	<u>34</u>
County Sheriff	171,297	185,918	184,798	
Capital Outlay	1,000	1,000	1,000	
Total County Sheriff	<u>172,297</u>	<u>186,918</u>	<u>185,798</u>	<u>1,120</u>
County Treasurer	54,450	54,450	54,446	4
Capital Outlay	1	1	1	1
Total County Treasurer	<u>54,451</u>	<u>54,451</u>	<u>54,446</u>	<u>5</u>
OSU Extension	41,000	36,000	34,823	1,177
Capital Outlay	759	5,759	5,754	5
Total OSU Extension	<u>41,759</u>	<u>41,759</u>	<u>40,577</u>	<u>1,182</u>
County Clerk	48,132	48,881	48,763	118
Capital Outlay	750	1	1	1
Total County Clerk	<u>48,882</u>	<u>48,882</u>	<u>48,763</u>	<u>119</u>
Court Clerk	44,482	44,482	44,472	10
Capital Outlay				
Total Court Clerk	<u>44,482</u>	<u>44,482</u>	<u>44,472</u>	<u>10</u>
County Assessor	46,601	46,575	44,475	2,100
Capital Outlay	182	1	1	1
Total County Assessor	<u>46,783</u>	<u>46,576</u>	<u>44,475</u>	<u>2,101</u>
Revaluation of Real Property	49,132	56,335	54,270	2,065
Capital Outlay	8,466	1,500	1,500	1,500
Total Revaluation of Real Property	<u>57,598</u>	<u>57,835</u>	<u>54,270</u>	<u>3,565</u>
General Government	56,556	54,743	50,026	4,717
Capital Outlay	1,250	1,635	440	1,195
Total General Government	<u>57,806</u>	<u>56,378</u>	<u>50,466</u>	<u>5,912</u>
Excise-Equalization Board	2,776	2,776	2,162	614
Capital Outlay				
Total Excise-Equalization Board	<u>2,776</u>	<u>2,776</u>	<u>2,162</u>	<u>614</u>
County Election Board	37,116	37,068	35,804	1,264
Capital Outlay	100	100	100	100
Total County Election Board	<u>37,216</u>	<u>37,168</u>	<u>35,804</u>	<u>1,364</u>
Total Insurance	144,648	144,703	133,167	11,536

continued on next page

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

**COTTON COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Recording Account	\$ 1,375	\$ 1,375	\$ 898	\$ 477
Capital Outlay	1	1		1
Total Recording Account	<u>1,376</u>	<u>1,376</u>	<u>898</u>	<u>478</u>
Total Audit Budget	<u>2,529</u>	<u>4,342</u>	<u>4,288</u>	<u>54</u>
Free Fair Budget	990	990	967	23
Capital Outlay	10	10		10
Total Free Fair	<u>1,000</u>	<u>1,000</u>	<u>967</u>	<u>33</u>
FEMA	100	100		100
Capital Outlay				
Total FEMA	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
Provision for Interest on Warrants	<u>250</u>	<u>250</u>	<u>7</u>	<u>243</u>
Total Disbursements, Budgetary Basis	<u>721,953</u>	<u>737,536</u>	<u>709,066</u>	<u>28,470</u>
Excess of Receipts and Beginning Cash Balances Over Disbursements, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	79,956	<u>\$ 79,956</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			18,104	
Add: Current Year Outstanding Warrants			<u>38,788</u>	
Ending Cash Balance			<u>\$ 136,848</u>	

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

**COTTON COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
COUNTY HEALTH DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2002**

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 30,566	\$ 30,566	\$ 30,566	\$ -
Less: Prior Year Outstanding Warrants	(1,425)	(1,425)	(1,425)	
Less: Prior Year Encumbrances	(1,200)	(1,200)	(1,200)	
Beginning Cash Balances, Budgetary Basis	<u>27,941</u>	<u>27,941</u>	<u>27,941</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	57,472	57,472	63,374	5,902
Miscellaneous Revenues	-	4,495	5,874	1,379
Total Receipts, Budgetary Basis	<u>57,472</u>	<u>61,967</u>	<u>69,248</u>	<u>7,281</u>
Expenditures:				
Health and Welfare	79,413	83,908	41,998	41,910
Capital Outlay	6,000	6,000	575	5,425
Total Expenditures, Budgetary Basis	<u>85,413</u>	<u>89,908</u>	<u>42,573</u>	<u>47,335</u>
Excess of Receipts and Beginning Cash Balances Over Disbursements, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	54,616	<u>\$ 54,616</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances:				
Add: Current Year Encumbrances			618	
Add: Current Year Outstanding Warrants			<u>950</u>	
Ending Cash Balance			<u>\$ 56,184</u>	

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

**COTTON COUNTY, OKLAHOMA
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2002**

Accounts	July 1, 2001	Receipts	Disbursements	Cancelled Vouchers	June 30, 2002
District Court	\$ 88,429	\$ 555,683	\$ 543,251	\$ 1,849	\$ 102,710
Court Fund	46,024	249,222	251,524		43,722
District Court Revolving Fund	2,211	5,150	516		6,845
District Attorney Merchant Account	2,290	15,243	14,018	2	3,517
District Attorney Property Forfeiture	55				55
District Attorney Fee Account	25,714	15,367	4,722	427	36,786
District Attorney State Witness Fee	1,177	114	1,438	354	207
County Sheriff		79,144	79,144		
County Clerk	4,590	57,445	48,262	10	13,783
County Treasurer	4,357	50,629	49,955	10	5,041
County Election Board	385	15,742	16,464	722	385
County Health Department		5,146	5,146		
Department of Human Services	709	1,451	944		1,216
County Assessor	2	1,860	1,769		93
Cash in Office	225				225
Total Official Depository Accounts	<u>\$ 176,168</u>	<u>\$ 1,052,196</u>	<u>\$ 1,017,153</u>	<u>\$ 3,374</u>	<u>\$ 214,585</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

A. Reporting Entity

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of Cotton County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County. The funds presented are established by statute, and their operations are under the control of the Board of County Commissioners. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

The government uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

C. Basis of Accounting

The financial statements are prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred

D. Budgetary Policies

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

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

Summary of Significant Accounting Policies (continued)

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

The Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund and County Health Department presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances - All Funds because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, county or city-county health departments, school districts and cities and towns. These other budgetary entities produce and file their own financial statements and estimates of needs (budgets). These related cash receipts and disbursements of other budgetary entities are not included in the County's Estimate of Needs.

E. Cash and Investments

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

F. Risk Management

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

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

COTTON 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 authorized deductibles, 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; Association of County Commissioners of Oklahoma-Self-Insured Fund. (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 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 recently assessed additional premiums to be paid by its members.

The County continues to carry commercial insurance for employees' health and life 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. There have been no significant reductions in insurance coverage during the 2002 fiscal year.

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

The County does not accrue any liability for future vacation benefits. All full-time County employees earn vacation benefits on a monthly basis that may be accumulated in accordance with the following schedule:

<u>Years of Service</u>	<u>Annual Leave</u>	<u>Accrual Limits</u>
0-5 years	14 days 6.67 hrs/month	No carry over from one year to the next
after 5 years	21 days 10 hrs/month	No carry over from one year to the next

The County does not accumulate sick leave. All full-time employees shall be entitled to leave with pay that is accrued on a monthly basis. Sick leave shall accumulate at the rate of 8 hours for each full calendar month of service. Sick leave may be accrued up to a maximum of 480 hours.

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

At year-end, the reported amount of the County's deposits was \$2,480,512 and the bank balance was \$2,497,106. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

Title 62 O.S. § 348.1 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

Detailed Notes on Account Balances (continued)

B. Description of Funds

General Fund - accounts for the general operations of the government.

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

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

Sheriff Reserve - accounts for the collection and disbursements of donations to the sheriff reserve deputies.

Sheriff Board of Prisoners - accounts for the collections of state miscellaneous receipts and disbursements for the purpose of maintaining the jail.

Sheriff Drug Fund - accounts are for the collection of drug forfeitures and disbursements for the purpose of equipment and training.

Sheriff Equipment - accounts for the collection of donations for the purchase of special equipment for the Sheriff's office.

Sheriff Fast Cop Grant - accounts for grant funds for the designated salaries for deputies.

Sheriff Law Enforcement Grant - accounts for grant funds for the purchase of law enforcement equipment.

Trash Cop Grant - accounts for funds used for the purpose of cellular phone bills and fuel for trash cop.

Glessner Account - accounts for the collection of rental revenue of farms donated to the County and disbursements for the needy of the County as determined by the Board of County Commissioners.

Free Fair Donations - accounts for the collections of donations and rentals of the Expo Building and the disbursements associated with maintaining the Expo Building.

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

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

COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Detailed Notes on Account Balances (continued)

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

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

County Clerk Records Preservation - accounts for fees collected for instruments filed with the Registrar of Deeds as restricted by statute for preservation of records.

Juvenile Grant - accounts for funds used to support the programs and services provided at the juvenile detention facility.

Treasurer Mortgage Tax Certification Fees - accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursements of the funds as restricted by statute.

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

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

County Health Department - accounts for monies collected on behalf of the county health department from ad valorem taxes, and state and local revenues and used to support health related expenses.

Law Library - accounts for monies received for disbursement from the state for the law library board.

Refunds - accounts for the monies collected in overpayment and due to other individuals or entities.

Insufficient Checks - accounts for the payment of insufficient checks to the bank.

Excess Resale - accounts for the proceeds of sale of property in excess of tax against property to be held in trust for a two-year period.

Mortgage Tax - accounts for the collection of mortgage fees that have not been designated for monthly distribution.

Cities and Towns - accounts for Oklahoma Tax Commission collections distributed to the cities of the County.

Detailed Notes on Account Balances (continued)

Additionally, the following official depository accounts are described as follows:

District Attorney Merchant Account - accounts for the collection of bogus checks and District Attorney fees to be disbursed to the merchant and the District Attorney fee account.

District Attorney Fee Account - accounts for the collection of District Attorney fees transferred from the merchant account and disbursements of funds restricted by state statutes.

District Attorney State Witness Fee - accounts for collection received from the state to reimburse the County for witness expenses.

District Attorney Property Forfeiture - accounts for collection from fines, fees, and forfeitures and disbursements of funds restricted by court orders and state statutes.

County Sheriff - accounts for all collection of foreign service fees and bonds. Monies are vouchered out at the end of the month to the sheriff service fee account and Court Clerk.

County Assessor - accounts for all collection for copies and proceeds from sale of ownership books to be disbursed at the end of the month and deposited in the Assessor revolving fund.

County Treasurer - accounts for all collection of taxes, pre-paid mobile homes, and motor vehicle stamps. Disbursements are for the purpose of refunding overpayment of taxes and motor vehicle collection distribution.

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

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

Court Fund - accounts for fees transferred from district court and interest. Money is disbursed for the purpose of fees for various entities, salaries, and the operation of the office.

Court Clerk Revolving - accounts for a charge of \$5.00 for each warrant. Money is disbursed in the same manner as court fund.

County Election Board - accounts for reimbursement of election and is disbursed for refunds of election fees and maintenance and operation of the office.

COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Detailed Notes on Account Balances (continued)

Department of Human Services - accounts for collections received from the state and disbursed for maintenance and operation.

County Health Department - accounts for the collection of state funds and charges for services. Money is disbursed on a monthly basis to be transferred to the county health department cash account.

C. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

The assessed property value as of January 1, 2001, was approximately \$25,287,712.

The County levied 10 mills (the legal maximum) for general fund operations and 2.50 mills for the county health department. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

Taxes are due on November 1 following the levy date, although, they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2002, were approximately 96.7 percent of the tax levy.

C. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended,

Detailed Notes on Account Balances (continued)

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.

D. Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all subsequent pieces of machinery acquired.

E. Fuel Tax

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

4. Contingent Liabilities

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

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

5. Sales Tax

The voters of Cotton County approved a 1.25 percent sales tax effective July 1, 1998. One percent of the sales tax is to be budgeted for the county general fund, and .25 percent of the sales tax will provide revenue for operation of the OSU Extension. The sales tax for the county general fund is definite and the sales tax for the OSU Extension will expire July 1, 2003.

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

6. Subsequent Events

The voters of Cotton County approved a .25 percent sales tax to provide revenue for the operation of the OSU Extension to become effective July 1, 2003, and expire July 1, 2008.

Supplementary Schedule

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed through the District Attorneys Council:			
Juvenile Accountability Graduated Sanctions	16.523	X075597	\$ 11,146
Office of Community Oriented Policing Service			
COPS Universal Hiring	16.710	95CFWX1458	<u>1,190</u>
Total U.S. Department of Justice			<u>12,336</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Oklahoma Department of Civil Emergency Management:			
Public Assistance Grants	83.544	1349-DR 1355-DR	<u>1,055,835</u>
Total Federal Emergency Management Agency			<u>1,055,835</u>
Total Expenditures of Federal Awards			<u>\$ 1,068,171</u>

**COTTON COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Cotton County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

**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
COTTON COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Cotton County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated June 16, 2003. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. 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 Cotton County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Cotton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide 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 condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2000-1.

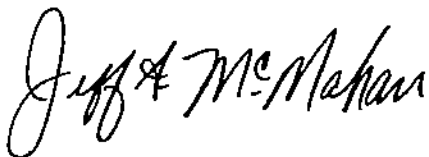
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 item 2000-1 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 the management of the County and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

June 16, 2003

**Report on Compliance With Requirements Applicable to Each Major Program
and Internal Control Over Compliance in Accordance With
OMB Circular A-133**



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**Report on Compliance With Requirements Applicable to Each Major Program
and Internal Control Over Compliance in Accordance With
OMB Circular A-133**

TO THE OFFICERS OF
COTTON COUNTY, OKLAHOMA

We have audited the compliance of Cotton County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. Cotton County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of Cotton County's management. Our responsibility is to express an opinion on Cotton County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cotton County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Cotton County's compliance with those requirements.

In our opinion, Cotton County complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Cotton County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Cotton County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.


Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider 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, 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,



JEFF A. McMAHAN
State Auditor and Inspector

June 16, 2003

Schedule of Findings and Questioned Costs

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
83.544	Federal Emergency Management Agency

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
--	------------------

Auditee qualified as low-risk auditee?

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

SECTION 2 - Financial Statement Findings

Finding 2000-1 – Separation 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 separated.

Condition: It was noted through the internal control questionnaire for the county health department and District Attorney, the following tasks were not adequately separated:

1. Writes official depository receipts
2. Balances the receipts as to cash and checks received
3. Prepares the deposit slip

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.

SECTION 3 – Federal Award Findings and Questioned Costs

No matters were reported.

Corrective Action Plan

COTTON COUNTY BOARD OF COMMISSIONERS
COTTON COUNTY COURTHOUSE, 301 NORTH BROADWAY
WALTERS, OKLAHOMA 73572-1271
Phone (580) 875-3026

July 7, 2003

Jeff A. McMahan
State Auditor and Inspector
1401 Lera, Suite 9
Weatherford, OK 73096

Subject: Response to Auditor's comments on the audit of Cotton County's financial statements for the years ended June 30, 2002.

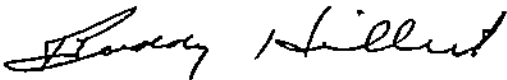
We concur with the auditor's comments, and we are implementing the following procedural changes:

Finding 2000-2 - Separation of Duties: The Officers and Department Heads are 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. Working under these conditions, we have found that the most effective controls lie in management's knowledge of County operations and periodic review of those operations.

Cotton County District Attorney's Office responds: Deposits and Receipts are personally reviewed by Mark Clark, Assistant District Attorney, and Dana Franklin, Legal Assistant, and both signatures are on all future deposits from the Cotton County District Attorney's Office.

The response has been reviewed and approved by each county officer or department head having primary responsibility of the accounting and administrative controls or items of federal compliance discussed in the proceeding paragraphs.

Respectfully,



Buddy Hilbert, Chairman
Cotton County Board of Commissioners

Buddy Hilbert
District #1 - Walters
(580) 875-3852

B.J. Bates
District #2 - Temple
(580)342-6704

Elmer Beisch
District #3 - Randlett
(580) 281-3611

**Statistical Data
(Unaudited)**

COTTON COUNTY, OKLAHOMA
TOP 10 TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2002
(UNAUDITED)

<u>TAXPAYER</u>	<u>JANUARY 1, 2001 NET ASSESSED VALUATION</u>	<u>% OF TOTAL NET VALUATION</u>
1 Southwestern Bell	\$ 743,678	2.94%
2 Walters Bank and Trust	553,397	2.18%
3 Fryer, Eva Virginia	367,729	1.45%
4 Piatt, Hazel Trust	312,572	1.23%
5 Teppco, Crude Pipeline LLC	289,297	1.14%
6 Public Service Company of Ok	246,937	0.97%
7 Gandi, Hershel L.	238,566	0.94%
8 Walters Co-Operative Elevator	198,567	0.78%
9 Arvest Bank	193,729	0.76%
10 Oklahoma Natural Gas Co.	182,651	0.72%
Total	<u>\$ 3,327,123</u>	<u>13.11%</u>

**COTTON COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2002
(UNAUDITED)**

Total net assessed value as of January 1, 2001		<u>\$ 25,287,712</u>
Debt limit - 5% of total assessed value		\$ 1,264,386
Total bonds outstanding	0	
Total judgments outstanding	0	
Less cash in sinking fund	<u>0</u>	<u>\$ -</u>
Legal debt margin		<u>\$ 1,264,386</u>

**COTTON COUNTY, OKLAHOMA
 RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
 VALUE AND NET BONDED DEBT PER CAPITA
 FOR THE YEAR ENDED JUNE 30, 2002
 (UNAUDITED)**

	2002
Estimated population	6,609
Net assessed value	\$ 25,287,712
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0%
Net bonded debt per capita	\$ -

**COTTON COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE YEAR ENDED JUNE 30, 2002
(UNAUDITED)**

<u>Tax Year</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
2001	\$3,251,601	\$4,010,783	\$19,813,594	\$1,788,266	\$25,287,712	\$231,923,676