

**WASHINGTON COUNTY BUILDING AUTHORITY
BARTLESVILLE, OKLAHOMA
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2002**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

CLIFTON H. SCOTT
STATE AUDITOR AND INSPECTOR

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

October 29, 2002

TO THE TRUSTEES OF
WASHINGTON COUNTY BUILDING AUTHORITY
BARTLESVILLE, OKLAHOMA

Transmitted herewith is the audit of Washington County Building Authority, Bartlesville, 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 Authority.

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, appearing to read "Clifton H. Scott".

CLIFTON H. SCOTT
State Auditor and Inspector

**WASHINGTON COUNTY BUILDING AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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Independent Auditor's Report

TO THE TRUSTEES OF
WASHINGTON COUNTY BUILDING AUTHORITY
BARTLESVILLE, OKLAHOMA

We have audited the accompanying general-purpose financial statements of Washington County Building Authority, Bartlesville, Oklahoma, a component unit of Washington County, as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Washington County Building Authority. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

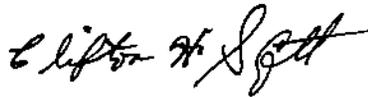
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 Washington County Building Authority did not adopt a formal budget. As a result, the financial statements do not include budgeted and actual results, which should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except that the omission described in the preceding paragraph results in an incomplete presentation, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Washington County Building Authority, as of June 30, 2002, 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 September 3, 2002, on our consideration of Washington County Building Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. 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.

Sincerely,

A handwritten signature in cursive script, appearing to read "Clifton H. Scott".

CLIFTON H. SCOTT
State Auditor and Inspector

September 3, 2002

General-Purpose Financial Statements

**WASHINGTON COUNTY BUILDING AUTHORITY
COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUP
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Governmental Fund Type</u>	<u>Account Group</u>	<u>Total (Memorandum Only)</u>
	<u>Special Revenue</u>	<u>General Long-Term Debt</u>	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 438,764	\$	\$ 438,764
Amount to be provided for loan agreements		868,544	868,544
Total assets	\$ 438,764	\$ 868,544	\$ 1,307,308
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Warrants payable	\$ 32,299	\$	\$ 32,299
Accounts payable	110,246		110,246
Notes payable		868,544	868,544
Total liabilities	142,545	868,544	1,011,089
Fund balances:			
Reserved for encumbrances	1,399		1,399
Unreserved:			
Undesignated	294,820		294,820
Total fund balances	296,219	-	296,219
Total liabilities and fund balances	\$ 438,764	\$ 868,544	\$ 1,307,308

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

**WASHINGTON COUNTY BUILDING AUTHORITY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2002**

	Governmental Fund Type Special Revenue
Revenues:	
Limited purpose sales tax revenue	\$ 50,105
Total revenues	50,105
 Expenditures:	
Courthouse renovation	453,781
Debt Service:	
Principal Retirement	41,456
Interest	8,649
Total expenditures	503,886
Excess of revenues over (under) expenditures	(453,781)
 Other financing sources (uses):	
Proceeds of long-term note	750,000
Total other financing sources	750,000
Excess of revenues and other sources over (under) expenditures and other uses	296,219
Beginning fund balances	-
Ending fund balances	\$ 296,219

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

Notes to the Financial Statements

WASHINGTON COUNTY BUILDING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

1. Summary of Significant Accounting Policies

The financial statements of the Washington County Building Authority are required to be presented in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board 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. Financial Reporting Entity

The Washington County Building Authority (the "Authority") is a public trust created under a Trust Indenture dated November 19, 2001, under the provisions of Title 60, Oklahoma Statutes 1991, Sections 176 to 180.4, inclusive as amended and supplemental, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. The purpose of the Authority is to furnish and supply Washington County with buildings, equipment, and other facilities. Accordingly, on February 1, 2002, the County requested the Authority to approve a \$910,000 promissory note with WestStar Bank to achieve the above-mentioned purpose. The repayment of such indebtedness is to be with a portion of the revenues derived from the one-half of one percent (1/2%) sales tax approved by the County on November 11, 2000.

The Washington County Building Authority is governed by three trustees who are the persons constituting the members of the Washington County Board of County Commissioners. The Washington County Clerk serves as a non-voting Secretary. In evaluating how to define the Authority, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). Based upon the application of that criteria, there are no potential component units included in the Authority's reporting entity.

The Washington County Building Authority, as a public trust created under the provisions of Title 60, Oklahoma Statutes 1991, Sections 176 to 180.4, is reported as a governmental organization and a component unit of Washington County because its board is the same as the County's and the Authority provides services exclusively to Washington County.

B. Fund Accounting

The Authority 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.

WASHINGTON COUNTY BUILDING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Summary of Significant Accounting Policies (continued)

The Authority's funds are classified as governmental.

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.

Account Group

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).

Memorandum Only – Total Column

The total column on the financial statements is captioned "memorandum only" to indicate that is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation.

Interfund eliminations have not been made in the aggregation of this data.

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.

WASHINGTON COUNTY BUILDING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

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.

D. Budgetary Policies and Procedures

The Authority did not adopt a budget.

E. Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents – The Authority considers all cash on hand, demand deposits and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments – The Authority had no investments at June 30, 2002.

Property Tax Revenues – The Authority is not authorized by state law to levy taxes.

Inventories – The Authority had no inventory at June 30, 2002.

Fixed Assets and Property, Plant and Equipment – The Authority had no fixed assets at June 30, 2002.

Building Construction in Progress

The Authority is renovating the Court Facilities Building and a new Administration Building for Washington County located at 412 Johnstone Street, in Bartlesville, Oklahoma.

Interfund Receivables and Payables

There were no interfund receivables or payables at June 30, 2002.

Long-Term Debt – The long-term debt account group is used to recognize the liability of the promissory note with WestStar Bank.

WASHINGTON COUNTY BUILDING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Summary of Significant Accounting Policies (continued)

Fund Balance – Fund balance represents the funds not encumbered by vendor invoices or legal contracts.

2. Detailed Notes on Account Balances

A. Deposits

At year-end, the carrying amount and the bank balance of the Authority's deposits was \$438,764. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the Authority's agent in the Authority's name.

B. General Long-Term Debt

A promissory note has been issued by the Authority for the Washington County renovation project. This note is required to be fully paid serially over the next 5 years. General long-term debt of the Authority consists of notes payable. Debt service requirements for the note are payable solely from fund balance and future revenues of the one-half of one percent (1/2%) sales tax imposed on Washington County. The Authority has created a security interest in the Sales Tax Revenue of Washington County.

The following is a summary of the long-term debt transactions of the Authority for the year ended June 30, 2002:

	<u>Total</u>
Balance, July 1, 2001	0
Additions	910,000
Retirements	<u>41,456</u>
Balance, June 30, 2002	\$ <u>868,544</u>

The annual debt service requirements for retirements of note principal and payment of interest are as follows:

WASHINGTON COUNTY BUILDING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Detailed Notes on Account Balances (continued)

Year ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$184,332	\$32,789	\$217,121
2004	177,121	23,299	200,420
2005	184,080	16,340	200,420
2006	191,312	9,107	200,419
2007	<u>131,699</u>	<u>1,913</u>	<u>133,612</u>
Total	<u>\$868,544</u>	<u>\$83,448</u>	<u>\$951,992</u>

Interest paid on the general long-term debt incurred during the year ending June 30, 2002 was \$8,648.

C. Fund Balance

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. 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 Authority but not completed as of the close of the fiscal year.

3. Related Party Transactions

During the year ending June 30, 2002, payments of \$50,105 were made from the Washington County Sales Tax Fund to the Arvest (WestStar) Bank for principal and interest due on the promissory note made by the Washington County Building Authority. The Board of Trustees for the Authority are also the Board of County Commissioners for Washington County.

**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

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**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 BOARD OF TRUSTEES
WASHINGTON COUNTY BUILDING AUTHORITY
BARTLESVILLE, OKLAHOMA

We have audited the financial statements of the Washington County Building Authority, a component unit of Washington County, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 3, 2002. We qualified our opinion because the financial statements did not include a statement of budgeted and actual results. 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 the Washington County Building Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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 the Washington County Building Authority'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 a certain matter involving the internal control over financial reporting and its operations that we consider to be a reportable condition. Reportable conditions involve certain matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, on our judgment, could adversely affect the Authority'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 below:

Finding 02-01

Criteria: 60 O.S. 2001, § 176.G. states, "Public trusts created pursuant to this section shall file annually, with their respective beneficiaries, copies of financial documents and reports sufficient to demonstrate the fiscal activity of such trust, including, but no limited to, budgets, financial reports, bond indentures, and audits. . . ."

Accounting principles generally accepted in the United States of America for governmental entities require financial statement presentation of budgeted and actual results for governmental fund types when adoption of a budget is legally required.

Condition: The Washington County Building Authority did not adopt a formal budget. Therefore, comparative budget and actual results were not presented in the financial statements.

Effect: Failure to present a budget for governmental fund types is contrary to state statute and accounting principles generally accepted in the United States of America for governmental entities.

Recommendation: We recommend the Authority adopt a formal budget so that comparative budget and actual results can be presented in the financial statements.

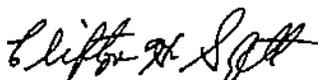
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. However, we consider item 02-01 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 Board of Trustees 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,



CLIFTON H. SCOTT
State Auditor and Inspector

September 3, 2002