

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

This publication is printed and issued by the State Auditor and Inspector as authorized by 19 O.S. § 171. Pursuant to 74 O.S. § 3105, 35 copies have been prepared and distributed at a cost of \$81.20. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

July 3, 2003

TO THE CITIZENS OF
WASHITA COUNTY, OKLAHOMA

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

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

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

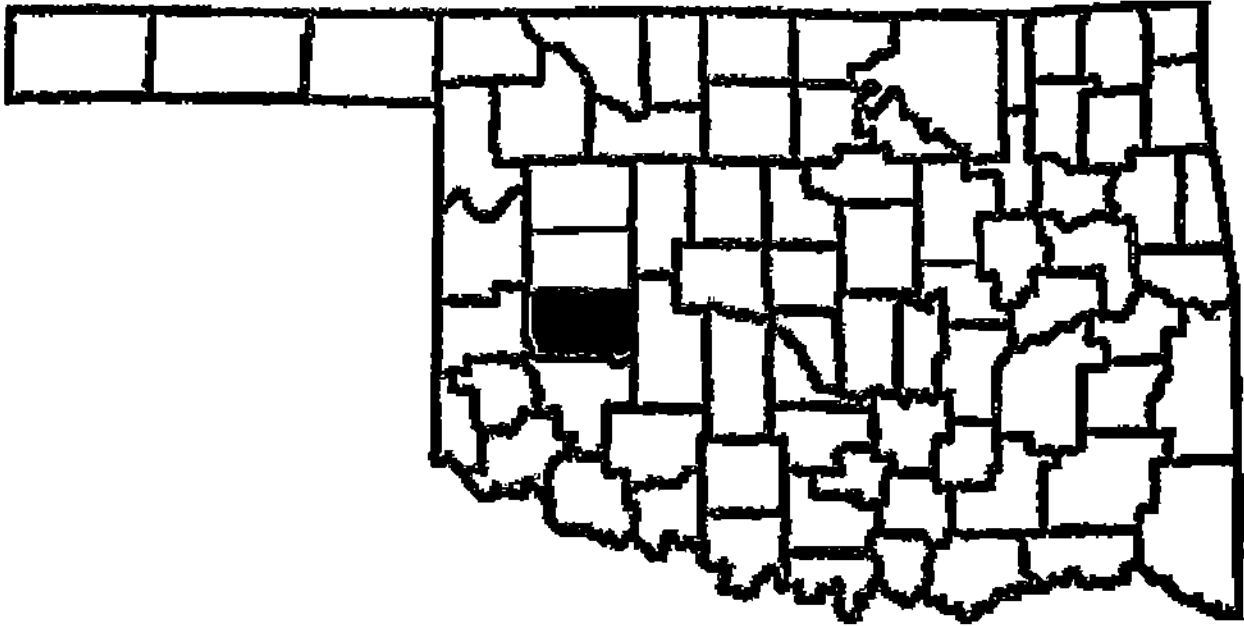
FINANCIAL SECTION

Report of State Auditor and Inspector.....	1
General-Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Group.....	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types.....	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund.....	5
Notes to the Financial Statements.....	6

COMPLIANCE/INTERNAL CONTROL SECTION

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	17
Management Response.....	22

REPORT TO THE CITIZENS
OF
WASHITA COUNTY, OKLAHOMA



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 - 1003.5 Square Miles

County Population - 11,692
(1999 est.)

Farms - 994

Land in Farms - 585,851 Acres

Source: Oklahoma Almanac 2001 - 2002

See independent auditor's report

**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 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

Marita McKee
(D) Cordell

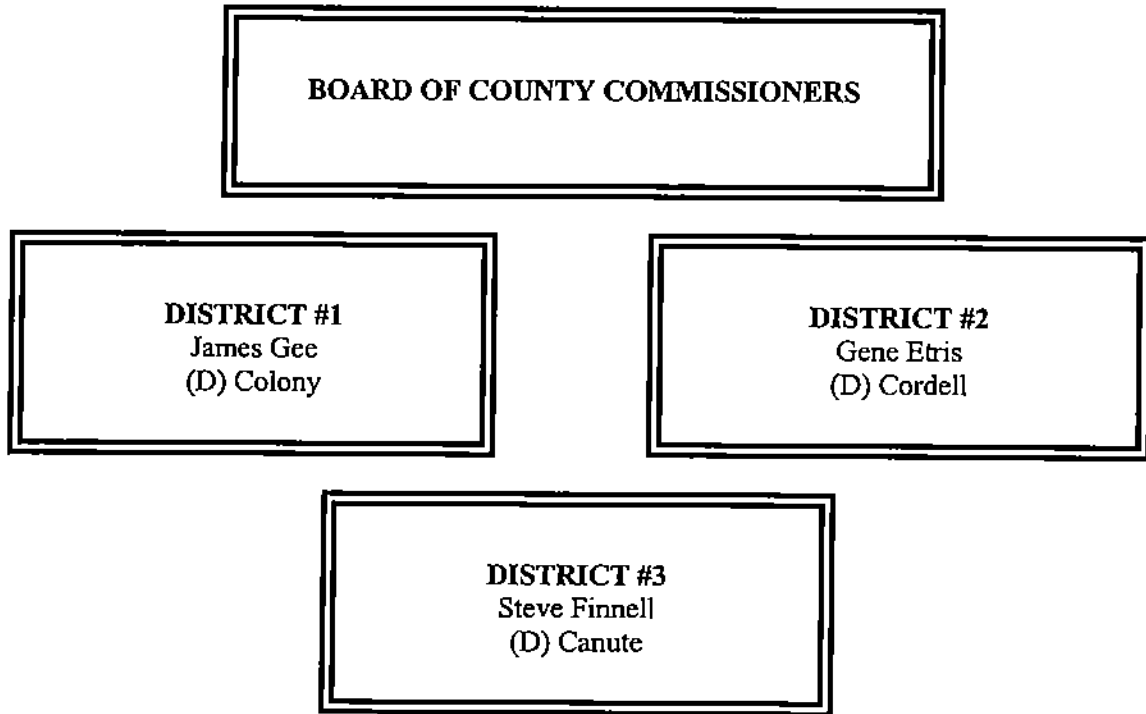
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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 his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as "open records." As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**



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

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

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

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
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.

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.

See independent auditor's report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

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. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

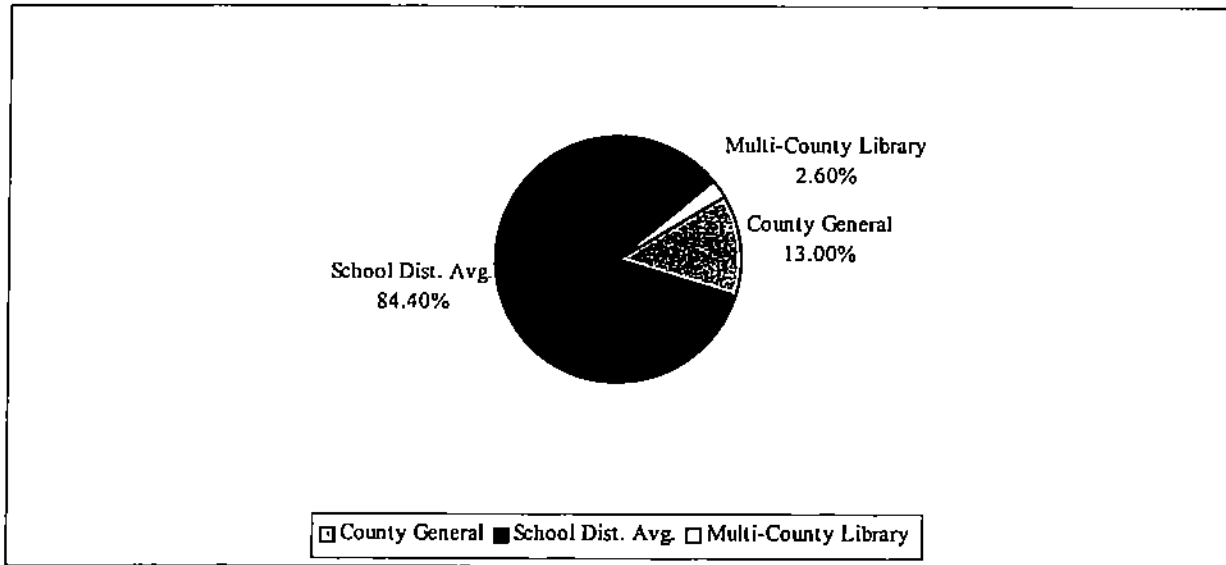
June Wesner
(D) Cordell

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. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

**AD VALOREM TAX DISTRIBUTION
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		School District Millages								
Co. General				Gen.	Bldg.	Skg.	Vo-Tech	Vo-Tech Bldg	Common	Total
Co. General	10.41									
Multi-County Library	2.08									
		Cordell	I-1	36.21	5.17	8.19	10.33	2.00	4.16	66.06
		Burns Flat-Dill City	I-10	35.97	5.14	9.83	10.33	2.00	4.16	67.43
		Canute	I-11	35.82	5.12		10.33	2.00	4.16	57.43
		Sentinel	I-78	36.52	5.22	27.23	10.33	2.00	4.16	85.46
		Washita Heights	I-9	38.02	5.43	4.21			4.16	51.82
		Mt. View-Gotebo	J-003	36.95	5.28		10.52	1.05	4.16	57.96
		Merritt	J-11	36.54	5.22	23.97	10.52	1.05	4.16	81.46
		Elk City	J-2	35.00	5.00	11.96	10.33	2.00	4.16	68.45
		Carnegie	J-26	36.18	5.17	21.26	10.33	2.00	4.16	79.10
		Eakly	J-33	36.28	5.18		10.52	1.05	4.16	57.19
		Weatherford	J-6	36.53	5.22	14.3	10.33	2.00	4.16	72.54
		Clinton	J-99	35.94	5.13	8.38	10.33	2.00	4.16	65.94

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
WASHITA COUNTY, OKLAHOMA

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

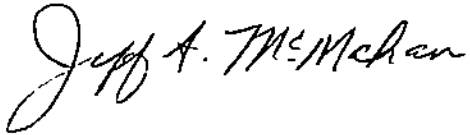
As explained in Note (1H), the general-purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in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

In our opinion, based on our audit, 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, 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 May 19, 2003, 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 that reads "Jeff A. McMahen". The signature is written in a cursive style with a large initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

May 19, 2003

General-Purpose Financial Statements

WASHITA COUNTY, OKLAHOMA
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 2002

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	ACCOUNT GROUP	TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	AGENCY	GENERAL LONG-TERM DEBT	
ASSETS						
Cash and investments	\$ 674,096	\$ 5,214,277	\$ 51,330	\$1,590,020	\$	\$ 7,529,723
Ad valorem taxes receivable	22,444			148,636		171,080
Sales tax receivable				31,799		31,799
Due from other governments	1,551	316,188		8,426		326,165
Accrued interest receivable	8,791	5,057		2,643		16,491
Amount to be provided for capitalized lease purchase agreements					1,364,942	1,364,942
Total assets	<u>\$ 706,882</u>	<u>\$ 5,535,522</u>	<u>\$ 51,330</u>	<u>\$1,781,524</u>	<u>\$ 1,364,942</u>	<u>\$ 9,440,200</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Warrants payable	\$ 80,487	\$ 114,590	\$	\$	\$	\$ 195,077
Accounts payable	60,678	512,639		21,141		594,458
Due to other taxing units				1,494,354		1,494,354
Due to others				266,029		266,029
Capitalized lease obligations payable					1,364,942	1,364,942
Total liabilities	<u>141,165</u>	<u>627,229</u>	<u>-</u>	<u>1,781,524</u>	<u>1,364,942</u>	<u>3,914,860</u>
Fund balances:						
Reserved for encumbrances	13,832	939,527				953,359
Unreserved:						
Designated for capital projects			51,330			51,330
Undesignated	551,885	3,968,766				4,520,651
Total fund balances	<u>565,717</u>	<u>4,908,293</u>	<u>51,330</u>	<u>-</u>	<u>-</u>	<u>5,525,340</u>
Total liabilities and fund balances	<u>\$ 706,882</u>	<u>\$ 5,535,522</u>	<u>\$ 51,330</u>	<u>\$1,781,524</u>	<u>\$ 1,364,942</u>	<u>\$ 9,440,200</u>

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, 2002

	GOVERNMENTAL FUND TYPES			TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	
Revenues:				
Ad valorem taxes	\$ 644,551	\$	\$	\$ 644,551
Sales tax	274,421			274,421
Charges for services	93,376	137,027		230,403
Intergovernmental revenues	157,903	3,620,616	54,270	3,832,789
Miscellaneous revenues	159,913	822,040		981,953
Total revenues	<u>1,330,164</u>	<u>4,579,683</u>	<u>54,270</u>	<u>5,964,117</u>
Expenditures:				
Current operating:				
General government	812,213	68,622		880,835
Public safety	420,802	106,088		526,890
Roads and highways	46,697	6,501,855		6,548,552
Capital outlay			2,940	2,940
Total expenditures	<u>1,279,712</u>	<u>6,676,565</u>	<u>2,940</u>	<u>7,959,217</u>
Excess revenues over (under) expenditures	<u>50,452</u>	<u>(2,096,882)</u>	<u>51,330</u>	<u>(1,995,100)</u>
Other financing sources:				
Capitalized lease-purchases		556,010		556,010
Total other financing sources		<u>556,010</u>		<u>556,010</u>
Excess revenues and other sources over (under) expenditures	50,452	(1,540,872)	51,330	(1,439,090)
Beginning fund balances	515,265	6,449,165		6,964,430
Ending fund balances	<u>\$ 565,717</u>	<u>\$ 4,908,293</u>	<u>\$ 51,330</u>	<u>\$ 5,525,340</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 BALANCES
BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002

	General Fund		
	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 436,934	\$ 436,933	\$ (1)
Revenues:			
Ad valorem taxes	600,997	630,400	29,403
Sales tax	88,352	281,925	193,573
Charges for services	75,612	93,376	17,764
Intergovernmental revenues	65,000	159,453	94,453
Miscellaneous revenues	30,000	179,385	149,385
Total revenues, budgetary basis	<u>859,961</u>	<u>1,344,539</u>	<u>484,578</u>
Expenditures:			
General government	817,126	804,826	12,300
Public safety	433,072	421,089	11,983
Roads and highways	46,697	46,697	
Total expenditures, budgetary basis	<u>1,296,895</u>	<u>1,272,612</u>	<u>24,283</u>
Excess of revenues and beginning fund balances over expenditures, budgetary basis	<u>\$ -</u>	508,860	<u>\$ 508,860</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances			
Add: Ad valorem receivable		22,444	
Accrued interest		8,791	
Due from other governments		1,551	
Reserved for encumbrances		13,832	
Adjustment to prior year reserved for encumbrances		<u>10,239</u>	
Ending fund balance		<u>\$ 565,717</u>	

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Related Organizations Excluded from the Reporting Entity

Washita County Industrial Authority: The County's officials are 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. There was no financial activity for this organization during the fiscal year.

B. Fund Accounting

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

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

Funds are classified into the categories governmental and fiduciary.

Summary of Significant Accounting Policies (continued)

Governmental Funds

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

Fiduciary Funds

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

Account Groups

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

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

C. Measurement Focus and Basis of Accounting

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

Summary of Significant Accounting Policies (continued)

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be quantified, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if collected within 60 days after year-end. Expenditures are recorded when incurred and the related fund liability is expected to be paid from available spendable resources. Principal and interest on general long-term debt are recorded as fund expenditures when paid or when amounts for principal and interest have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, interest revenue, sales tax, and other taxes collected and held by the Oklahoma Tax Commission at year-end on behalf of the government. Charges for services are not susceptible to accrual because generally they are not measurable until received in cash.

D. Budgetary Policies and Procedures

Under current Oklahoma Statutes, the general fund is the only fund required to adopt a formal budget. The budget presented for the general fund includes the originally approved budgeted appropriations for expenditures as adjusted for supplemental appropriations and approved 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 and special revenue funds.

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

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

Summary of Significant Accounting Policies (continued)

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. Receivables

All receivables except lease contracts are reported at their gross value.

G. Interest Receivable

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

H. Fixed Assets

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

I. Risk Management

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

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

WASHITA 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 \$10,000 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

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

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. No significant reductions in insurance coverage occurred during the fiscal year ended June 30, 2002.

Summary of Significant Accounting Policies (continued)

J. Compensated Absences

During the fiscal year ended June 30, 2002, 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. In management's opinion, the amount of accumulated unpaid vacation benefits is not material to the financial statements for the fiscal year ending June 30, 2002.

The County does not accrue any liability for sick leave. An employee earns up to 5 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 5 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 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.

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 \$7,529,723 and the bank balance was \$7,565,691. 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.

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. 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 \$63,505,905.

The County levied 10.41 mills for general fund operations and 2.08 mills for the Multi-County Library. 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.

Detailed Notes on Account Balances (continued)

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 97.6 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, 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 contributes between 5% and 10% of earned compensation. Elected officials contribute between 4.5% and 10% of their entire compensation. The County contributes 10% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2002, 2001, and 2000, were \$172,337, \$156,857, and \$159,358, respectively, equal to the required contributions for each year.

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. The one-time fee will be reported as interest. Oklahoma Statutes prohibit the County from entering into contracts of this nature longer than one year. For this reason, these lease-purchase agreements do not qualify for capitalization until the year the lease-purchase agreements are completed and title to the equipment is transferred to the County. However, it is the County's intent to exercise its right to purchase this property; accordingly, the lease-purchase agreements

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

Detailed Notes on Account Balances (continued)

have been capitalized to conform with generally accepted accounting principles. The unpaid portions of these agreements have been reflected as capitalized lease obligations within the general long-term debt account group.

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 364,730	\$ 50,427	\$ 415,157
2004	355,310	36,397	391,707
2005	453,668	18,231	471,899
2006	113,488	4,119	117,607
2007-2008	<u>77,746</u>	<u>2,132</u>	<u>79,878</u>
Total	<u>\$1,364,942</u>	<u>\$111,306</u>	<u>\$1,476,248</u>

During the year, the County capitalized leases totaling \$556,010 and paid \$579,090 on the outstanding balances of lease-purchase agreements.

E. Long-Term Debt

Changes in Long-Term Liabilities

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

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2002</u>
Capital leases	<u>\$ 1,388,022</u>	<u>\$ 556,010</u>	<u>\$ 579,090</u>	<u>\$ 1,364,942</u>
Total	<u>\$ 1,388,022</u>	<u>\$ 556,010</u>	<u>\$ 579,090</u>	<u>\$ 1,364,942</u>

F. 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. Designated fund balances represent tentative plans for future use of financial resources. Specific reservations and designations of the fund balance accounts are summarized below.

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

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.

Designated for Capital Projects The current fund balance in the capital projects fund is to be used for the remodeling and renovation of Washita County's fairgrounds and buildings.

G. 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. 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 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 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.

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

Sales Tax (continued)

The following is a summary of expenditures from sales tax revenue proceeds for the fiscal year ended June 30, 2002. Receipts and expenditures are not presented for agency funds.

5/8 ¢ Sales Tax	<u>2002</u>
OSU Extension	\$ 93,555
Washita County Free Fair	17,010
Senior Citizens Center	18,900
County Maintenance	28,350
County Health	<u>31,185</u>
Total	189,000
County General Fund	<u>274,421</u>
Total Sales Tax Distribution	\$ <u>463,421</u>

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

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
WASHITA COUNTY, OKLAHOMA

We have audited the financial statements of Washita County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated May 19, 2003. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Finding 2002-1 - County Investment Policy

Criteria: In accordance with Title 62 O.S. 2001, § 348.1, investment activities will be in accordance with Oklahoma Statutes and the County will have a written investment policy from the governing board to invest surplus funds.

Condition: The County's investment policy provides for investment of highway fund monies; however, there is no mention of general fund monies or other investment of surplus funds.

Recommendation: We recommend the County develop and approve a written investment policy in accordance with Title 62 O.S. 2001, § 348.1.

Finding 2002-2 - Lease Purchases

Criteria: Title 19 O.S. 2001, §421.1.A. states, "The board of county commissioners is hereby authorized to use any tools, apparatus, machinery or equipment *belonging* to the county...as a trade-in on a cash purchase of any other tools, apparatus, machinery, or equipment..." In accordance with 19 O.S. 2001, §421.2., all equipment declared as surplus must actually belong to the county, prior to disposing, selling or trading the equipment.

Condition: The following exceptions were noted in the audit of lease-purchased equipment:

1. Two lease-purchased motor graders (s/n 9EJ00641 and s/n 9EJ00631) were sold at an auction on March 17, 2001. On April 2, 2001, a warrant was issued to Koch Financial Corporation in the amount of \$304,447.87 to pay off these two graders.
2. A John Deere tractor mower was lease-purchased from ODOT (ODOT 99-1579 Lease Agreement #751006) in May 1999. The County sold the mower (s/n W01518E009753) in the Washita County auction held March 9, 2002. However, the County is making monthly lease payments to ODOT. The lease-purchase is scheduled to be paid off in the fiscal year 2002-2003, but the County no longer has possession of the equipment.
3. A John Deere tractor mower was lease-purchased from ODOT (ODOT 99-1578 Lease Agreement #752005) in May 1999. The County sold the mower (s/n W01518E009751) in the Washita County auction held March 1, 2003. However, the County is making monthly lease payments to ODOT. The lease-purchase is scheduled to pay off in the fiscal year 2002-2003, but the County no longer has possession of the equipment.

Recommendation: We recommend no lease-purchased equipment be sold in any manner until the lease purchase contract is paid off.

Finding 2002-3 - Compensated Absences Policy

Criteria: The Fair Labor Standards Act requires employees, not considered exempt, to work 40 hours per week before overtime compensation can be accrued. The Washita County Personnel Policy (2001) Manual states on page 6, "... County employees who are not exempt shall be entitled to overtime payment at the rate of 1-1/2 times their regular rate of pay for all hours worked in a workweek in excess of 40 hours ..."

Condition: Based on the audit of county timesheets, county employees are given overtime for hours worked in excess of 35 hours per week.

Recommendation: We recommend the County adhere to the established personnel policy and to the Fair Labor Standards Act that allows overtime for hours worked in excess of 40 hours per week for non-exempt employees.

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.

Finding 1996-1 - General Fixed Assets

Criteria: Accounting principles generally accepted in the United States of America for a governmental entity using governmental fund types require the presentation of the general fixed assets account group (GFAAG) in the financial statements.

Condition: Information is not available for reporting general fixed assets in accordance with accounting principles generally accepted in the United States of America for a governmental entity. The general fixed assets control account is not accurate.

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

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

Finding 2000-2 - Separation of Duties

Criteria: Good internal controls dictate that the most effective controls lie in management's knowledge of county operations and a periodic review of operations.

Condition: The limited number of office personnel within the County Sheriff's, County Treasurer's, County Clerk's, County Commissioner's, and Assessor's offices prevents a proper separation of accounting functions, which is necessary to assure adequate internal control structure.

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

Finding 2002-4 - Compensated Absences

Criteria: Good accounting procedures are necessary to ensure stewardship and accountability. The Fair Labor Standards Act (FLSA) requires employers to keep accurate records of actual time worked by employees.

Condition: The various County offices do not consistently maintain records regarding actual time worked by employees.

Effect: Employees may not be paid for actual hours worked. In addition, accurate annual and sick leave balances cannot be determined.

Recommendation: We recommend all County employees be required to complete timesheets which reflect actual hours worked and leave balances earned and used. The timesheets should be approved by the applicable supervisor.

Finding 2002-5 - Official Depository Vouchers

Criteria: Good accounting procedures are necessary to ensure stewardship and accountability of public funds. Title 19 O.S. 2001, § 683 states, “. . . the county treasurer shall register the said voucher in its proper numerical order . . .”

Condition: Presently, the County Treasurer orders, for each county officer, official depository vouchers. These vouchers are NOT prenumbered. The County Treasurer issues these blank non-prenumbered vouchers to officers as requested. Each county office handwrites a voucher number in the blank provided at the top right corner of the voucher.

Recommendation: We recommend vouchers be prenumbered and used by the County officials maintaining an official depository account. The County Treasurer will register these vouchers in the numerical order pre-printed on the voucher.

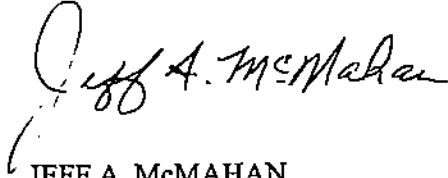
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 items 96-1 and 2000-2 to be material weaknesses.

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive style with a large initial "J" and "M".

JEFF A. McMAHAN
State Auditor and Inspector

May 19, 2003

Management Response

WASHITA COUNTY
BOARD OF COUNTY COMMISSIONERS

CORDELL, OKLAHOMA 73632

PHONE (580) 832-2284

JAMES GEE
District #1
Route 1, Box 179
Colony, 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

June 23, 2003

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 in the next few months.

Comment number (2000-2)

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

Comment number (2002-1)

Resolutions will be on the agenda July 7, 2003 stating where monies can be invested and the banks in Washita County that are designated as an official depository.

Comment number (2002-2)

Equipment that is leased purchased will not be sold until paid off.

Comment number (2002-3)

Employees will be following the Washita County personnel policy.




Comment number (2002-4)

Washita County is in the process of establishing a monthly time record, which has accumulated annual, sick, compensatory, and funeral leave.

Comment number (2002-5)

The County Clerk and Assessor have order pre-numbered official depository vouchers. The Treasurer, Sheriff and Election Board will finish the supply the Treasurer's office had on hand. These official depository vouchers are being pre-stamped with a number.

Sincerely,



Gene Etris
Chairman