

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

May 21, 2003

TO THE CITIZENS OF
CLEVELAND COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cleveland 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. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

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

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

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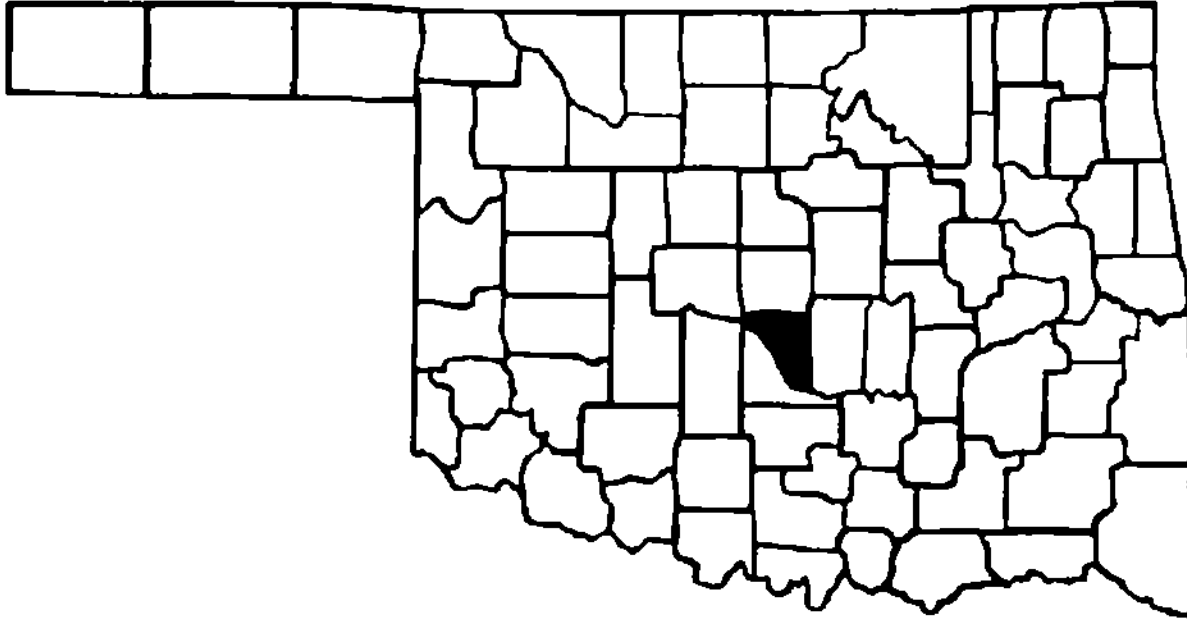
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REPORT TO THE CITIZENS
OF
CLEVELAND COUNTY, OKLAHOMA



Opened to settlement in the Land Run of April 22, 1889, Cleveland was one of the seven counties organized as the Oklahoma Territory in 1890. Its first citizens named it for President Grover Cleveland.

Osage Indians had fought the Plains Tribes here where settlers built cities and broke the sod for farms. Explorers pushing westward had marveled at the Cross Timbers in the eastern part of the county and the vast prairies beyond. Colonel A.P. Chouteau established a trading post near Lexington, and Jesse Chisholm ran one of his cattle trails through the county. Washington Irving killed a buffalo in the vicinity of present-day Moore and wrote about it in *A Tour on the Prairies*.

Cleveland County is the home of the state's largest comprehensive university, the University of Oklahoma in Norman. While other cities were battling to become the capital, Norman's mayor skillfully directed a bill through the Territorial Legislature designating Norman as the site for the first institution of higher learning.

Although Cleveland County is the eighth smallest Oklahoma County in the area, it has the third largest population and two of the state's nine largest cities, Norman and Moore. Farming, oil production, and horse breeding are important industries.

For more information, call the county clerk's office at (405) 366-0240.

County Seat – Norman

Area – 536.2 Square Miles

County Population – 203,449
(1999 est.)

Farms – 1,017

Land in Farms – 162,308 Acres

Source: Oklahoma Almanac 2001 - 2002

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Denise Heavner
(D) Norman

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
Dorinda Harvey
(R) Norman

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

The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

BOARD OF COUNTY COMMISSIONERS

DISTRICT #1
Bill Graves
(R) Norman

DISTRICT #2
George Skinner
(D) Moore

DISTRICT #3
Leroy Krohmer
(D) Noble

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

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

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
Dewayne Beggs
(R) Norman

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
Saundra DeSelms
(D) Norman

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 OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Rhonda Hall
(D) Moore

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
Tim Kuykendall
(R) Norman

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

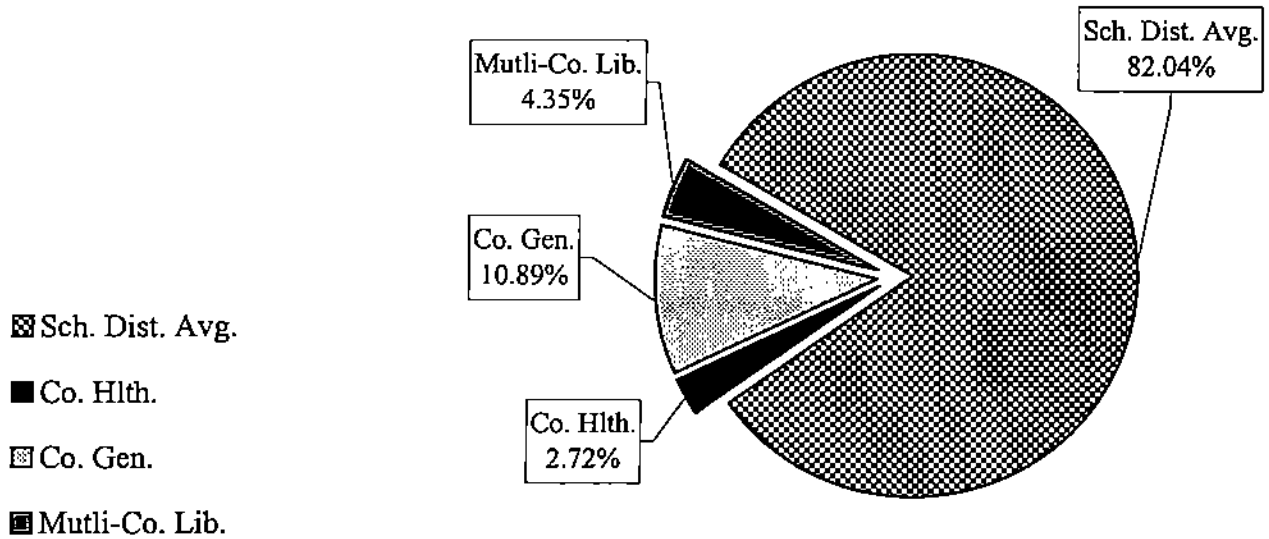
ELECTION BOARD SECRETARY
Paula Roberts
(D) Norman

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
CLEVELAND 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 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 Fund	10.28
Co. Sinking	0.14
Multi-Co. Library	4.11
Co. Health	2.57

Cities and Towns:

Norman	2.57
Moore	7.66
Noble	7.10
Oklahoma City	15.34

Other:

Noble Ambulance	3.08
Little Axe Fire	7.16

School District Millages:

	<u>Gen.</u>	<u>Bldg.</u>	<u>Ske.</u>	<u>Vo-Tech</u>	<u>Common</u>	<u>Total</u>
McLoud-Jt.	35.64	5.09	15.30	4.11	15.22	75.36
Moore-2	36.07	5.15	15.46	4.11	14.38	75.17
Robin Hill-16	36.48	5.21	6.16	4.11		51.96
Norman-29	35.88	5.12	17.91	4.11	14.38	77.40
Noble-40	35.85	5.12	28.79	4.11	11.25	85.12
Mid-Del-52	36.04	5.14	21.33	4.11	16.72	83.34
Lexington-57	36.55	5.22	32.62	4.11	11.25	89.75
Mustang-69	36.08	5.15	24.57	4.11	15.46	85.37
Little Axe	35.69	5.10	17.31	4.11	11.25	73.46

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
CLEVELAND COUNTY, OKLAHOMA

We have audited the accompanying general-purpose financial statements of Cleveland County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of Cleveland County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of the enterprise funds. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the enterprise funds, is based on the reports of the other auditors.

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 and the reports of the other auditors provide a reasonable basis for our opinion.

As explained in Note 1(J), 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.

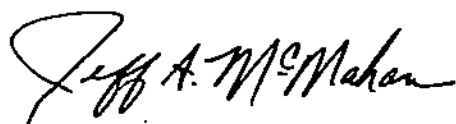
In our opinion, based on our audit and the reports of the other auditors, except for the effect on the general-purpose financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Cleveland County, Oklahoma, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The combining enterprise fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of Cleveland County, Oklahoma. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the general-purpose financial statements and, in our opinion, based on our audit and the reports of the other auditors, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2003, on our consideration of Cleveland County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. 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 Cleveland County, Oklahoma, taken as a whole. The supplementary schedules listed in the table of contents are presented for purpose of additional analysis and are not a required part of the general-purpose financial statements. The schedule of expenditures of federal awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements 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. McMahon". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

April 28, 2003

General-Purpose Financial Statements

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

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		Account Group		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	Long-Term Debt	General		
ASSETS											
Cash and cash equivalents	\$ 8,023,879	\$ 8,042,586	\$ 22,278	\$ 825,161	\$ 13,854,164	\$ 16	\$ 3,171,235	\$	\$	\$	\$ 33,939,319
Restricted cash and equivalents					20,801						20,801
Restricted funds					1,273,286						1,273,286
Investments					2,164,460						2,164,460
Ad valorem taxes receivable	98,317	24,579	1,428				827,837				952,161
Due from other governments	23,217	347,246					108,884				479,347
Due from projects	49,756	2,723	5	1,259	3,606		706				3,606
Accrued interest receivable					687,367						741,816
Account receivable					7,641						7,641
Rent receivable					527,379						527,379
Contracted service receivable					65,520						65,520
Mortgage receivable					29,058,953						29,058,953
Certificate premium					1,041,084						1,041,084
Loan agreement					9,911,250						9,911,250
Long-term rent receivable					3,431,606						3,431,606
Note receivable					6,930,000						6,930,000
Land					11,680						11,680
Property and equipment, net					5,428,675						5,428,675
Building					4,422,209						4,422,209
Accumulated depreciation					(1,943,582)						(1,943,582)
Bond discount, net					4,529						4,529
Cost of issuance, net					952,237						952,237
Consumable inventory		352,819									352,819
Amount available in debt service									23,711		23,711
O & M receivable					3,391						3,391
Amount to be provided for capitalized lease agreements									413,951		413,951
Amount to be provided for retirement of judgments									86,289		86,289
Total assets	\$ 8,195,169	\$ 8,769,953	\$ 23,711	\$ 826,420	\$ 77,856,256	\$ 16	\$ 4,108,662	\$	\$ 523,951	\$ 86,289	\$ 100,304,138

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

**CLEVELAND COUNTY, OKLAHOMA
COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 2002**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Group		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Long-Term Debt		
LIABILITIES AND FUND EQUITY										
Liabilities:										
Warrants payable	\$ 267,760	\$ 189,215	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 456,975
Accounts payable	581,705	439,254	-	-	9,733	-	-	110,000	-	1,030,692
Judgments payable	-	-	-	-	-	-	-	-	-	110,000
Capitalized lease obligations payable	-	-	-	-	-	-	-	-	-	-
Due to other taxing units	-	-	-	-	-	-	-	413,951	-	413,951
Due to others	-	-	-	-	-	-	1,251,861	-	-	1,251,861
Accretion bonds	-	-	-	-	236,056	-	2,856,801	-	-	2,856,801
Due to authority general fund	-	-	-	-	3,606	-	-	-	-	3,606
Contracted services	-	-	-	-	65,520	-	-	-	-	65,520
Interest payable	-	-	-	-	895,920	-	-	-	-	895,920
Revenue bonds payable	-	-	-	-	3,972,436	-	-	-	-	3,972,436
Bond premiums, net	-	-	-	-	1,769,934	-	-	-	-	1,769,934
Mortgage's escrow	-	-	-	-	846	-	-	-	-	846
Repair and replacement	-	-	-	-	77,762	-	-	-	-	77,762
Deferred issuance fees	-	-	-	-	91,101	-	-	-	-	91,101
Revenue/note bonds	-	-	-	-	64,865,084	-	-	-	-	64,865,084
Total liabilities	<u>849,465</u>	<u>628,469</u>	<u>-</u>	<u>-</u>	<u>71,987,998</u>	<u>-</u>	<u>4,108,662</u>	<u>523,951</u>	<u>-</u>	<u>78,098,545</u>
Fund equity:										
Retained earnings										
Fund balances:										
Reserved for encumbrances	315,805	190,311	-	-	5,868,258	-	-	-	16	5,868,274
Reserved for consumable inventories	-	-	-	-	-	-	-	-	-	506,116
Reserved for debt service	-	352,819	-	-	-	-	-	-	-	352,819
Unreserved:										
Designated for capital projects	7,029,899	7,598,354	-	826,420	-	-	-	-	-	826,420
Undesignated	7,345,704	8,141,484	23,711	826,420	5,868,258	16	-	-	-	14,628,253
Total fund balances	<u>8,195,169</u>	<u>8,769,953</u>	<u>23,711</u>	<u>826,420</u>	<u>77,856,256</u>	<u>16</u>	<u>4,108,662</u>	<u>523,951</u>	<u>16</u>	<u>100,304,138</u>
Total liabilities and fund balances	\$ 8,195,169	\$ 8,769,953	\$ 23,711	\$ 826,420	\$ 77,856,256	\$ 16	\$ 4,108,662	\$ 523,951	\$ 16	\$ 100,304,138

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

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

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Ad valorem taxes	\$ 8,758,280	\$ 2,193,853	\$ 120,189	\$	\$ 11,072,322
Charges for services	991,113	1,167,695			2,158,808
Intergovernmental revenues	1,567,427	5,175,673			6,743,100
Miscellaneous revenues	702,349	1,292,728	112	35,157	2,030,346
Total revenues	12,019,169	9,829,949	120,301	35,157	22,004,576
Expenditures:					
Current operating:					
General government	5,849,264	727,808			6,577,072
Public safety	3,949,082	605,166			4,554,248
Culture and recreation	526,561				526,561
Education	207,378				207,378
Health and welfare	49,609	3,066,291			3,115,900
Roads and highways	1,103,015	4,758,234			5,861,249
Capital outlay				17,235	17,235
Debt service:					
Principal retirement			180,000		180,000
Interest			60,600		60,600
Total expenditures	11,684,909	9,157,499	240,600	17,235	21,100,243
Excess of revenues over (under) expenditures	334,260	672,450	(120,299)	17,922	904,333
Other financing sources (uses):					
Capitalized lease agreements		95,542			95,542
Total other financing sources (uses)	-	95,542	-	-	95,542
Excess of revenues and other sources over (under) expenditures and other uses	334,260	767,992	(120,299)	17,922	999,875
Beginning fund balances	7,011,444	7,373,492	144,010	808,498	15,337,444
Ending fund balances	\$ 7,345,704	\$ 8,141,484	\$ 23,711	\$ 826,420	\$ 16,337,319

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

CLEVELAND COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL AND SPECIAL REVENUE
(COUNTY HEALTH DEPARTMENT ONLY) FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	General			Special Revenue Funds		
	Budget	Actual	Variance	County Health Department		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 6,225,272	\$ 6,294,895	\$ 69,623	\$ 1,334,180	\$ 1,353,938	\$ 19,758
Revenues:						
Ad valorem taxes	8,813,701	8,784,391	(29,310)	2,203,425	2,200,380	(3,045)
Charges for services	732,000	991,113	259,113	46,722	47,042	320
Intergovernmental revenues	1,477,087	1,569,158	92,071			
Miscellaneous revenues	872,642	750,370	(122,272)	67,135	74,355	7,220
Total revenues, budgetary basis	<u>11,895,430</u>	<u>12,095,032</u>	<u>199,602</u>	<u>2,317,282</u>	<u>2,321,777</u>	<u>4,495</u>
Expenditures:						
Current operating:						
General government	12,436,976	5,942,015	6,494,961			
Public safety	4,003,510	3,964,240	39,270			
Education	234,649	217,224	17,425			
Health and welfare	50,000	49,609	391	3,651,462	1,431,958	2,219,504
Roads and highways	1,105,567	1,068,302	37,265			
Culture and recreation	290,000	289,928	72			
Total expenditures, budgetary basis	<u>18,120,702</u>	<u>11,531,318</u>	<u>6,589,384</u>	<u>3,651,462</u>	<u>1,431,958</u>	<u>2,219,504</u>
Excess of revenues and beginning fund balances over (under) expenditures, budgetary basis	<u>\$ -</u>	6,858,609	<u>\$ 6,858,609</u>	<u>\$ -</u>	2,243,757	<u>\$ 2,243,757</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem taxes receivable		98,317			24,579	
Accrued interest receivable		49,756			2,581	
Due from other governments		23,217				
Reserved for encumbrances		<u>315,805</u>			<u>65,353</u>	
Ending fund balances		<u>\$ 7,345,704</u>			<u>\$ 2,336,270</u>	

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

**CLEVELAND COUNTY, OKLAHOMA
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Types	
	Enterprise Funds	Internal Service Funds
Revenues:		
Occupant note interest	\$ 273,030	\$
Reimbursements	5,770	
Interest income	1,372,913	
Interest income - mortgages	2,420,247	
Operating and maintenance reimbursement	45,298	
Miscellaneous revenues	30	
Lease rental home	923,022	
DHS O&M payments	38,090	
Detention contract revenue	797,160	
Unamortized bond premium	155,943	
Project administration fee	123,497	
Certificate application fee	5,300	
Realized gain (loss) on investments	2,096	
Total revenues	<u>6,162,396</u>	<u>-</u>
Expenses:		
Administrative fee	65,934	
Bank administrative fee	10,402	
Legal, accounting, and audit expense	208,997	
Note/bond interest	284,812	
Interest expense	4,925,878	
Trustee and paying agent fees	36,342	
Insurance	11,216	
Depreciation expense	330,171	
Repairs and maintenance	121,915	
Issuer administration fee	28,787	
Utilities	9,195	
Detention services contract	797,160	
Miscellaneous	5,053	
Claims paid		46
Total expenses	<u>6,835,864</u>	<u>46</u>
Net income (loss)	(673,468)	(46)
Beginning retained earnings - undesignated	6,251,116	62
Prior period adjustments	<u>290,610</u>	
Ending retained earnings	<u>\$ 5,868,258</u>	<u>\$ 16</u>

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

**CLEVELAND COUNTY, OKLAHOMA
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Types	
	Enterprise Funds	Internal Service Funds
Cash flows from operating activities		
Net income (loss)	\$ (673,468)	\$ (46)
Noncash items included in net income (loss):		
Amortized bond premium/discount	(77,971)	
Amortized accretion and interest bonds	33,174	
Realized gain (loss) on investments	(1,653)	
Unrealized gain (loss) on investments	(443)	
Depreciation	330,173	
Deferred fees payable	(17,518)	
Changes in:		
Due to (from) projects	44,121	
Due to Industrial Authority general fund	919	
Accrued interest receivable	(84,324)	
Accrued interest payable	93,325	
Accounts payable	(4,956)	
Rent receivable	(12,281)	
Net cash provided (used) by operating activities	<u>(370,902)</u>	<u>(46)</u>
Cash flows from investment activities		
Purchase of investments	(335,803)	
Purchase of assets	(2,952,472)	
Proceeds from investments	1,461,436	
Proceeds from mortgages	4,592,610	
Proceeds from restricted cash	662,925	
Reduction of debt receivable	9,384	
Net cash provided (used) by investment activities	<u>3,438,080</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from rent receivable	335,022	
Note/bond payments	(23,435,296)	
Proceeds from notes/bonds	14,295,000	
Repair fund payments	(55,578)	
Proceeds from repair fund	10,000	
Net cash provided (used) by financing activities	<u>(8,850,852)</u>	<u>-</u>
Net increase (decrease) in cash and equivalents	(5,783,674)	(46)
Cash and cash equivalents, beginning of year	<u>19,658,639</u>	<u>62</u>
Cash and cash equivalents, end of year	<u>\$ 13,874,965</u>	<u>\$ 16</u>

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

Notes to the Financial Statements

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

1. Summary of Significant Accounting Policies

The financial statements of the 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. Financial 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 accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of Cleveland County (the primary government) and its legally separate component units.

Blended Component Units

The following component units have been presented as blended component units because the component unit's governing bodies are substantially the same as the governing body of the County, or the component units provide services almost entirely to the primary government

Cleveland County Home Loan Authority: The Authority is a public trust organized under Title 60, Oklahoma Statutes. The purpose of the Authority is to assist the beneficiary (Cleveland County) and other governmental entities as well as private entities in providing housing for low to moderate-income families. Amounts included are for fiscal year ending June 30, 2002.

Cleveland County Industrial Authority: The Authority is a public trust formed pursuant to Title 60, Oklahoma Statutes. The purpose of the Authority is to promote the development and financing of public works facilities as well as industrial facilities, which will benefit the County. Amounts included are for the fiscal year ending October 31, 2001.

Cleveland County Public Facilities Authority: The Authority is a public trust organized under Title 60, Oklahoma Statutes. The purpose of the Authority is to assist the beneficiary, Cleveland County, other governmental agencies, and private enterprises plan, finance, purchase, lease, construct, operate, and maintain buildings, utilities, and facilities for public use and to administer other rights and privileges upon any real or personal property leased, constructed, purchased, or acquired as set forth in the Trust Indentures. Amounts included are for the fiscal year ending June 30, 2002.

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

Summary of Significant Accounting Policies (continued)

Cleveland County Facilities Authority: The Authority is a public trust organized under Title 60, Oklahoma Statutes. The purpose of the Authority is to assist the beneficiary, Cleveland County, other governmental agencies, and private enterprise plan, finance, purchase, lease, construct, operate, and maintain buildings, utilities, and facilities for public use and to administer other rights and privileges upon any real or personal property leased, constructed, purchased, or acquired as set forth in the Trust Indenture. Amounts included are for the fiscal year ending June 30, 2002.

The financial activity for all blended Authorities is reported in a combined enterprise fund. Combining statements are presented for the combined enterprise fund. Complete financial statements for each blended component unit are on file at the Cleveland County Clerk's Office.

Related Organizations Excluded from the Reporting Entity

The County's officials are responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. These organizations are not included in the financial statements.

Cleveland County Finance Authority

Cleveland County Development Authority

B. Fund Accounting

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

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

Funds are classified into three major categories: governmental, proprietary, and fiduciary.

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 the activities of the general government not accounted for in some other fund.

Summary of Significant Accounting Policies (continued)

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, when the determination of the net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) except for those that conflict with GASB pronouncements.

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) – Accounting principles generally accepted in the United States of America require that the fixed assets of a government 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 trust fund. In addition to general obligation debt instruments (e.g., bonds, notes), 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., claims and judgments and capitalized lease-purchase obligations).

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 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.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

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

D. Budgetary Policies and Procedures

Under current Oklahoma Statutes, the general fund and the County Health Department fund are the only funds required to adopt a formal budget. The budget presented for the general and special revenue (County Health Department only) funds 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.

Summary of Significant Accounting Policies (continued)

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 and Special Revenue (County Health Department only) Funds 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

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 are reported at their gross value.

G. Interest Receivable

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

H. Bond Refunding

Bond Discount and Cost of Issuance – Bond discount and cost of issuance, or deferred debt expense, are capitalized and amortized over the terms of the respective bonds using a straight-line method of amortization.

Deferred Loss of Refunding – The Governmental Accounting Standards Board issued Statement 23 - Accounting and Financial Reporting of Refunding of Debt. The statement requires the early extinguishment of debt be accounted for by amortizing rather than expensing refunding gains and losses. The loss is amortized over the shorter of the life of the new debt or the debt that it replaces and is amortized as a component of interest expense.

Summary of Significant Accounting Policies (continued)

I. Future Rent Receivable

Long-term lease agreements, which will result in the transfer of the facilities at termination of the lease, are recognized as rent receivables discounted for the interest portion thereof, which results in the receivable being approximately equal to the debt associated with the facilities.

J. Fixed Assets

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

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

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

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.

Each Authority that owns fixed assets presents the value thereof, net of depreciation in each applicable enterprise fund. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to capitalize is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Depreciation of buildings, equipment, and property reported in the proprietary fund types is computed using the straight-line method.

Summary of Significant Accounting Policies (continued)

K. Risk Management

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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - Torts - Errors and Omissions - Law Enforcement Officers Liability - Vehicle	The County participates in a public entity risk pool – Association of County Commissioners of Oklahoma – Self-Insured Group. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool. (See ACCO Self-Insured Fund ACCO-SIF.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of risk.	None

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county will pay a deductible amount (\$1,000 to \$10,000; the County has a \$5,000 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 three years.

Summary of Significant Accounting Policies (continued)

The County continues to carry commercial insurance for employees' health and life insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2002 fiscal year. Existing judgments payable originated prior to the current insurance coverage.

The County established a limited risk management program for worker's compensation in 1989. Premiums were paid into the internal service fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. During the fiscal year 2002, a total of \$46 was paid in benefits and administrative costs. The County no longer pays premiums into the fund. As stated above, the County is currently insured by the Association of County Commissioners of Oklahoma and only uses the fund for old claims.

L. Compensated Absences

The County's policies regarding accumulated unpaid vacation, sick pay, and other employee benefit amounts permit employees to accumulate varying amounts determined by the County's Employee Policy and Procedures Manual.

Overtime: It is the policy of Cleveland County that a non-exempt employee can accumulate up to 240 hours of compensatory time. Law enforcement employees can accumulate 480 hours of compensatory time.

Sick Leave: Accumulated sick leave will not be paid upon termination.

Annual Leave: An employee may accumulate up to 100 hours of annual leave.

The County does not maintain summary records to accumulate the total liability for accumulated leave benefits. Accordingly, no liability has been recorded. However, the amount would not be material to expenditures as reported in the financial statements for the affected fund types.

M. Reserved for Debt Service

The debt service fund is used to account for the payment of interest and principal on the matured portion of judgments. Debt service revenues are primarily from ad valorem taxes. At June 30, 2002, the available fund balance in the debt service fund reserved for the retirement of judgments was \$23,711.

Summary of Significant Accounting Policies (continued)

N. Fund Equity

Retained earnings reflect the accumulated earnings of an enterprise or internal service fund. Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund equity represents tentative plans for future use of financial resources.

O. 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, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Interfund transactions have not been eliminated from the total column of each financial statement.

P. Inventories

Inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

The costs of governmental fund type inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of their respective funds. Reported inventories in these funds are equally offset by a fund balance reserve.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before May 31 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. Within weeks, the County Budget Board 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

Title 62 O.S. § 348.3 authorizes the County Treasurer to invest in:

- U.S. government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities, or school districts
- Money judgments against counties, municipalities, or school districts

Detailed Notes on Account Balances (continued)

- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality, or school district
- Negotiable certificates of deposit
- Prime bankers acceptances which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments.

A. Deposits

Deposits – County - At year-end, the carrying amount of the County's deposits, excluding component units, was \$20,085,155 and the bank balance was \$20,276,942. 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.

Deposits – Enterprise Funds – The enterprise fund is composed entirely of component units. The audited financial statements of the component units have been furnished to the County for inclusion in the general-purpose financial statements. Relative component unit footnotes for deposits have been included at footnote 7.

Title 62 O.S. § 72.4a requires public trusts that have the state or county as a beneficiary must only invest in certificates of deposit or other evidence of deposit.

These restrictions do not apply to the proceeds of bonds issued by the Cleveland County Facilities Authority, the Cleveland County Public Facilities Authority, the Cleveland County Home Loan, and the Cleveland County Industrial Authority or the revenues that service the debt in accordance with part B of Title 62 O.S. § 72.4a, which requires the proceeds, including the revenue stream, relating to bond issues be invested pursuant to the indenture established for such bonds.

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 every four (4) years."

The net assessed property value as of January 1, 2001, was \$857,363,8789

Detailed Notes on Account Balances (continued)

The County levied 10.28 mills for general fund operations, 2.57 mills for the County Health Department, 4.11 mills for the County Library, and .14 mills for debt 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 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 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 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2000, 2001, and 2002, were \$681,921, \$753,875, and \$843,610, 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. 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

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

Detailed Notes on Account Balances (continued)

lease-purchase agreements have been capitalized to conform with accounting principles generally accepted in the United States of America. 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 June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 127,133	\$ 19,245	\$ 146,378
2004	119,189	12,507	131,696
2005	75,438	6,913	82,351
2006	53,791	3,587	57,378
2007	<u>38,400</u>	<u>1,263</u>	<u>39,663</u>
Total	<u>\$ 413,951</u>	<u>\$ 43,515</u>	<u>\$ 457,466</u>

During the year, the County capitalized leases totaling \$95,542 and paid \$195,698 on the outstanding balances of lease-purchase agreements.

E. Judgments Payable

The County has judgments which are being retired by a tax levy. The County is obligated to pay each of the judgments over a three-year period. During the fiscal year ending June 30, 2002, principal payments of \$180,000 and interest payments of \$60,600 were made on these judgments.

Future principal and interest payments that will become due and payable on existing judgments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 96,667	\$ 11,000	\$ 107,667
2004	<u>13,333</u>	<u>1,333</u>	<u>14,666</u>
Total	<u>\$ 110,000</u>	<u>\$ 12,333</u>	<u>\$ 122,333</u>

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

Detailed Notes on Account Balances (continued)

F. 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:

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002
Claims and judgments	\$ 290,000	\$	\$ 180,000	\$ 110,000
Capital leases	514,107	95,542	195,698	413,951
 Total	 \$ 804,107	 \$ 95,542	 \$ 375,698	 \$ 523,951

G. Fund Equity

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Designations of fund equity are used to show the amounts within unreserved fund equity which are intended to be used for specific purposes, but are not legally restricted. Specific reservations and designations of the fund balance accounts are summarized below:

Retained Earnings – Retained earnings reflect the accumulated earnings of an enterprise or internal service fund.

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 Consumable Inventories – The reserve for inventories was created to indicate that this portion of the fund balance is not available for appropriation.

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

Designated for Capital Projects – The capital projects fund shown in the financial statements is used to account for the proceeds of the Cleveland County Bridge Bonds of 1984 and any interest earned thereon. The proceeds and interest are to be used for the construction, repair, and acquisition of Cleveland County bridges.

Detailed Notes on Account Balances (continued)

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 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

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. Fiduciary Responsibility

It is the duty of the County Court Clerk to maintain all financial and court records for all divisions of the District Court. The Court Clerk has fiduciary responsibility to private individuals, businesses, and other governments to properly account for cash transactions, financial transactions, and balances. The majority of funds collected are due to various state entities; therefore, the District Court account is reported as an agency fund.

The Administrative Office of the Courts (AOC), a state agency, previously maintained case information for the eight largest counties in Oklahoma in a mainframe computer. During the 1999 calendar year, AOC moved the District Courts' data from the mainframe to their new client server PC based system known as Oklahoma Court Information System (OCIS).

6. Enterprise Funds

The enterprise funds shown in the financial statements are used to account for the activities of the Cleveland County Home Loan Authority, the Cleveland County Industrial Authority, the Cleveland County Public Facilities Authority, and the Cleveland County Facilities Authority, all of which are component units of Cleveland County. A description of each project is included in the subsequent notes to these financial statements.

Enterprise Funds (continued)

6A. Cleveland County Home Loan Authority

The Cleveland County Home Loan Authority, a public trust and agency of the State of Oklahoma, was created by a Trust Indenture dated on the 10th day of October 1978, and was amended pursuant to Resolutions of the Trustees of the Cleveland County Home Loan Authority and the Board of County Commissioners of Cleveland County, Oklahoma, on the 18th day of December 1978, and the 14th day of August 1989, designating certain individuals as Trustees of the Cleveland County Home Loan Authority for the use and benefit of the County of Cleveland County, Oklahoma, (Beneficiary) under authority of and pursuant to the provisions of 60 O.S. § 176 to 180.4, inclusive, and other applicable statutes and laws of the State of Oklahoma.

6A.1. Investments – Investments are carried at the lower of cost or market unless it is management's position to hold the investments until maturity. Investments at June 30, 2001 and 2000, consist of the following:

	2002		2001	
	Cost	Market	Cost	Market
United States Treasury Notes				
Interest rate range 5.5-7.0%	\$ 2,164,460	\$ 2,221,472		
Maturity 8/15/02-8/15/10				
 United States Treasury Notes				
Interest rate range 5.5-7.0%			\$ 2,054,213	\$ 2,070,709
Maturity 6/30/02-8/15/10				

Mortgages Receivable – Mortgages receivable consist of a mortgage at 8.5%, which are stated at cost less payments received. The value stated does not exceed estimated net realized value. In addition to principal and interest the mortgagee pays into an escrow for insurance and taxes.

Judgment Receivable – Cleveland County has assigned judgments to the Authority where by the Authority will receive principals and interest at the Treasury Bill rate over three years. The prior judgment of \$28,333 was collected May 1, 2001.

Project Administrative Fee – The Authority collects an Issuer's Administrative Fee from the Project it supports. Those fees are generally determined as a percentage of bonds outstanding.

Transfer to/from Beneficiary – There were no transfers to the Beneficiary, Cleveland County during the year ending June 30, 2002.

Community Projects – The Authority assisted with a one-time grant to Aging Services, Inc. of Cleveland County to move to new office space.

Enterprise Funds (continued)

6A.2. \$23,910,000 Single-Family Mortgage Revenue Refunding Bond Series 1991

On November 15, 1991, the Authority issued \$23,910,000 aggregate principal amount of its Single-Family Mortgage Revenue Bonds, Series 1991 secured by the Pledged Revenues and other assets pledged therefore under the Trust Indenture dated as of November 15, 1991, between the Issuer and Bank One of Oklahoma, National Association, a successor trustee. The bonds are being issued by the Issuer to refund the Issuer's Single-Family Mortgage Revenue Bonds 1980 Series A and 1980 Series C.

Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing August 1, 1992, with interest accruing from November 15, 1991.

The Bonds are subject to redemption prior to maturity. It is excepted that most or all of the Bonds will be redeemed prior to maturity at a price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, without premium.

The maturity schedule of the Bonds outstanding as of June 30, 2002, is as follows:

	<u>Maturity Date</u>	<u>Rate</u>	<u>2002</u>	<u>2001</u>
Term Bonds	August 1, 2012	8.00%	<u>\$ 3,680,000</u>	<u>\$ 4,365,000</u>
	Total		<u><u>\$ 3,680,000</u></u>	<u><u>\$ 4,365,000</u></u>

Bond Premium – Of the \$23,910,000 principal amount of bonds issued, term bonds in the amount of \$13,535,000 were issued at a premium price of 104.5% or \$609,075. The premium is being amortized over the 20-year term of the bonds. The annual amortization is an offset to interest expense in future years. The amortization recorded as interest expense for June 30, 2002, amounted to \$30,454.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash, One Group U.S. Treasury Securities Money Market Funds and Mercadian Funding L.P. Investment agreement. All funds are fully secured.

On December 12, 1991, the trustee bank entered into an investments agreement with Mercadian Funding L.P., a Delaware limited partnership. Mercadian guarantees to invest the funds of the Rebate Account and the Bond Fund Account at an annual interest rate of 7.16% for the term of this agreement, August 1, 2012.

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

Enterprise Funds (continued)

	2002	2001
Mercadian Funding L.P. Investment Agreement	\$ 551,663	\$ 504,055
One Group U.S. Treasury Money Market Short Term Investments	163,958	139,220
Total	\$ 715,621	\$ 643,275

Restricted Funds – Reserve Fund – The mandatory reserve fund is invested in the Mercadian Funding L.P. investment agreement earning 7.16% for the term of the agreement, August 1, 2012. The balance as of June 2002 and 2001, is \$481,075 and \$521,865.

Mortgage Receivables – Single-Family Mortgage receivables as of June 30, 2002 and 2001, in the amount of \$2,746,712 and \$3,485,512, respectively, consists of current mortgages. The mortgages are serviced by several financial institutions. When a mortgage falls into default, the foreclosure procedures begin with all possible claims filed.

6A.3. \$15,648,392 Municipal Refunding Collateralized Mortgage Obligations Series 1991A

On July 15, 1991, the Authority issued \$15,648,392 aggregate principal amount of Municipal Refunding Collateralized Mortgage Obligations, Series 1991A Bonds. The Bonds are being issued to provide funds for the purpose of refunding, defeasing, and providing for payment of the Issuer's Single-Family Mortgage Revenue Bonds, 1979 Series A, the Issuer's Capital Accumulator Bonds 1989 Series A, and the Issuer's Subordinated Capital Accumulator Bonds 1989 Series B.

The Bonds will be secured by the Mortgage Loans. The Mortgage Loans generally were funded by the Issuer in 1979 and 1980 and are serviced by several mortgage servicing institutions. The Mortgage Loans are secured by first mortgage liens on single-family residential housing located in Cleveland County, Oklahoma. Each Mortgage Loan bears interest at a rate of 8.6% per annum, has an initial term of not more than 30 years, and is secured by a first lien and insurance.

The original principal amount of \$15,648,392 consists of Class A-1, Class A-2, Class A-3, and Class A-4 Bonds. Bond Classes A-1 and A-2 are Current Interest Bonds on which interest is payable quarterly on each January 15, April 15, July 15, and October 15, commencing October 15, 1991, with interest accruing from July 15, 1991. The Class A-3 Bonds are Compound Interest Bonds on which quarterly interest will commence only upon payment in full of the Current Interest Bonds. Prior to that time, interest will accrue and be added to the principal amount of the bonds on each payment date. The Class A-4 Bonds are Accretion Bonds, the interest on which will compound on each payment date but not be payable until July 15, 2014.

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

Enterprise Funds (continued)

Mortgage Receivables – On June 30, 2000, all mortgages receivables were purchased by Morgan Keegan Mortgage Company, Inc. at a discounted rate of 98.5% or \$3,733,915 plus accrued interest of \$26,868.

Bonds Outstanding - The current interest bonds and compound interest bonds were called on July 17, 2000. As of June 30, 2002 and 2001, the bonds outstanding are as follows:

		2002	2001
Accretion Bonds	9.6828%	\$ 236,056	\$ 215,377

Bond Discount – Of the \$15,648,392 principal amount of bonds issued, Current Interest Bonds in the amount of \$15,145,000 were issued at a discounted price of \$14,171,558. The discount is amortized over the term of the Bonds. When the Current Interest Bonds were called prior to maturity on July 17, 2000, the balance of the bond discount in the amount of \$537,163 was recorded as interest expense.

Restricted Funds – Reserve Fund – The restricted fund consist of a \$750,000 Federal National Mortgage Association Zero Coupon Bond with a maturity of July 5, 2014. This investment is the security for the Accretion Bonds outstanding. The cost of the Zero Coupon Bond as of June 30, 2002 and 2001, is \$96,095 with accrued interest in the amount of \$271,812 and \$284,307 for a total book value of \$367,907 and \$380,402, respectively. The Zero Coupon Bond has a market value of \$367,907 and is expected to be held until maturity.

6A.4. \$8,000,000 Single-Family Mortgage Revenue Refunding Bonds Series 1992

On April 1, 1992, the Authority issued \$8,000,000 aggregate principal amount of its Single-Family Mortgage Revenue Refunding Bonds, Series 1992 secured by the Pledged Revenues and other assets pledged therefore under the Trust Indenture dated as of April 1, 1992, between the Issuer and Liberty National Bank and Trust Company of Oklahoma City, currently Bank One, as trustee. The Bonds are being issued by the Issuer to refund the Issuer’s Single-Family Mortgage Revenue Bonds 1980 Series B.

Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing August 1, 1992, with interest accruing from April 1, 1992.

The Bonds are subject to redemption prior to maturity. It is expected that most or all of the bonds will be redeemed prior to maturity at a price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, without premium.

CLEVELAND COUNTY, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS
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Enterprise Funds (continued)

In August 2001, the bonds were called at a price equal to 100% or \$1,810,000.

	<u>Maturity Date</u>	<u>Rate</u>	<u>2002</u>	<u>2001</u>
Serial Bonds	All redeemed		\$	\$
Term Bonds	August 1, 2012	8.375%		<u>1,810,000</u>
	Total		<u>\$ -</u>	<u>\$ 1,810,000</u>

Bond Premium – Of the \$8,000,000 principal amount of Bonds issued, Term Bonds in the amount of \$5,180,000 were issued at a premium price of 105.523% or \$286,091. The premium is to be amortized over the term of the Bonds which is 20 years and 4 months. The annual amortization is an offset to interest expense in future years. The balance of the unamortized bond premium was recorded as income in the year the bonds were called prematurely.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash, short-term investments, and AIG Matched Funding Corp. Investment Agreement. All funds are fully secured.

On April 29, 1992, the Trustee Bank entered into an investments agreement with Svenska Handelsbanken, acting through its New York Branch. Svenska Handelsbanken guarantees to invest the funds of the Bond Fund Account, Prepayment Account, and the Expense Account at an annual interest rate of 7.20% for the Capital Reserve Account and 5.30% for all other accounts for the term of this agreement, August 1, 2012. During 1998, Svenska Handelsbanken credentials fell below required levels, and the balance of the loan agreement was assigned to AIG Matched Funding Corporation.

	<u>2002</u>	<u>2001</u>
AIG Matched Funding Corp Investment Agreement	\$	\$ 193,515
One Group U.S. Treasury Money Market Short Term Investments	<u>12,655</u>	<u>52,355</u>
Total	<u>\$ 12,655</u>	<u>\$ 245,870</u>

Enterprise Funds (continued)

6A.5. Rivermont Retirement Center Revenue Bonds (Arizona Baptist Retirement Centers, Inc. Project) Series 1994 and Series 1995

On December 1, 1994, the Authority issued \$8,000,000 aggregate principal amount of its Retirement Center Revenue Bonds, Series 1994 secured by the Loan Agreement, the Guaranty, the Mortgage, and the Assignment of Rents pledged therefore under the Trust Indenture dated as of December 1, 1994, between the Issuer and Norwest Bank of Minnesota, National Association, as Trustee. The bonds are being issued by the Authority as a means of financing the acquisition of the Rivermont Retirement Center by the Arizona Baptist Retirement Centers, Inc. an Arizona nonprofit corporation. The bonds are unrated.

On August 1, 1995, the Authority issued \$4,000,000 aggregate principal amount of its Retirement Center Revenue Bonds, Series 1995 secured by a Loan Agreement, the Guaranty, the Mortgage, and the Assignment of Rents pledged therefore under the Trust Indenture dated December 1, 1994, (the Original Indenture), as supplemented the First Supplemental Trust Indenture (the Supplemental Indenture). These bonds are also unrated.

The Series 1995 Bonds are issued and will be secured equally and ratably with the Retirement Center Revenue Bonds (Arizona Baptist Retirement Centers, Inc. Project) Series 1994 Bonds.

All repayment of principal and interest are due from the Arizona Baptist Retirement Center, Inc.

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

Enterprise Funds (continued)

All Series 1994 Bonds and Series 1995 Bonds bear interest payable semiannually on December 1 and June 1 of each year. Bonds outstanding as of June 30, 2002, are as follows:

<u>Maturity Date</u> <u>Serial Bonds</u>	<u>1994 Issue</u>		<u>1995 Issued</u>		<u>Total</u>
2002	\$ 190,000	8.00%	\$ 100,000	7.10%	\$ 290,000
2003	200,000	8.00%	105,000	7.20%	305,000
2004	220,000	8.00%	110,000	7.30%	330,000
2005	235,000	8.00%	120,000	7.40%	355,000
2006	255,000	8.25%			255,000
2007	280,000	8.25%			280,000
2008	300,000	8.25%			300,000
2009	325,000	8.30%			325,000
<u>Term Bond</u>					
2009			580,000	7.75%	580,000
2013			790,000	7.75%	790,000
2019	5,000,000	8.30%	1,730,000	8.00%	6,730,000
Total	<u>\$ 7,005,000</u>		<u>\$ 3,535,000</u>		<u>\$ 10,540,000</u>

CLEVELAND COUNTY, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS
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Enterprise Funds (continued)

Future Sinking Fund Requirement – Beginning December 1, 2006, a sinking fund shall be established and maintained within the bond fund for the retirement of the Series 1995 Term Bonds maturing December 1, 2009, 2013, 2019, and the Series 1994 Term Bonds maturing December 1, 2019. The sinking requirements are as follows:

<u>December 1,</u>	<u>Required Deposit</u>
2006	\$ 130,000
2007	140,000
2008	150,000
2009	160,000
2010	515,000
2011	560,000
2012	605,000
2013	655,000
2014	710,000
2015	770,000
2016	815,000
2017	900,000
2018	945,000
2019	<u>1,045,000</u>
Total	<u>\$ 8,100,000</u>

The Retirement Center Revenue Bond Series 1994 and Series 1995 are a form of financing activity. All of the funds received from the Arizona Baptist Retirement Centers, Inc. are restricted for the use of the principal and interest repayment. The Arizona Baptist Retirement Centers, Inc. is required to pay the Authority the following: (a) a \$500 acceptance fee, (b) an annual audit fee of \$4,000 as long as the bonds are outstanding, and (c) an annual administrative fee in the amount of .125% of the bonds outstanding.

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

Enterprise Funds (continued)

Restricted Funds – All funds received are used for the payment of bond principal and interest and the repair and replacement fund. All funds are carried at the lower of cost or market. The funds are invested in the following as of June 30, 2002 and 2001.

	2002	2001
Wells Fargo Government Money Market Fund	\$ 424,304	\$ 613,781
Federal Mrtg. Assoc. Note, Rate 6.54%, 9/10/07		317,248
Federal Home Loan Bond, Rate 5.863%, 4/22/09		
Federal Mortgage Assoc. Cap		
Debt Zero Coupon, 10/9/19		
	\$ 424,304	\$ 931,029
Total Cost	\$ 424,304	\$ 931,029
Market Value	\$ 424,304	\$ 941,029

6A.6. \$20,000,000 Taxable Single-Family Mortgage Revenue Bonds (Fresh Rate Bond Program) Series 1997

On October 25, 1997, the Authority issued \$20,000,000 of Taxable Single-Family Mortgage Revenue Bonds (Fresh Rate Mortgage Revenue Bond Program). The proceeds are to provide funds to purchase mortgage pass-through certificates, guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (“GNMA Certificates”) and backed by pools of mortgage loans made by participating lenders to qualified persons in order to finance the purchase of single-family residential housing located within the jurisdiction of the Issuer.

The mortgage loans underlying the GNMA Certificates will be assembled by the Services into mortgage loan pools (“pools”) and delivered to a custodian for GNMA. Upon the approval of GNMA, the Master Lender will issue and deliver the GNMA Certificates, which are fully modified pass-through mortgage-backed certificates, guaranteed by GNMA and collateralized by pools of not less than \$500,000 (or such lesser amount as may be approved by GNMA) of aggregate principal amount of mortgage loans originated to finance the purchase of single-family residences located within the program area. Under the GNMA Certificates, payments will be made to the Trustee on behalf of the Issuer, in amounts equal to principal and interest on the mortgage loans, less the GNMA servicing rate to be retained by the Master Lender as Servicer. If the Servicer fails to make payments on GNMA Certificates issued by it, GNMA will be obligated to pay the principal and interest on the GNMA Certificates. The GNMA Certificates will be guaranteed as to timely payment of principal and interest which guarantee will be backed by the full faith and credit of the United States of America.

Enterprise Funds (continued)

The Bonds have a stated maturity of September 25, 2030. The Bonds are being issued as Variable Rate Bonds but will automatically convert to Fixed Rate Bonds to the extent Fixed Rate GNMA Certificates are delivered to the Trustee in the manner provided in the Indenture. Interest on the Variable Rate Bonds will be payable monthly at a rate equal to the average rate earned on Investments Securities, including guaranteed investments contracts held for the benefits of the program less 0.04% per annum. Interest on the Fixed Rate Bonds shall be payable monthly in an amount equal to the interest rate on the Fixed Rate GNMA Certificates less .24% per annum.

Early principal redemption of the bonds is paid monthly from the principal redemption of the underlying GNMA Certificate. It is possible that a substantial portion of the issue of the bonds may be called for mandatory redemption without premium because of principal prepayments on the mortgage loans underlying the GNMA Certificates and unexpended proceeds transferred from the acquisition account of the program fund.

The bonds were issued at a premium of 4% or \$800,000. The additional proceeds are used to fund the Down Payment Assistance Fund. Like the Mortgage Loan Program, the Down Payment Assistance provided qualified single-family home buyers with assistance of up to 4% of the mortgage loan. The down payment assistance loan will be recaptured if the homeowner sells or voluntarily refinances the original mortgage during the first 10 years of the mortgage. The recapture schedule is as follows:

0 to 5 years from closing	100%
5 to 6 years from closing	80%
6 to 7 years from closing	60%
7 to 8 years from closing	40%
8 to 10 years from closing	20%

Bond Premium – The bonds were issued at 104%. The premium is to be amortized over the term of the bonds which is 33 years. The annual amortization is an offset to interest expense in future years. The amortization recorded as interest expense for June 30, 2002, amounted to \$63,063.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash, short term investments, and Trinity Plus Funding Company Investments Agreement. All funds are fully secured.

On October 8, 1997, the Trustee Bank entered into an investment agreement with Trinity Plus Funding Company, LLC, a New York limited liability company.

Trinity Plus Funding Company guarantees to invest the funds of the Acquisition and Down Payment Assistance accounts at an interest rate per annum equal to the LIBOR Rate specified on Bloomberg LP at EDDR (index) less .11%.

CLEVELAND COUNTY, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS
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Enterprise Funds (continued)

Such rate shall be determined on the first business day of each calendar month. Earnings shall be calculated on the basis of a 360-day year. The agreement is secured by a Security Agreement between Trinity Plus Funding Company, GE Capital and Bankers Trust Company.

	2002	2001
One Group U.S. Treasury Money Market		
Short Term Investments	\$ 165,495	\$ 160,010
Total	\$ 165,495	\$ 160,010

GNMA Certificates -- GNMA Certificates are purchased as 104% to allow for the underlying mortgages to have a 4% down payment. The GNMA Certificates are recorded at face value and the premium paid is recorded separately and amortized over the term of the certificates. As of June 30, 2002 and 2001, the GNMA Certificates amounted to \$13,628,171 and \$16,110,456 and the premium amounted to \$534,558 and \$634,010 after current interest amortization expense of \$99,452 and \$63,023.

6A.7. \$25,000,000 Taxable Single-Family Mortgage Revenue Bonds (Fresh Rate Bond Program) Series 1998

On December 17, 1998, the Authority issued \$25,000,000 of Taxable Single-Family Mortgage Revenue Bonds (Fresh Rate Mortgage Revenue Bond Program). The proceeds are to provide funds to purchase mortgage pass-through certificates, guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA Certificates") and backed by pools of mortgage loans made by participating lenders to qualified persons in order to finance the purchase of single-family residential housing located within the jurisdiction of the Issuer.

The mortgage loans underlying the GNMA Certificates will be assembled by the Services into mortgage loan pools ("pools") and delivered to a custodian for GNMA. Upon the approval of GNMA, the Master Lender will issue and deliver the GNMA Certificates, which are fully modified pass-through mortgage-backed certificates, guaranteed by GNMA and collateralized by pools of not less than \$500,000 (or such lesser amount as may be approved by GNMA) of aggregate principal amount of mortgage loans originated to finance the purchase of single-family residences located within the program area. Under the GNMA Certificates, payments will be made to the Trustee on behalf of the Issuer, in amounts equal to principal and interest on the mortgage loans, less the GNMA servicing rate to be retained by the Master Lender as Servicer. If the Servicer fails to make payments on GNMA Certificates issued by it, GNMA will be obligated to pay the principal and interest on the GNMA Certificates. The GNMA Certificates will be guaranteed as to timely payment of principal and interest which guarantee will be backed by the full faith and credit of the United States of America.

Enterprise Funds (continued)

The Bonds have a stated maturity of December 1, 2031. The Bonds are being issued as Variable Rate Bonds but will automatically convert to Fixed Rate Bonds to the extent Fixed Rate GNMA Certificates are delivered to the Trustee in the manner provided in the Indenture. Interest on the Variable Rate Bonds will be payable monthly at a rate equal to the average rate earned on Investments Securities, including guaranteed investment contracts held for the benefit of the program less 0.04% per annum. Interest on the Fixed Rate Bonds shall be payable monthly in an amount equal to the interest rate on the Fixed Rate GNMA Certificates less .24% per annum.

Early principal redemption of the bonds is paid monthly from the principal redemption of the underlying GNMA Certificate. It is possible that a substantial portion of the issue of the bonds may be called for mandatory redemption without premium because of principal prepayments on the mortgage loans underlying the GNMA Certificates and unexpended proceeds transferred from the acquisition account of the program fund.

The bonds were issued at a premium of 4% or \$1,000,000. The additional proceeds are used to fund the Down Payment Assistance Fund. Like the Mortgage Loan Program, the Down Payment Assistance provided qualified single-family home buyers with assistance of up to 4% of the mortgage loan. The down payment assistance loan will be recaptured if the homeowner sells or voluntarily refinances the original mortgage during the first 10 years of the mortgage. The recapture schedule is as follows:

0 to 5 years from closing	100%
5 to 6 years from closing	80%
6 to 7 years from closing	60%
7 to 8 years from closing	40%
8 to 10 years from closing	20%

Bond Premium – The bonds were issued at 104%. The premium is to be amortized over the term of the bonds which is 33 years. The annual amortization is an offset to interest expense in future years. The amortization recorded as interest expense for June 30, 2002, amounted to \$30,303.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash and/or One Group U.S. Treasury Securities Money Market Fund and Trinity Plus Funding Company Investment Agreement. All funds are fully secured.

On December 17, 1998, the Trustee Bank entered into an investment agreement with Trinity Plus Funding Company, LLC, a New York limited liability company.

Trinity Plus Funding Company guarantees to invest the excess funds available at a per annum equal to the LIBOR Rate specified on Bloomberg LP at US0001M (Index) plus .05%. such rate shall be determined on the last business day of the calendar month.

CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
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Enterprise Funds (continued)

	2002	2001
Trinity Plus Funding Company Investment Agreement	\$	\$ 11,430,591
One Group U.S. Treasury Money Market Short Term Investments	460,177	187,158
Cash		34,432
Total	\$ 460,177	\$ 11,652,181

GNMA Certificates – GNMA Certificates are purchased as 104% to allow for the underlying mortgages to have a 4% down payment. The GNMA Certificates are recorded at face value and the premium paid is recorded separately and amortized over the term of the certificates. As of June 3, 2002 and 2001, the GNMA Certificates amounted to \$12,663,197 and \$13,515,410 and the premium amounted to \$506,526 and \$540,616 after interest amortization \$34,089 and \$25,768.

6A.8. \$20,000,000 Single Family Mortgage Revenue Refunding Bonds, Draw Down Series 1998A

On January 25, 1999, the Authority entered into a Bond Purchase Agreement with Newman & Associates, Inc. and U.S. Bancorp Investments, Inc. to purchase Bonds in the aggregate principal amount of up to \$20,000,000 beginning on that date. The bonds were purchased in a direct, private placement transaction.

The bonds will be dated the date of issuance thereof, will have a stated maturity date of August 1, 2028, and will be subject to mandatory tender and redemption as set forth in the Indenture. The gross proceeds of each Drawing under the Bonds shall be deposited by the Trustee on the date of such Drawing in the Bonds Escrow Fund. On the date of each Drawing, the Trustee shall transfer the principal amount of such Drawing at the direction of the Issuer to the appropriate Prior Trustees for the refunding of a like principal amount of the Prior Bonds.

CLEVELAND COUNTY, OKLAHOMA
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Enterprise Funds (continued)

The Bonds shall bear interest on the initial principal amount of \$1,075,000 from the date of issuance thereof at a rate per annum of 4.39%. Subsequent to the Initial Rate Period the Bonds shall bear interest during each succeeding Rate Period on the amount drawn by the Issuer thereon at the rate determined by the Trustee on the related Rate Setting Date to be equal to ninety percent (90%) of the Taxable Interest Rate payable on each Interest Payment Date. Interest on Bonds for each Rate Period shall be calculated on the actual number of dates elapsed.

Revenue Refunding Bonds

<u>Date of Draw</u>	<u>Schedule of Draws Amount</u>	<u>Cumulative Outstanding</u>
January 25, 1999	\$ 1,075,000	\$ 1,075,000
July 25, 1999	1,585,000	2,660,000
January 25, 2000	795,000	3,455,000
August 1, 2000	610,000	4,065,000

On November 27, 2000, the bonds were called at 100%.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash and/or One Group U.S. Treasury Securities Money Market Fund. All funds are fully secured.

On January 25, 1999, the Trustee Bank entered into an investment agreement with CDC Funding Corp., a New York corporation. CDC Funding Corp. guarantees to invest the Bond Escrow Funds available between interest installment dates at 94.85% of the Interest Rate Index. The Interest Rate Index shall be the per annum rate of deposit in the U.S. dollars for one month which appears on the Bloomberg LIBOR Page LIUSO1 M (index) HP.

	2002	2001
One Group U.S. Treasury Money Market		
Short Term Investments	\$ 11,750	\$ 11,522
Total	\$ 11,750	\$ 11,522

Enterprise Funds (continued)

6A.9. \$6,100,000 Multifamily Housing Revenue Bonds (Tecumseh Pointe Apartments Projects) Series 2000

On March 20, 2000, the Authority issued and delivered its Revenue Bonds in an aggregate principal amount of \$6,100,000. Such Bonds have been issued to provide capital to finance, acquire, construct, and equip a multifamily housing facility (the Project).

Prior to a Conversion Date the Bonds will be secured by and payable from amounts derived from an Investment Agreement, date March 20, 2000, between the Trustee and HSBC Bank USA. Until Conversion the Bonds shall bear interest at the Variable Rate, which shall be a rate equal to 60% of the Prime Rate. The interest rate on the Bonds shall change effective as of the effective date of any change in the Prime Rate. Conversion Date shall be no earlier than July 1, 2000, nor later than March 1, 2001, unless such date is extended in accordance with the Indenture.

The Conversion Date was extended until August 1, 2001, however, the Project did not become active and the Bonds were called.

6B. Cleveland County Industrial Authority

The Cleveland County Industrial Authority, a public trust and agency of the State of Oklahoma, was created by a Trust Indenture dated October 20, 1975, for the use and benefit of Cleveland County, Oklahoma, (Beneficiary) under the provisions of Title 60, Oklahoma Statutes Sections 176 to 180.3 (the Oklahoma Trust Act) and other statutes and laws of the State of Oklahoma.

The purpose of said Trust is to promote the development and financing of public works and industry and to provide community facilities which will benefit the County, including, but not limited to, medical and housing projects.

The Trust shall have duration until such time as its purpose shall be fulfilled, or until it shall be terminated as provided.

The Trustees of the Trust are citizens and residents of Cleveland County, as set forth in the Trust Indenture. Upon expiration of any Trustee's term of office, the appointment of a successor Trustee will be made by a majority vote of the Board of County Commissioners.

Cash Equivalents – Cash equivalents include highly liquid investments with original maturities of three months or less.

Future Rent Receivable – Long-term lease agreements which will result in the transfer to the facilities at termination of the lease are recognized as rent receivables discounted for the interest portion thereof which results in the receivable being approximately equal to the debt associated with the facilities.

CLEVELAND COUNTY, OKLAHOMA
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Enterprise Funds (continued)

Depreciation – The cost of buildings are recorded at cost and depreciated over the respective leases using the straight line method. Tenants are responsible for maintenance and repairs and any betterments.

Bond Discount and Cost of Issuance – Bond discount and cost of issuance, or deferred debt expense, are capitalized and amortized over the terms of the respective bonds using the straight line method of amortization.

Due To/From General Fund – The amounts due to the General Fund from various projects represent current and/or prior years' administrative and audit fees which were still unpaid by those projects as of October 31, 2001.

Due From Lessees – The amounts due from the Lessees represent current and/or prior years' administrative and audit fees which were still unpaid as of October 31, 2001.

Fixed Assets – Moore Public School Building – The building and related equipment are recorded at cost and are being depreciated over the term of the lease, which is 113 months. The Building and Improvements are as follows:

	<u>October 2000</u>	<u>Additions</u>	<u>October 2001</u>
Building	\$ 1,600,000	\$	\$ 1,600,000
Improvements	100,000		100,000
	<u>1,700,000</u>		<u>1,700,000</u>
Accumulated Depreciation	1,070,442	178,407	1,248,849
Building, net	<u>\$ 629,558</u>	<u>\$ 178,407</u>	<u>\$ 451,151</u>

Other Assets – Moore Public School Project – The Bond Discount and the Cost of Issuance of the Moore Public School Revenue Bonds are being amortized over the life of bonds, which is 113 months.

	<u>October 2000</u>	<u>Additions</u>	<u>October 2001</u>
Bond Discount	\$ 17,623	\$	\$ 17,623
Amortization	<u>(11,224)</u>	<u>(1,870)</u>	<u>(13,094)</u>
			<u>\$ 4,529</u>
Cost of Issuance	\$ 33,860	\$	\$ 33,860
Amortization	<u>(21,576)</u>	<u>(3,596)</u>	<u>(25,172)</u>
			<u>\$ 8,688</u>

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

Enterprise Funds (continued)

Long-Term Debt - Revenue bonds/notes outstanding consist of debt issued by the Authority. The debt of the Authority does not constitute debt of the County and is payable solely from resources of the Authority. Revenue bonds/notes are collateralized by the respective facilities and revenue derived from the lease agreements.

Changes in long-term debt:

Project	Balance		Retired	Balance	
	October 13, 2000	Issued		October 31, 2001	
Moore Schools	\$ 950,000	\$	\$ 215,000	\$	735,000
	\$ 950,000	\$	\$ 215,000	\$	735,000
Less Current Portion					225,000
Long-Term Portion					<u>\$ 510,000</u>

Moore Schools Project - The Authority's Lease Revenue Bonds, Series 1994, Independent School District Number 2. (Moore Public Schools), in the amount of \$1,855,000 were issued to provide funds to acquire, construct, renovate, and equip an administrative office facility in Moore, Oklahoma (the "Facility") to be owned by the Authority and leased to Independent School District Number 2 pursuant to a Lease Purchase Agreement. The Authority has granted a first mortgage on the Facility to the Trustee Bank for the benefit of the holders of the Bonds.

Early option redemption of the Bonds may occur if the District exercises its right to purchase the Facility upon payment of the associated lease rental payments and applicable purchase option price due on any real payment date.

The Bonds mature on March 15 of each year and shall bear interest at various rates from 5% to 6.4% per annum until the year 2004.

<u>Maturity</u>	<u>Amount</u>	<u>Interest</u>
3/15/02	\$ 225,000	6.20%
3/15/03	\$ 245,000	6.30%
3/15/04	\$ 265,000	6.40%

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

Enterprise Funds (continued)

Vaughan Foods, Inc. Project – On December 1, 1999, the Authority financed the acquisition, construction, rehabilitation and equipping of a manufacturing facility, to be located within the jurisdictional boundaries of the Authority, to be owned by Vaughan Foods, Inc. (the “Company”), by the issuance of its (i) \$2,400,000 Industrial Development Revenue Note, Series 1999A and its (ii) \$1,000,000 Industrial Development Revenue Note, Series 1999B, under a Note Indenture dated as of December 1, 1999, by and between the Authority and First National Bank, Midwest City, Oklahoma, national banking association, as purchaser of the Series 1999 Notes.

To secure the payment of the obligations of the Company under the Promissory Notes and the Loan Agreement, the Company executed a Mortgage and Security Agreement With Power of Sale on certain real property in favor of the Authority and a Security Agreement With Power of Sale dated as of December 1, 1999.

The proceeds of the sale of the Series 1999 Notes will be used only for payment of Qualified Project Costs, monitored by the First National Bank, Midwest City, Oklahoma.

On or before December 10, 2000, and on the 10th day of December of each year thereafter until the Series 1999 Notes are paid in full, the Company will pay to the Authority an Annual Administrative Fee in the amount of 1/10 of 1% of the outstanding principal balance of the Series 1999 Notes, or \$1,500.00 whichever is greater. Or the Company will pay its pro-rata share of any additional authority expense based on the Company’s percentage of the total outstanding debt of the Authority.

Loan Receivable/Note Receivable – Series 1999A – The Company agrees to pay interest on principal balance at the rate of 6.80% at the principal office of the First National Bank, Midwest City, Oklahoma. Commencing on January 15, 2000, and on the 15th day of each month thereafter, until paid in full, an amount equal to the interest becoming due on the Series 1999A Note and commencing on January 15, 2001, and on the 15th day of each month thereafter, until paid in full, an amount equal to the interest and principal becoming due on the Series 1999A.

The Series 1999A Note shall bear interest at a fixed rate of 6.80% for 72 months. At the end of 72 months and at the end of each 12 months thereafter, the rate will be adjusted on the same original formula and the Banks then current cost of funds, and in any event will not be less than a rate which achieves a taxable interest rate equivalent yield of the then current National Prime Rate plus .25%.

The Company will be allowed to prepay the Series 1999A Note in part without penalty, at any time. Provided, in no event shall the maturity of the note extend beyond December 10, 2015.

Series 1999B – The Company agrees to pay interest on principal balance at the rate of 7.15% at the principal office of the First National Bank, Midwest City, Oklahoma. Commencing on January 15, 2000, and on the 15th day of each month thereafter, until paid in full, an amount equal to the interest becoming due on the Series 1999A Note and commencing on July 15, 2000, and on the 15th day of each month thereafter, until paid in full, an amount equal to the interest and principal becoming due on the Series 1999B.

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

Enterprise Funds (continued)

The Series 1999B Note shall bear interest at a fixed rate of 7.15% until its maturity on June 10, 2005.

The Company will be allowed to prepay the Series 1999B in part without penalty, at any time. Provided, in no event shall the maturity of the note extend beyond June 10, 2005.

As of October 31, 2001, the project is past due on principal payments. The project incurred excessive startup costs. Currently the bank is monitoring the project.

	Note A	Note B	Total
Beginning Balance	\$ 2,400,000	\$ 959,373	\$ 3,359,373
Principal Received	53,364	68,573	121,937
	\$ 2,346,636	\$ 890,800	\$ 3,237,436

Amounts to be received and paid over the next five years are as follows:

	Note A	Note B	Total
October 31, 2002	\$ 126,611	\$ 174,518	\$ 301,129
October 31, 2003	108,017	135,177	243,194
October 31, 2004	115,595	145,165	260,760
October 31, 2005	123,705	435,940	559,645
October 31, 2006	132,384		132,384
Thereafter	1,740,324		1,740,324
	\$ 2,346,636	\$ 890,800	\$ 3,237,436

6C. Cleveland County Public Facilities Authority

The Cleveland County Public Facilities Authority (the Authority) is a public trust created by a Trust Indenture dated September 29, 1980, and an amended Trust Indenture dated as of July 22, 1982 and May 6, 1985 under the authority of Title 60, Oklahoma Statutes sections 176 et. seq., as amended, and the Oklahoma Trust Act. The beneficiary of the Authority is Cleveland County (the Beneficiary). The Board of County Commissioners accepted the beneficial interest on September 29, 1980.

Termination of the Trust – Upon termination of the Authority, the residue of the Authority's property will be distributed to the Beneficiary. The Authority cannot be terminated by voluntary action if there is outstanding indebtedness or fixed term obligations of the Trustees, unless all owners of such indebtedness or obligations shall have consented in writing to the termination.

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

Enterprise Funds (continued)

Cash and Equivalents – Cash and equivalents consist of checking accounts at local banks and certain money market funds. All funds are fully secured.

Note Receivable – On December 30, 1993, the Authority entered into a contract to sell the Bedrock Printing property located in Slaughterville. The Authority received a down payment in the amount of \$5,000 and a note of \$31,000 at an annual interest rate of 8% for ten years. Monthly payments of principal and interest of \$319 are to be paid.

The Mortgagee fell into foreclosure and in January 2002, the property was sold and the note paid in full.

Property and Equipment – The following is a summary of property and equipment stated at cost less accumulated depreciation held by the General Fund at June 30, 2002:

	2001	Additions	Dispositions	2002
Land Behind the Fairgrounds	\$ 228,400	\$	\$	\$ 228,400
Health Department Remodel		283,110		283,110
DHS Building	1,068,384			1,068,384
	\$ 1,296,784	\$ 283,110	\$	\$ 1,579,894
Less: Accumulated depreciation	(308,680)	(21,335)		(330,015)
Total	\$ 988,104	\$ 261,775	\$ -	\$ 1,249,879

Adjustment to Fund Balance – As of January 11, 2000, the Cleveland County Health Department Remodel Project was paid in full and remained as an enterprise fund project. For fiscal year ending June 30, 2002, the asset of \$283,110 was transferred to the General Fund until the Authority officially transfers these costs to the County as the beneficiary of the project.

6C.1. Multifamily Housing Revenue Bonds – Series 1996 – Royal Orleans Apartments

The Series 1996 Bonds are being issued to (i) finance the costs of acquisition of the Royal Orleans Apartments in Norman, Oklahoma, (the "Project") by JWM Partnership, (ii) pay certain costs of repairs and improvements to the Project, (iii) fund a \$294,000 debt service reserve, (iv) fund an operating reserve of \$50,000, and (v) pay costs of issuance of the Series 1996 Bonds.

The Series 1996 Bonds are special limited obligations of the Cleveland County Public Facilities Authority payable solely from revenues and other funds pledged thereof pursuant to the indenture. The Series 1996 Bonds do not constitute an obligation, either general, special or moral, of the issuer, the State of Oklahoma, Norman, Oklahoma, the County of Cleveland County, or any other political subdivision or agency of the State of Oklahoma.

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

Enterprise Funds (continued)

Interest will be payable semiannually on August 1 and February 1 of each year, commencing August 1, 1996. Bank One of Oklahoma, National Association, is the successor trustee for the Series 1996 Bonds.

Pursuant to the Loan Agreement dated of February 1, 1996, between the Company and the Authority, the Company is unconditionally obligated to make payments at such times and in such amounts as shall be sufficient to pay when due the principal of, redemption premium, if any, and interest on the Series 1996 Bonds and certain other amounts in connection with the Series 1996 Bonds.

The Company's obligations under the Loan Agreement are further secured by a Mortgage With Power of Sale and Security Agreement dated as of February 1, 1996, in which the Company grants and conveys to the Authority, its interest in the Pledged Revenues, the land, and the building and equipment that make up the Project. Pursuant to the Indenture, the Authority will assign all its right, title and interest in, to and under such Mortgage to the Trustee for the benefits of the Bondholders.

During the term of the indenture, the Company is obligated to establish and maintain a reserve for operations. The Company will initially establish the Operating Reserve Fund by depositing \$50,000 of proceeds from the sale of the Series 1996B Bonds with the Trustee and thereafter make monthly deposits in the amount of \$500 per month from operation of the Project. Such deposits will continue to be made until such time as the amount equals \$100,000. Funds on deposit in the Operating Reserve Fund may be used by the Company to pay debt service on the 1996 Series Bonds to the extent the Company does not have sufficient cash on deposit in its operating account to do so. The Company must use all funds on deposit in the Operating Reserve Fund to make debt service payments on the Series 1996 bonds before withdrawing any funds from the Reserve Fund.

The Bonds mature as follows:

\$2,840,000 Non-Taxable Series 1996 A Bonds		
<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
February 1, 2006	7.75%	\$ 70,000
February 1, 2013	8.00%	550,000
February 1, 2026	8.50%	<u>2,220,000</u>
		<u>\$ 2,840,000</u>

\$285,000 Taxable Series 1996B Bonds
 Balance as of June 30, 2002, \$145,000

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

Enterprise Funds (continued)

<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
2003	9.50%	\$ 40,000
2004	9.75%	50,000
2005	10.00%	55,000
		<u>\$ 145,000</u>

Mandatory Sinking Fund Redemption – Series 1999A Bonds – The Series 1996A Bonds due February 1, 2013 and February 1, 2026, are subject to mandatory redemption prior to maturity from moneys in the Bond Fund in part on February 1 in each year commencing with February 1, 2007 and February 1, 2014, at a redemption price equal to the unpaid principal amount thereof plus interest to the redemption date.

Cash Equivalents – The Revenue Fund, Reserve Funds, and Principal and Interest Fund are restricted for the payment of bond principal and interest. As of June 30, 2002, the restricted cash consist of the following:

	<u>Cost</u>	<u>Market</u>
One Group U.S. Treasury Money Market	<u>\$ 470,578</u>	<u>\$ 470,578</u>

Property and Equipment – The following is a summary of property and equipment stated at cost less accumulated depreciation held at June 30, 2002.

	<u>2001</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2002</u>
Apartment Building	\$ 2,494,967	\$	\$	\$ 2,494,967
Less: Accumulated depreciation	<u>(336,207)</u>	<u>(62,375)</u>	<u> </u>	<u>(398,582)</u>
	<u>\$ 2,158,760</u>	<u>\$ (62,375)</u>	<u>\$ -</u>	<u>\$ 2,096,385</u>

Cost of Issuance – At the time the Series 96A bonds were issued costs were incurred in the amount of \$64,000. Those costs are being amortized over the term of the bonds which is 30 years. At the time the Series 96B bonds were issued costs were incurred in the amount of \$214,590. Those costs are being amortized over the term of the bonds which is 9 years. Amortization expense amounted to \$26,274 for the year and \$168,591 since inception.

Enterprise Funds (continued)

6C.2. Multifamily Housing Revenue Refunding Bonds (Hunt Apartments Project) Series 1999

On July 1, 1999, bonds in the amount of \$6,930,000 were issued by the Authority to prepay and discharge the Authority's Multi-family Housing Revenue Refunding Bonds 1990 Series A (Hunt Development Project) in the original amount of \$6,930,000. The prior bonds were issued to refinance the acquisition and construction of a 216 unit residential rental facility.

Also on July 1, 1999, the Authority and the Hunt Apartments, Inc. an Illinois corporation, entered into a Loan Agreement. The loan is evidenced by a promissory note. The borrower has agreed under the Note and the Loan Agreement to make loan payments in the amounts and at times sufficient to pay the principal of, premium, if any, and the interest on the Bonds as the same shall become due and payable.

The bonds mature on July 1, 2029. The bonds bear interest at annual interest rate of 7.25% and is payable each July 1st and January 1st beginning January 1, 2000.

Fund Balance Adjustment – During the fiscal year ending June 30, 2000, the Hunt Apartments Project was incorrectly removed from the Authority's financial statements. The 1990 Series A Bonds were paid in full as the project Trustee stated, however a new July 1, 1999, issue with a different Trustee was how the prior bonds were paid. The effect on the financial statements for each year is as follows:

	<u>June 30, 2000</u>	<u>June 30, 2001</u>	<u>Fund Equity Adjustment</u>
Cash	\$ 252,040	\$ 258,712	\$ 6,672
Note receivable	6,930,000	6,930,000	
Bonds payable	6,930,000	6,930,000	
Interest payable	<u>251,212</u>	<u>252,040</u>	<u>828</u>
Fund equity	<u>\$ 828</u>	<u>\$ 6,672</u>	<u>\$ 7,500</u>

6C.3. Educational Facilities Lease Revenue Bonds, Series 2001 (Noble Public School Project)

On October 1, 2001, the Authority issued its Educational Facilities Lease Revenue Bonds (Noble Public Schools Project) Series 201, in the amount of \$9,095,000. The bonds were issued to provide funds to acquire, construct, furnish, and equip a new middle school and to construct, furnish and equip classroom additions to the high school and each of the three elementary schools of the Noble Public School District (the District). The Bonds will be repaid from rental revenues received pursuant to a Sub-Lease Agreement.

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

Enterprise Funds (continued)

The bonds reach full maturity August 1, 2016, and bear interest annually at 5.5%, subject to adjustment, payable February 1 and August 1 of each year, commencing February 1, 2002. The maturity schedule is as follows:

<u>Matures August 1</u>	<u>Principal Amount</u>
2003	\$ 65,000
2004	80,000
2006	1,060,000
2008	1,185,000
2010	1,210,000
2012	1,350,000
2014	1,510,000
2016	<u>2,635,000</u>
Total	<u>\$ 9,095,000</u>

Cash Equivalents – Cash Equivalents consist of One Group U.S. Treasury Security Money Market Fund and an MBIA Income Draw Investment Agreement dated October 2, 2001, and due August 1, 2016. The investment agreement bears interest at 5% annually.

Property and Equipment – The construction progress began in January 2002. The costs will be accumulated and depreciation will begin when the buildings are placed into service. The following is a summary of construction and equipment costs stated at cost less accumulated depreciation at June 30, 2002.

	<u>2001</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2002</u>
Construction in Progress	\$	\$ 1,923,415	\$	\$ 1,923,415
Less: Accumulated depreciation	_____	_____	_____	_____
	<u>\$ -</u>	<u>\$ 1,923,415</u>	<u>\$ -</u>	<u>\$ 1,923,415</u>

Cost of Issuance – The costs associated with issuing the Noble Schools bonds amount to \$435,820. The costs are being amortized over the term of the bonds, which is 15 years. Amortization expense amounted to \$22,036 for the year ending June 30, 2002, and is recorded as interest expense.

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

Enterprise Funds (continued)

6C.4. Rural Enterprises of Oklahoma, Inc. Fixed Rate Revenue Bonds (Oklahoma Governmental Financing Program) 2000 Series B (Cleveland County Health Department Project)

November 1, 2001, the Series 2000B Bonds are being issued by Rural Enterprises of Oklahoma, Inc. ("Issuer"), under the terms and provisions of the Indenture, for the purpose of providing funds to the Cleveland County Public Facilities Authority ("Authority") for the financing of certain facilities to be leased to the Cleveland County Health Department ("Department"). Payment of the principal, premium, if any, and interest on the Series 2000B Bonds will be payable from payments to be received by the Issuer from the Authority pursuant to a Loan Agreement which are payable from rental payment from the Department under the terms of a certain Lease Agreement. The Bonds are not general obligations of the Issuer nor personal obligations of the members of the Issuer, Authority or the Department, but are limited obligations payable solely from the revenues specifically pledged to their payment.

The maturities, amounts and interest rates are as follows:

<u>November 1</u>	<u>Amount</u>	<u>Rate</u>
2003	\$ 180,000	2.40%
2004	170,000	2.75%
2005	175,000	3.10%
2006	185,000	3.30%
2007	190,000	3.50%
2008	195,000	3.75%
2009	205,000	3.85%
2010	210,000	4.00%
2011	220,000	4.10%
2021	<u>3,470,000</u>	5.08%
Total	<u>\$ 5,200,000</u>	

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

Enterprise Funds (continued)

Operating Lease – The Authority entered into a Lease Agreement with the Board of Country Commissioners of Cleveland County on behalf of the Cleveland County Health Department on November 1, 2001. As stated in the lease, the Department will make quarterly lease rentals in an amount sufficient to pay the principal, interest and administrative expenses of services the Bonds. The future rentals are as follows:

June 30,	Amount
2002	\$ 113,275
2003	322,768
2004	403,658
2005	396,146
2006	398,073
2007	399,258
Balance	5,745,140
Total	\$ 7,778,318

Cash Equivalents – Cash Equivalents consist of AP Treasury Money Market Fund and CDC Funding Corp Investment Agreement dated November 14, 2001. The investment agreement bears interest annually at 2.07% for the construction account and 4.51% for the debt service reserve account.

Property and Equipment – The construction progress began in November 2001. The costs will be accumulated and depreciation will begin when the buildings are placed into service. The following is a summary of construction and equipment costs stated at cost less accumulated depreciation at June 30, 2002.

	2001	Additions	Deletions	2002
Construction in Progress	\$	\$ 158,996	\$	\$ 158,996
Less: Accumulated depreciation				
	\$ -	\$ 158,996	\$ -	\$ 158,996

Cost of Issuance – The costs associated with issuing the Health Department bonds amount to \$434,241. The costs are being amortized over the term of the bonds, which is 20 years. Amortization expense amounted to \$14,475 for the year ending June 30, 2002, and is recorded as interest expense.

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

Enterprise Funds (continued)

6D Cleveland County Facilities Authority

The Cleveland County Facilities Authority, a public trust of the State of Oklahoma, was created by a Trust Indenture dated as of the 9th day of December 1991, designating certain individuals as Trustees of the Cleveland County Facilities Authority for the use and benefit of the County of Cleveland, Oklahoma, (Beneficiary) under authority of and pursuant to the provisions of Title 60, Oklahoma Statutes section 176 to 180.4, inclusive, as amended and supplemented, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma.

6D.1. Alan J. Couch Juvenile Services Center Project

Cash Equivalents – Cash equivalents consist of cash and investments with maturities of three months or less. All funds are fully secured.

	2002	2001
Unrestricted use:		
Checking	\$ 14,021	\$ 17,518
Certificate of Deposit	102,533	100,000
One Group US Treas Money Market		270
	\$ 116,554	\$ 117,788
Restricted use:		
One Group US Treas Money Market	\$	\$ 23,135
Total	\$ 116,554	\$ 140,923

Contracted Services – The State of Oklahoma Department of Human Services (the “Department”) had contracted with the Authority for the provision of the following service.

1. Regional Detention Services for the period July 1, through June 30. In September 1994, the contract was amended to increase the number of beds from 12 to 24. And in September 1995, the contract was amended to increase the number of beds from 24 to 26.

This contract is renewable annually on June 30th. As of June 30, 2001, the Authority has sub-contracted the services to be provided to Central Oklahoma Youth Services.

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

Enterprise Funds (continued)

Building – The cost of the building and accumulated depreciation is as follows:

	2001	Change	2002
Building	\$ 2,722,209	\$	\$ 2,722,209
Accumulated Depreciation	(626,677)	(68,055)	(694,733)
Net Building	\$ 2,095,532	\$ (68,055)	\$ 2,027,476

Revenue Bonds Outstanding - \$3,925,000 Lease Revenue Refunding Bonds – Bank Qualified (Alan J. Couch Juvenile Services Center Project) Series 1991 were issued in on December 15, 1991, and matured on June 1, 2001.

Operating Lease – The Authority is currently negotiating leases with the current tenants of the facility. Lease payments will fund the general operations of the Authority, utilities, insurance, and repairs of the building. Each tenant will be responsible for their own maintenance and repairs and utilities.

COMBINING FINANCIAL STATEMENTS
(Enterprise Funds)

CLEVELAND COUNTY, OKLAHOMA
COMBINING BALANCE SHEET – ALL ENTERPRISE FUNDS
JUNE 30, 2002

	Cleveland County Public Facilities Authority	Cleveland County Facilities Authority	Cleveland County Industrial Authority	Cleveland County Home Loan Authority	Total 2002
ASSETS					
Cash and equivalents	\$ 12,088,978	\$ 116,554	\$ 9,987	\$ 1,638,645	\$ 13,854,164
Restricted cash and equivalents			20,801		20,801
Restricted fund - reserve fund				1,273,286	1,273,286
Investments				2,164,460	2,164,460
Due from projects			3,606		3,606
Accounts receivable	7,641				7,641
Accrued interest receivable	136,745		43,311	507,311	687,367
Rent receivable			527,379		527,379
Contracted services receivable		65,520			65,520
O&M receivable		3,391			3,391
Mortgage receivable				29,058,953	29,058,953
Certificate premium				1,041,084	1,041,084
Loan agreements				9,911,250	9,911,250
Long-term rent receivable			3,431,606		3,431,606
Note receivable	6,930,000				6,930,000
Land				11,680	11,680
Property and equipment, net	5,428,675				5,428,675
Building		2,722,209	1,700,000		4,422,209
Accumulated depreciation		(694,733)	(1,248,849)		(1,943,582)
Bond discount, net			4,529		4,529
Cost of issuance, net	943,549		8,688		952,237
Total assets	\$ 25,535,588	\$ 2,212,941	\$ 4,501,058	\$ 45,606,669	\$ 77,856,256
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ 9,083	\$ 650	\$	\$	\$ 9,733
Accrued interest payable	603,359		15,669	276,892	895,920
Accretion bonds				236,056	236,056
Due to authority general fund			3,606		3,606
Contracted services		65,520			65,520
Revenue bonds payable			3,972,436		3,972,436
Bond premium, net				1,769,934	1,769,934
Mortgage's escrow				846	846
Repair and replacement				77,762	77,762
Deferred issuance fees				91,101	91,101
Revenue note/bonds	24,210,000			40,655,084	64,865,084
Total liabilities	24,822,442	66,170	3,991,711	43,107,675	71,987,998
Fund equity:					
Undesignated	713,146	2,146,771	509,347	2,498,994	5,868,258
Total fund equity	713,146	2,146,771	509,347	2,498,994	5,868,258
Total liabilities and fund equity	\$ 25,535,588	\$ 2,212,941	\$ 4,501,058	\$ 45,606,669	\$ 77,856,256

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

CLEVELAND COUNTY, OKLAHOMA
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	Cleveland County Public Facilities Authority	Cleveland County Facilities Authority	Cleveland County Industrial Authority	Cleveland County Home Loan Authority	Total 2002
Revenues:					
Occupant note interest	\$	\$	\$ 273,030	\$	\$ 273,030
Reimbursements			5,770		5,770
Interest income	290,405	2,800	3,183	1,076,525	1,372,913
Interest income - mortgages				2,420,247	2,420,247
Operating and maintenance reimbursement	45,298				45,298
Miscellaneous revenues				30	30
Lease rental income	923,021	1			923,022
DHS O&M payments		38,090			38,090
Detention contract revenue		797,160			797,160
Unrealized bond premium				155,943	155,943
Project administration fee	37,787			85,710	123,497
Certificate application fee				5,300	5,300
Realized gain (loss) on investments	443			1,653	2,096
Total revenues	<u>1,296,954</u>	<u>838,051</u>	<u>281,983</u>	<u>3,745,408</u>	<u>6,162,396</u>
Expenses:					
Administrative fee			1,519	64,415	65,934
Bank administrative fee				10,402	10,402
Legal, accounting, and audit expense	45,031	7,525	2,500	153,941	208,997
Note/bond interest			284,812		284,812
Interest expense	1,343,968			3,581,910	4,925,878
Trustee and paying agent fees	9,315		218	26,809	36,342
Insurance		6,975		4,241	11,216
Depreciation expense	83,710	68,056	178,407		330,173
Repairs and maintenance	106,182	15,733			121,915
Issuer administration fee	28,787				28,787
Utilities		9,195			9,195
Detention services contract		797,160			797,160
Miscellaneous	942	129		3,982	5,053
Total expenses	<u>1,617,935</u>	<u>904,773</u>	<u>467,456</u>	<u>3,845,700</u>	<u>6,835,864</u>
Net income (loss)	<u>(320,981)</u>	<u>(66,722)</u>	<u>(185,473)</u>	<u>(100,292)</u>	<u>(673,468)</u>
Fund equity, beginning	743,517	2,213,493	694,820	2,599,286	6,251,116
Prior period adjustments	290,610				290,610
Fund equity, ending	<u>\$ 713,146</u>	<u>\$ 2,146,771</u>	<u>\$ 509,347</u>	<u>\$ 2,498,994</u>	<u>\$ 5,868,258</u>

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

**CLEVELAND COUNTY, OKLAHOMA
COMBINING STATEMENTS OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

	Cleveland County Public Facilities Authority	Cleveland County Facilities Authority	Cleveland County Industrial Authority	Cleveland County Home Loan Authority	Total 2002
Cash flows from operating activities					
Net income (loss)	\$ (320,981)	\$ (66,722)	\$ (185,473)	\$ (100,292)	\$ (673,468)
Noncash items included in excess:					
Amortized bond premium/discount	62,785		5,466	(146,222)	(77,971)
Amortized accretion and interest bonds				33,174	33,174
Realized gain (loss) on investments				(1,653)	(1,653)
Unrealized gain (loss) on investments	(443)				(443)
Depreciation	83,710	68,056	178,407		330,173
Deferred fees payable				(17,518)	(17,518)
Changes in:					
Due to (from) projects	45,024		(919)	16	44,121
Due to Industrial Authority general fund			919		919
Accrued interest receivable	(136,745)		13,518	38,903	(84,324)
Accrued interest payable	245,480		(5,289)	(146,866)	93,325
Accounts payable	8,466	(13,422)			(4,956)
Rent receivable		(12,281)			(12,281)
Net cash provided (used) by operating activities	<u>(12,704)</u>	<u>(24,369)</u>	<u>6,629</u>	<u>(340,458)</u>	<u>(370,902)</u>
Cash flows from investment activities					
Purchase of investments				(335,803)	(335,803)
Purchase of assets	(2,952,472)				(2,952,472)
Proceeds from investments	70,000			1,391,436	1,461,436
Proceeds from mortgages				4,592,610	4,592,610
Purchase of restricted cash				662,925	662,925
Reduction of debt receivable	9,384				9,384
Net cash provided (used) by investment activities	<u>(2,873,088)</u>	<u>-</u>	<u>-</u>	<u>6,311,168</u>	<u>3,438,080</u>
Cash flows from financing activities:					
Proceeds from rent receivable			335,022		335,022
Note/bond payments	(40,000)		(336,937)	(23,058,359)	(23,435,296)
Proceeds from notes/bonds	14,295,000				14,295,000
Repair fund payments				(55,578)	(55,578)
Proceeds from repair fund				10,000	10,000
Net cash provided (used) by financing activities	<u>14,255,000</u>	<u>-</u>	<u>(1,915)</u>	<u>(23,103,937)</u>	<u>(8,850,852)</u>
Net increase (decrease) in cash and equivalents	11,369,208	(24,369)	4,714	(17,133,227)	(5,783,674)
Cash and cash equivalents, beginning of year	719,770	140,923	26,074	18,771,872	19,658,639
Cash and cash equivalents, end of year	<u>\$ 12,088,978</u>	<u>\$ 116,554</u>	<u>\$ 30,788</u>	<u>\$ 1,638,645</u>	<u>\$ 13,874,965</u>

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

Supplementary Schedule

**CLEVELAND COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Project Grant Number</u>	<u>State Expenditures</u>
<u>OKLAHOMA DEPARTMENT OF HUMAN SERVICES</u>		
Child and Youth Services	2002	<u>\$ 717,691</u>
Total Expenditures of State Awards		<u>\$ 717,691</u>

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

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Oklahoma Housing Finance Agency:			
Home Investment Partnerships Program	14.239	8919 HOME 01	\$ 207,126
Total U.S. Department of Housing and Urban Development			<u>207,126</u>
<u>U.S. DEPARTMENT OF THE INTERIOR</u>			
Direct Grant:			
Payment In-Lieu of Taxes	15.226		14,251
Total U.S. Department of the Interior			<u>14,251</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Local Law Enforcement Block Grant	16.592	LLBG	60
Total U.S. Department of Justice			<u>60</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Oklahoma State Department of Civil Emergency Management			
Hazardous Materials Emergency Preparedness Planning	20.703		342
Public Assistance Grants	83.544	1355DR	117,217
Hazard Mitigation	83.548		8,000
Total Federal Emergency Management Agency			<u>125,559</u>
Total Expenditures of Federal Awards			<u>\$ 346,996</u>

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

1. Basis of Presentation

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

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
CLEVELAND COUNTY, OKLAHOMA

We have audited the financial statements of Cleveland County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated April 28, 2003. We did not audit the financial statements of the enterprise fund types. Those financial statements were audited by other auditors whose reports have been furnished to us. We qualified our opinion because the general fixed assets account group was not included in the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Cleveland County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 Cleveland 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 97-1

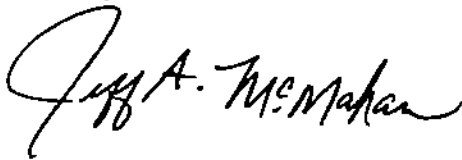
_____ A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 97-1 to be a material weakness.

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

April 28, 2003

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
CLEVELAND COUNTY, OKLAHOMA

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

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

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

Internal Control Over Compliance

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

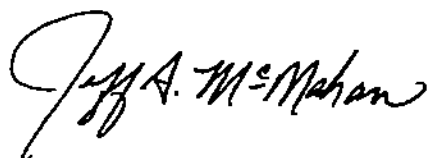
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

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

Sincerely,

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

April 28, 2003

Schedule of Findings and Questioned Costs

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

SECTION 1 - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.239	Home Investment Partnerships Program
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	No

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

SECTION 2 - Financial Statement Findings

Finding 97-1 - 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 government entity. The general fixed assets control account is not accurate.

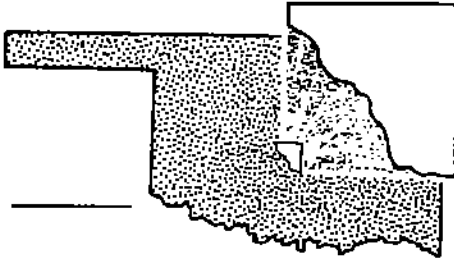
Effect: This component of internal control is not effective. Accordingly, there is a greater risk that a fixed asset may not be properly accounted for and safeguarded against loss.

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

SECTION 3 – Federal Award Findings and Questioned Costs

No matters were reported.

Corrective Action Plan



CLEVELAND COUNTY

201 JONES • NORMAN, OKLAHOMA 73069 • (405) 366-0200

Heart of Oklahoma

Office of the State Auditor and Inspector
Attention: Jeff A. McMahan
State Capitol Building – Room 100
Oklahoma City, OK 73105

Gentlemen:

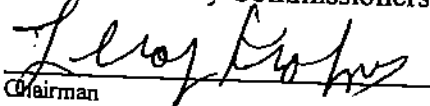
SUBJECT: CORRECTIVE ACTION PLAN

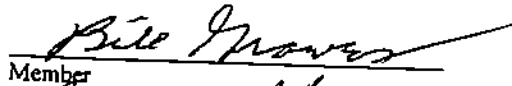
General Fixed Assets – Finding 97-1

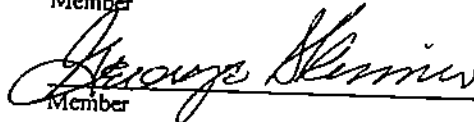
We agree that cost values and control totals are required by Generally Accepted Accounting Principles; however, we do not think the statutes require such information. We may not have the time to accumulate the information needed during the next year.

During the current fiscal year, we will try to update the inventory records required by 19 O.S. 2001, § 178.1 which include an inventory card for each item with a complete description of the item, the serial number, and location.

Cleveland County
Board of County Commissioners


Chairman


Member


Member