

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

CLIFTON H. SCOTT
STATE AUDITOR AND INSPECTOR

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April 9, 2002

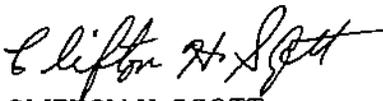
TO THE CITIZENS OF
WASHITA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Washita 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,

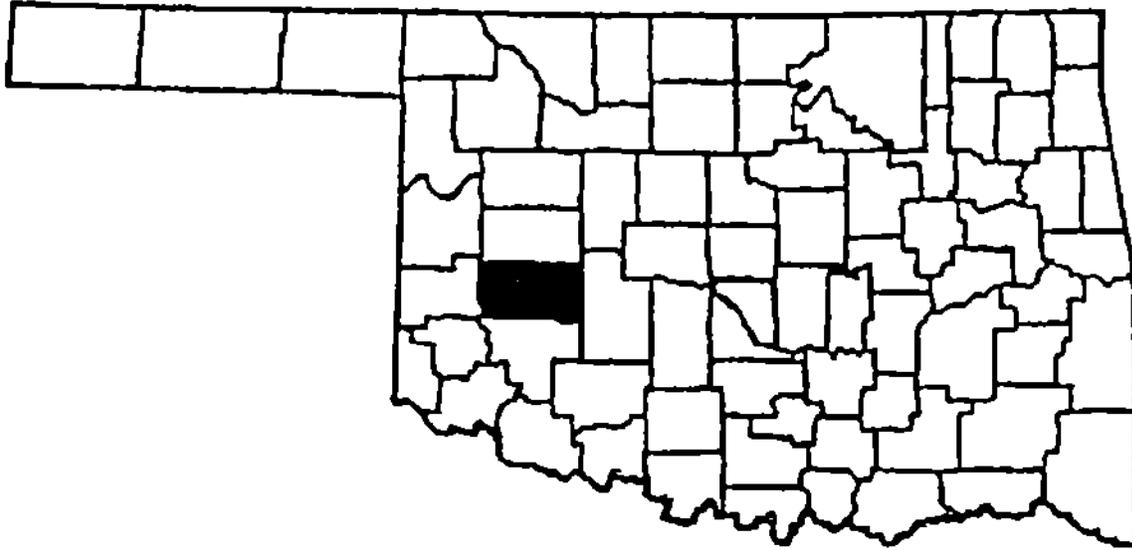

CLIFTON H. SCOTT
State Auditor and Inspector

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

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REPORT TO THE CITIZENS OF WASHITA COUNTY



Part of the Cheyenne-Arapaho lands opened to settlement in the Land Run of April 19, 1892, this area was settled originally in 1886, when a white man named John M. Seger and 500 Indians left the old Cheyenne-Arapaho Agency at Darlington, near El Reno, and established a colony on the banks of Cobb Creek. This settlement was on the site of present-day Colony in eastern Washita County.

Designated as County "H," it was named Washita after the Washita River, and is derived from two Choctaw words meaning "big hunt." Washita County has ranked as one of Oklahoma's leading agricultural counties, and later the Anadarko Basin made it famous for oil and gas production.

County Seat - Cordell

Area - 1,006 Square Miles

County Population - 11,800
(1996 est.)

Farms - 1,004

Land in Farms - 577,300 Acres

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR Janie Batt Bellah (D) Cordell
--

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 Marita McKee (D) Cordell
--

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 one's 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.

BOARD OF COUNTY COMMISSIONERS

DISTRICT #1
James Gee
(D) Colony

DISTRICT #2
Gene Etris
(D) Cordell

DISTRICT #3
Steve Finnell
(D) Canute

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 SHERIFF
Ron Mazurek
(D) Cordell

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.

See independent auditor's report.

COUNTY TREASURER
Byron Gore
(D) Cordell

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
Tena Arganbright
(D) Cordell

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
John Wampler
(D) Duke

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.

See independent auditor's report.

ELECTION BOARD SECRETARY

June Wesner

(D) Cordell

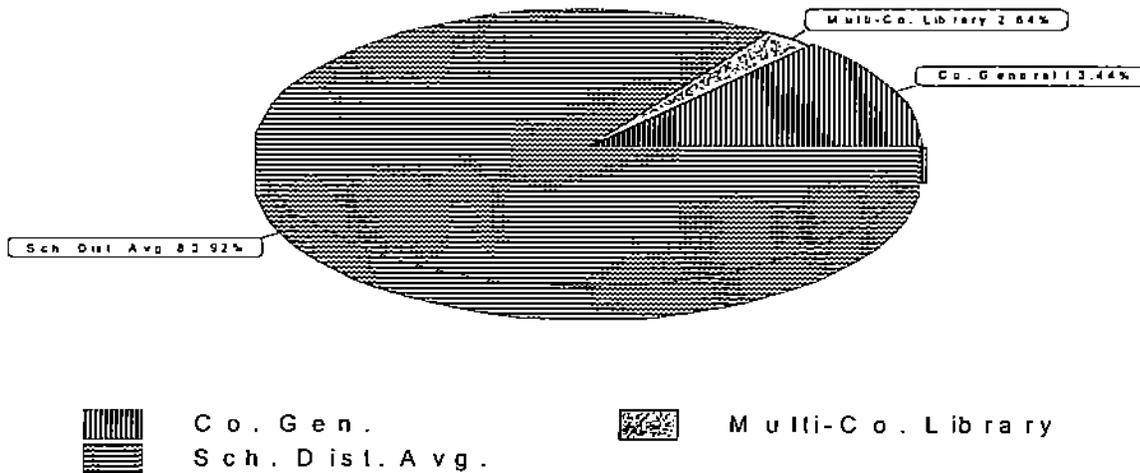
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the County. The Board also conducts all elections held within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

To finance the operating expenses of the County Election Board, the County Excise Board must appropriate sufficient funds annually. State and County 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
WASHITA 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
Multi-Co. Library	2.00

EMS Millages	
Mt. View-Gotebo	3.00

	School District Millages						
	Gen.	Bldg.	Skg.	General	Building	Common	Total
Cordell	35.00	5.00	10.22	10.00		4.00	64.22
Burns Flat - Dill City	35.00	5.00	10.14	10.00		4.00	64.14
Canute	35.00	5.00		10.00		4.00	54.00
Sentinel	35.00	5.00	8.61	10.00		4.00	62.61
Washita Heights	35.00	5.00	3.82			4.00	47.82
Mt. View-Gotebo	35.00	5.00		10.00	1.00	4.00	55.00
Merritt	35.00	5.00	10.50	10.00		4.00	64.50
Elk City	35.00	5.00	15.01	10.00		4.00	69.01
Carnegie	35.00	5.00		10.00	1.00	4.00	55.00
Eakly	35.00	5.00	23.08	10.00	1.00	4.00	78.08
Weatherford	35.00	5.00	23.66	10.00		4.00	77.66
Clinton	35.00	5.00		10.00		4.00	54.00

See independent auditor's report.



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OKLAHOMA CITY, OK 73105-4896

INDEPENDENT AUDITOR'S REPORT

TO THE OFFICERS OF
WASHITA COUNTY

We have audited the accompanying general-purpose financial statements of Washita 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 Washita 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.

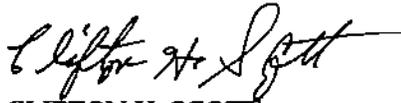
As explained in Note (1H), the general-purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in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

In our opinion, except for the effect on the general-purpose financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Washita 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 Washita County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Clifton H. Scott". The signature is written in a cursive style with a long horizontal flourish extending to the right.

CLIFTON H. SCOTT
State Auditor and Inspector

February 28, 2002

GENERAL-PURPOSE FINANCIAL STATEMENTS

WASHITA COUNTY, OKLAHOMA
 COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUP
 JUNE 30, 2001

	GOVERNMENTAL FUND TYPES		FIDUCIARY	ACCOUNT	TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	FUND TYPE AGENCY	GROUP GENERAL LONG - TERM DEBT	
ASSETS					
Cash and investments	\$ 582,367	\$ 6,097,814	\$ 1,411,649	\$	\$ 8,091,830
Ad valorem taxes receivable	8,293		51,075		59,368
Sales tax receivable	7,504		105,102		112,606
Due from other governments	3,101	765,256	89,446		857,803
Accrued interest receivable	26,289	13,340	1,381		41,010
Inventories		181,778			181,778
Amount to be provided for capitalized lease purchase agreements				1,388,002	1,388,002
Total assets	\$ 627,554	\$ 7,058,188	\$ 1,658,653	\$ 1,388,002	\$ 10,732,397
LIABILITIES AND FUND BALANCE					
Liabilities:					
Warrants payable	\$ 74,113	\$ 105,961	\$	\$	\$ 180,074
Accounts payable	38,176	503,062			541,238
Due to other taxing units			1,481,720		1,481,720
Due to others			176,933		176,933
Capitalized lease obligations payable				1,388,002	1,388,002
Total liabilities	112,289	609,023	1,658,653	1,388,002	3,767,967
Fund balances:					
Reserved for encumbrances	33,146	577,522			610,668
Reserved for inventories		181,778			181,778
Unreserved:					
Undesignated	482,119	5,689,865			6,171,984
Total fund balances	515,265	6,449,165	-	-	6,964,430
Total liabilities and fund balances	\$ 627,554	\$ 7,058,188	\$ 1,658,653	\$ 1,388,002	\$ 10,732,397

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

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

	<u>GOVERNMENTAL FUND TYPES</u>		TOTAL (MEMORANDUM ONLY)
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	
Revenues:			
Ad valorem taxes	\$ 577,521	\$ 30,711	\$ 608,232
Sales tax	249,600		249,600
Charges for services	82,075	107,144	189,219
Intergovernmental revenues	245,128	6,778,395	7,023,523
Miscellaneous revenues	187,692	505,202	692,894
Total revenues	<u>1,342,016</u>	<u>7,421,452</u>	<u>8,763,468</u>
Expenditures:			
Current operating:			
General government	869,754	37,216	906,970
Public safety	371,205	95,855	467,060
Roads and highways	35,702	5,464,481	5,500,183
Total expenditures	<u>1,276,661</u>	<u>5,597,552</u>	<u>6,874,213</u>
Excess revenues over expenditures	<u>65,355</u>	<u>1,823,900</u>	<u>1,889,255</u>
Other financing sources:			
Capitalized lease agreements	<u>-</u>	<u>569,240</u>	<u>569,240</u>
Total other financing sources	<u>-</u>	<u>569,240</u>	<u>569,240</u>
Excess revenues and other sources over (under) expenditures	65,355	2,393,140	2,458,495
Decrease in reserves for inventory		(272)	(272)
Beginning fund balances	449,910	4,056,297	4,506,207
Ending fund balances	<u>\$ 515,265</u>	<u>\$ 6,449,165</u>	<u>\$ 6,964,430</u>

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

WASHITA COUNTY, OKLAHOMA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 -BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2001

	General Fund		
	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 413,111	\$ 413,111	\$ -
Revenues:			
Ad valorem taxes	558,391	572,989	14,598
Sales tax	139,525	242,096	102,571
Charges for services	88,945	82,075	(6,870)
Intergovernmental revenues	134,000	245,227	111,227
Miscellaneous revenues	30,000	182,009	152,009
Total revenue, budgetary basis	950,861	1,324,396	373,535
Expenditures:			
General government	947,706	897,233	50,473
Public safety	386,064	377,041	9,023
Roads and highway	30,202	30,202	-
Total expenditures, budgetary basis	1,363,972	1,304,476	59,496
Excess of revenues and beginning fund balance over expenditures, budgetary basis	\$ -	433,031	\$ 433,031
Reconciliation to Statement of Revenues and other financing sources			
Expenditures and Changes in Fund Balance			
Add:		8,293	
Ad valorem receivable		7,504	
Sales tax receivable		26,289	
Accrued interest		3,101	
Due from other governments		33,146	
Reserved for encumbrances		3,901	
Adjustment to prior year reserved for encumbrances		3,901	
Ending fund balance		\$ 515,265	

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

NOTES TO THE FINANCIAL STATEMENTS

WASHITA COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

1. Summary of Significant Accounting Policies

The financial statements of Washita County 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 (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

Washita County was 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 GASB Statement No. 14, *The Financial Reporting Entity*, the county is required to present the entities that comprise the primary government and its legally separate component units in the fiscal year 2001 general-purpose financial statements. The County had no component units in the fiscal year 2001.

Related Organizations Excluded from the Reporting Entity

Washita County Industrial Development Authority: The County's officials are also responsible for appointing the members of the board of this organization, however, the County's accountability for this organization does not extend beyond making the appointments. This organization was not active during the fiscal year.

B. Fund Accounting

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

WASHITA COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

Funds are classified into the following categories: governmental and fiduciary. Each category in turn is divided into separate fund types.

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).

WASHITA COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

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 and expendable trust funds 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.

The modified-accrual basis of accounting is used by all governmental fund types, expendable trust funds 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, sales tax, interest revenue, 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 is 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 transfers 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.

WASHITA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

E. Cash and Investments

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

While the County presently maintains some individual records of personal property, it does not keep similar records for land, buildings, and improvements. For this reason, a Statement of General Fixed Assets, required by generally accepted accounting principles, is not presented on the Combined Balance Sheet - All Fund Types and Account Group.

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	The county participates in a public entity risk pool -	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
- Torts	Association of County Commissioners of Oklahoma -	
- Errors and Omissions	Self-Insured Group. (See ACCO-SIG.)	
- Law Enforcement		
- Officers Liability		
- Vehicle		

WASHITA COUNTY, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

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

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

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

Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. No significant reductions in insurance coverage occurred during the fiscal year ended June 30, 2001.

WASHITA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

J. Compensated Absences

During the fiscal year ended June 30, 2001, the County did not accrue a liability for future vacation benefits. Vacation benefits are earned by the employee during the year and may be accumulated. Employees must work one full year before being entitled to annual leave. After one year of employment, employees shall be granted 80 hours of vacation. Employees may accumulate no more than 40 hours of vacation from one year to the next with any additional time being forfeited. The amount of accumulated unpaid vacation benefits is not material to the financial statements for the fiscal year ending June 30, 2001.

The County does not accrue any liability for sick leave. An employee earns up to five days per year not to exceed 25 days. After an employee has reached the maximum accumulated sick leave of 25 days, the employee may use a portion of sick leave for annual leave, not to exceed five days. At retirement, any accumulation of sick leave may be taken as annual leave. Because there is no history of sick leave usage from which to project future usage, 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. 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, if any, have not been eliminated from the total column of each financial statement.

M. Grant Revenue

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

WASHITA COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

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 Washita County Board of County 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

Title 62 O.S. 1996 Supp., § 348.1 authorizes the County Treasurer to invest in:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- General-obligation 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

At year-end, the carrying amount of the County's deposits was \$8,091,830, and the bank balance was \$8,155,290. 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.

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 \$61,423,015.

WASHITA COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Detailed Notes on Account Balances (continued)

The County levied 10 mills (the legal maximum) for general fund operations and 1 mill for the emergency medical service. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and apportions the ad valorem taxes collected to the appropriate taxing units.

Taxes are due on November 1 following the levy date, although, they may be paid in two equal installments. If the first half is paid before 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 levy for tax year 2000.

C. Pension Plan

Plan Description. Washita 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 5.0% 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 \$156,857, \$159,358, and \$141,552, 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 is reported as interest.

WASHITA COUNTY, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Detailed Notes on Account Balances (continued)

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, because it is the County's intent to exercise its right to purchase this property, the lease-purchase agreements have been capitalized to conform to 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 County Commissioners, minimum lease commitments under capitalized lease-purchase agreements as of June 30, 2001, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 540,041	\$ 36,037	\$ 576,078
2003	239,756	27,165	266,921
2004	223,801	19,670	243,471
2005	236,182	10,084	246,266
2006-2010	<u>148,222</u>	<u>4,229</u>	<u>152,451</u>
Totals	<u>\$1,388,002</u>	<u>\$ 97,185</u>	<u>\$1,485,187</u>

During the year, the County capitalized leases totaling \$569,240 and paid \$621,548 on the outstanding balances of lease-purchase agreements.

F. 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>Balance</u>
	<u>July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2001</u>
Capital leases	<u>\$1,440,310</u>	<u>\$569,240</u>	<u>\$621,548</u>	<u>\$1,388,002</u>
Total	<u>\$1,440,310</u>	<u>\$569,240</u>	<u>\$621,548</u>	<u>\$1,388,002</u>

G. Fund Balances

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 appropriate 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.

WASHITA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Detailed Notes on Account Balances (continued)

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 Inventories — Inventory in governmental funds consists of expendable supplies held for consumption stated on a first-in-first-out basis. They are recorded at cost as expenditures at the time individual items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that it does not constitute “available spendable resources” even though it is a component of total assets.

H. Fuel Taxes

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. The County highway fund is reported herein as “special revenue,” and the fuel tax revenue is presented as “intergovernmental.”

4. Contingent Liabilities

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

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

5. Sales Tax

The voters of Washita County approved a five-eighth cent sales tax effective April 1, 1999. This sales tax will have a life of no longer than 60 months. The sales tax is distributed among the following entities: OSU Extension Office (49.5%) not to exceed \$93,555, Fair Board (9%) not to exceed \$17,010, Senior Citizen Center (10%) not to exceed \$18,900, County Maintenance (15%) not to exceed \$28,350, and County Health (16.5%) not to exceed \$31,185. All collections over these amounts shall go to the County general fund.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***



CLIFTON H. SCOTT
STATE AUDITOR AND INSPECTOR

STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

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

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
WASHITA COUNTY

We have audited the financial statements of Washita County as of and for the year ended June 30, 2001, and have issued our report thereon dated February 28, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We qualified our opinion because the general fixed assets account group was not included in the general-purpose financial statements.

Compliance

As part of obtaining reasonable assurance about whether Washita 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 Washita 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.

Recommendation: We recommend during the heavy tax collection season, the County ensure the securities pledged will adequately cover the taxes collected and deposited in accordance with Title 62 O.S. 1991, § 511.

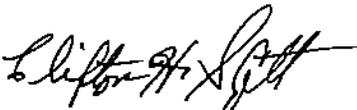
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 96-1 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 County officials, 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

February 28, 2002

MANAGEMENT RESPONSE

WASHITA COUNTY
BOARD OF COUNTY COMMISSIONERS

CORDELL, OKLAHOMA 73632

PHONE (580) 832-2284

JAMES GEE
District #1
Route 1, Box 179
Cotony, OK 73021
Phone 405/929-7632

GENE ETRIS
District #2
600 West 14th St.
Cordell, OK 73632
Phone 580/832-2613

STEVE FINNELL
P. O. Box 253
Canute, OK 73647
Phone 580/472-3473

April 04, 2002

State Auditor and Inspector
1401 Lera, Suite G
Weatherford, OK 73096

Dear Sherri,

Comment number (96-1)

Washita County Clerk's office is in the process of entering the inventory records for all departments into our computer system. The plan is to have this project complete by September 30, 2002. This will not include road and bridges in the county.

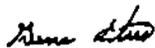
Comment number (2000-2)

All offices have a limited number of employees and are trying to segregate as many duties as possible.

Comment number (2001-1)

Washita County Treasurer, Byron Gore checks balances daily, before any deposits are made. If the County is under pledged, it is corrected before deposit.

Sincerely,



Gene Etris
Chairman

