

**CLEVELAND COUNTY, OKLAHOMA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2003**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

January 26, 2004

TO THE CITIZENS OF
CLEVELAND COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cleveland County, Oklahoma, for the fiscal year ended June 30, 2003. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in black ink, reading "Jeff A. McMahon". The signature is written in a cursive style with a large initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

**CLEVELAND COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

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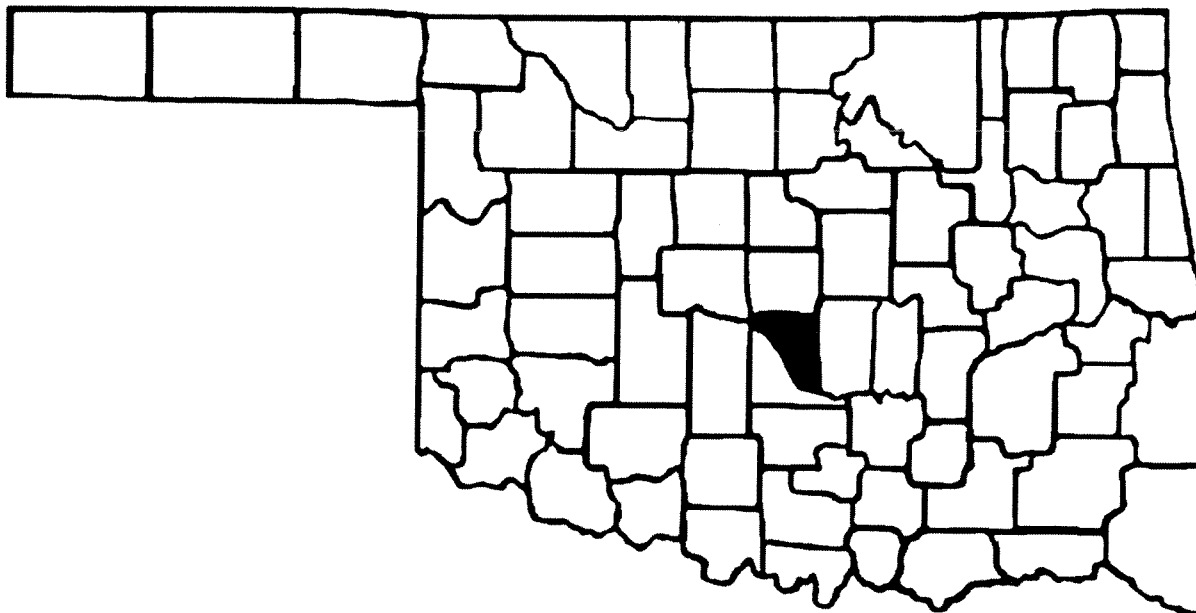
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**CLEVELAND COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

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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 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 – 208,016
(2000 est.)

Farms – 1,017

Land in Farms – 162,308 Acres

Source: Oklahoma Almanac 2003-2004

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

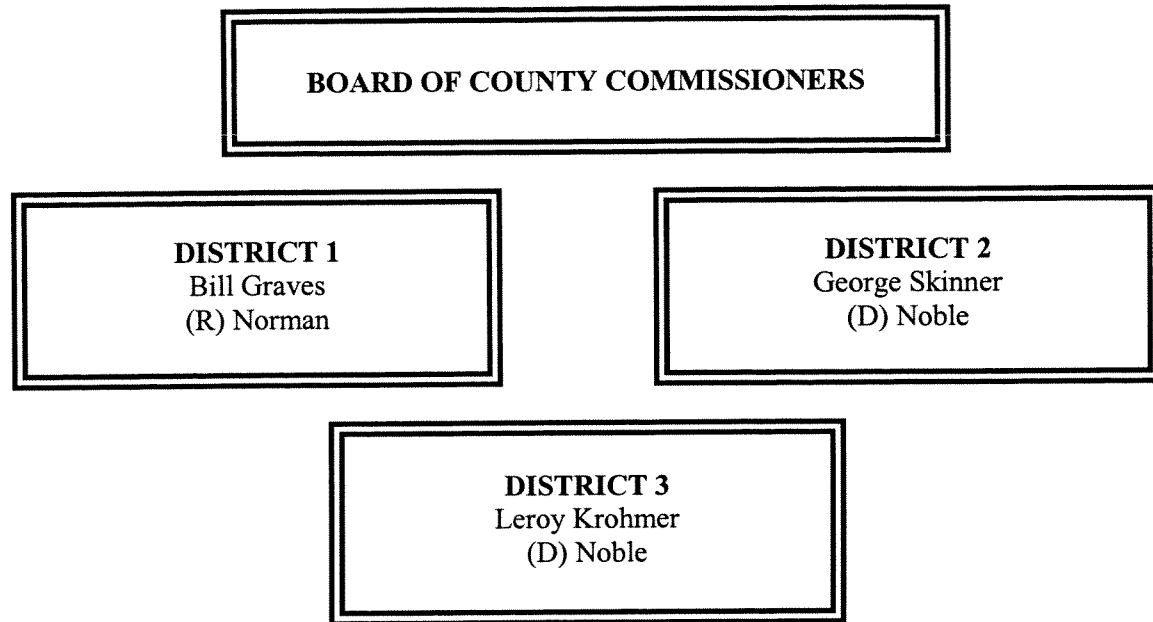
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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**



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

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK

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.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

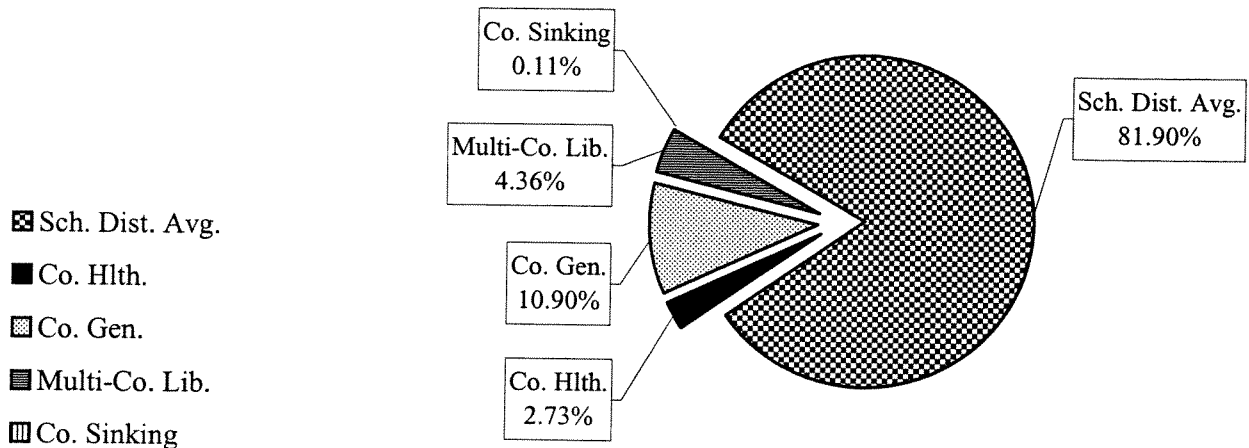
Paula Roberts
(D) Norman

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

**AD VALOREM 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 a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages						
			Gen.	Bldg.	Skg.	Vo-Tech	Common	Total
Co. General	10.28	McLoud	35.64	5.09	14.45	15.22	4.11	74.51
County Health	2.57	Moore	36.07	5.15	17.14	14.38	4.11	76.85
County Sinking	0.10	Robin Hill	36.48	5.21	5.42		4.11	51.22
Multi-Co. Library	4.11	Norman	35.88	5.12	24.55	14.38	4.11	84.04
Cities and Towns:		Noble	35.85	5.12	25.67	11.25	4.11	82.00
		Mid-Del	36.04	5.14	18.70	16.60	4.11	80.59
Norman	1.96	Lexington	36.55	5.22	31.23	11.25	4.11	88.36
Moore	6.25	Mustang	36.08	5.15	24.18	15.46	4.11	84.98
Noble	6.04	Little Axe	35.69	5.10	16.22	11.25	4.11	72.37
Oklahoma City	15.89							
Other:								
Noble Ambulance	3.08							
Little Axe Fire	7.16							

See independent auditor's report.

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 special-purpose financial statements of Cleveland County, Oklahoma, as of and for the year ended June 30, 2003, as listed in the table of contents. These special-purpose financial statements are the responsibility of Cleveland County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Cleveland County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, as of and for the year ended June 30, 2003, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 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.

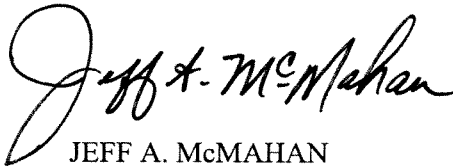
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Cleveland County, Oklahoma, taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we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

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMAHAN". The signature is written in a cursive, flowing style with a large initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

December 1, 2003

Special-Purpose Financial Statements

**CLEVELAND COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003**

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2003
General	\$ 8,023,879	\$ 12,493,974	\$ 12,294,511	\$ 8,223,342
Highway Unrestricted	2,706,479	4,249,111	4,364,023	2,591,567
Highway Community Service	10,548			10,548
County Health	2,340,252	2,452,805	2,018,670	2,774,387
Resale Property	1,529,277	611,971	499,249	1,641,999
Sheriff Service Fee	434,765	413,866	362,363	486,268
Sheriff Revolving	151,165	241,469	212,073	180,561
Sheriff Drug Fund	7,804	3,827	750	10,881
Sheriff Training	375	336		711
Sheriff Environmental Award	145			145
Sheriff Commissary	5,015	12,455	11,266	6,204
Sheriff Federal Share Revenue	13,131	4,773	16,165	1,739
Sheriff Special DARE	7,915	3,246	3,456	7,705
Sheriff Donations	290			290
County Community Building Fund	266,004	4,757		270,761
Treasurer Certification Fee	147,715	106,581	24,299	229,997
County Clerk Lien Fee	116,997	23,359	7,381	132,975
Visual Inspection	2,945		2,897	48
Assessor Revolving	14,527	7,862	2,421	19,968
Child Abuse Prevention	7,133	2,468		9,601
Youth and Family	35,624		26,247	9,377
Saferoom FEMA Grant	3,760			3,760
County Clerk Preservation	230,053	385,816	25,181	590,688
OK Housing Finance Agency		25,291	25,291	
Local Law Enforcement Block Grant	10,211	11,344	19,155	2,400
Health GASP Grant Fund	458	550	208	800
Sheriff Criminal Alien Assistance Grant		10,465	5,641	4,824
County Sinking	22,278	91,372	111,924	1,726
Bridge Capital Improvement	825,161	15,043		840,204
Workman's Comp	16			16
Court Fund Remodeling	4,430			4,430
Local Emergency Planning Committee	5,013	2,595	950	6,658
Schools	232,150	74,845,946	74,530,678	547,418

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

**CLEVELAND COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003**

continued from previous page

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2003
Cities and Towns	10,900	6,860,357	6,847,400	23,857
Multi-County Library	9,160	3,705,649	3,697,889	16,920
Independent Cemetery	7,000			7,000
District Attorney Drug Grant		20,118	20,118	
District Attorney Victim Service	2,338		2,338	
District Attorney Domestic Violence	3,700		3,700	
District Attorney Incarceration Costs	1,565	1,130		2,695
District Attorney Witness Fee Reimbursement	1,557	711		2,268
District Attorney Juvenile Drug Court	5,115	49,295	38,233	16,177
County Fair Board	62,476	86,300	86,051	62,725
Individual Redemption	1,158	812,941	793,709	20,390
County Treasurer Overpayment	100,625	721,975	813,785	8,815
Court Clerk Trust Cash Voucher Fund	14,000		14,000	
Official Depository	2,620,280	34,050,999	27,152,621	9,518,658
Protest Tax	62,875	836,597	62,768	836,704
21st Judicial District Drug Court	26,891	140,000	139,780	27,111
Over/Under Fund		101	72	29
Total County Funds	\$ 20,085,155	\$ 143,307,455	\$ 134,237,263	\$ 29,155,347

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

**CLEVELAND COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 8,023,879	\$ 8,023,879	\$ 8,023,879	\$
Less: Prior Year Outstanding Warrants	(267,735)	(267,735)	(267,735)	
Less: Prior Year Encumbrances	(945,477)	(945,477)	(857,265)	88,212
Beginning Cash Balances, Budgetary Basis	<u>6,810,667</u>	<u>6,810,667</u>	<u>6,898,879</u>	<u>88,212</u>
Receipts:				
Ad Valorem Taxes	9,379,667	9,379,667	9,267,981	(111,686)
Charges for Services	946,814	1,118,997	1,124,612	5,615
Intergovernmental Revenues	1,440,403	1,440,403	1,503,519	63,116
Miscellaneous Revenues	781,840	781,840	597,862	(183,978)
Total Receipts, Budgetary Basis	<u>12,548,724</u>	<u>12,720,907</u>	<u>12,493,974</u>	<u>(226,933)</u>
Expenditures:				
District Attorney	86,700	150,000	108,310	41,690
Capital Outlay	3,300			
Total District Attorney	<u>90,000</u>	<u>150,000</u>	<u>108,310</u>	<u>41,690</u>
County Sheriff	3,210,000	3,677,217	3,671,165	6,052
Capital Outlay	385,000	285,000	284,942	58
Total County Sheriff	<u>3,595,000</u>	<u>3,962,217</u>	<u>3,956,107</u>	<u>6,110</u>
County Treasurer	815,500	815,500	795,744	19,756
Capital Outlay	3,000	3,000	1,472	1,528
Total County Treasurer	<u>818,500</u>	<u>818,500</u>	<u>797,216</u>	<u>21,284</u>
County Commissioners	458,127	458,127	422,599	35,528
Capital Outlay	300	300		300
Total County Commissioners	<u>458,427</u>	<u>458,427</u>	<u>422,599</u>	<u>35,828</u>
OSU Extension	262,892	234,053	227,910	6,143
Capital Outlay	1	29,463	23,146	6,317
Total OSU Extension	<u>262,893</u>	<u>263,516</u>	<u>251,056</u>	<u>12,460</u>

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

**CLEVELAND COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Clerk	1,130,000	1,235,056	1,186,041	49,015
Capital Outlay	20,000	20,000	19,254	746
Total County Clerk	1,150,000	1,255,056	1,205,295	49,761
Court Clerk	780,000	780,012	771,324	8,688
Total Court Clerk	780,000	780,012	771,324	8,688
County Assessor	795,000	782,000	767,422	14,578
Capital Outlay	15,000	28,000	22,879	5,121
Total County Assessor	810,000	810,000	790,301	19,699
Revaluation of Real Property	760,000	697,026	667,001	30,025
Capital Outlay	5,000	68,000	58,349	9,651
Total Revaluation of Real Property	765,000	765,026	725,350	39,676
Juvenile	222,251	218,251	211,508	6,743
Capital Outlay	2,000	6,000	5,697	303
Total Juvenile	224,251	224,251	217,205	7,046
District Court	92,430	92,430	89,846	2,584
Total District Court	92,430	92,430	89,846	2,584
General Government	6,553,684	6,183,550	730,852	5,452,698
Capital Outlay	18,812	18,812	3,736	15,076
Total General Government	6,572,496	6,202,362	734,588	5,467,774
Excise-Equalization Board	7,500	7,500	3,486	4,014
Capital Outlay	500	500		500
Total Excise-Equalization Board	8,000	8,000	3,486	4,514
County Election Board	328,000	335,862	334,768	1,094
Capital Outlay		1,325	1,290	35
Total County Election Board	328,000	337,187	336,058	1,129

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

**CLEVELAND COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Purchasing Agent	125,000	123,000	105,828	17,172
Capital Outlay	500	2,500	1,707	793
Total County Purchasing Agent	125,500	125,500	107,535	17,965
Charity	10,000	10,000	10,000	
Total Charity	10,000	10,000	10,000	-
Library	29,600	29,600	24,587	5,013
Total Library	29,600	29,600	24,587	5,013
CASA	42,000	42,000	39,905	2,095
Total CASA	42,000	42,000	39,905	2,095
Highway Budget	652,403	500,832	494,383	6,449
Capital Outlay	77,597	229,168	228,676	492
Total Highway Budget	730,000	730,000	723,059	6,941
County Audit Budget	139,493	139,493	91,621	47,872
Total County Audit Budget	139,493	139,493	91,621	47,872
Free Fair Budget	160,900	168,063	168,057	6
Capital Outlay	261,600	254,633	254,624	9
Total Free Fair Budget	422,500	422,696	422,681	15
Building Maintenance	600,429	600,429	532,057	68,372
Capital Outlay	50,000	50,000	4,489	45,511
Total Building Maintenance	650,429	650,429	536,546	113,883
Reserve for Courthouse Improvement	1,254,872	1,254,872		1,254,872
Total Reserve for Courthouse Improvement	1,254,872	1,254,872	-	1,254,872

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

**CLEVELAND COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003**

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Total Expenditures, Budgetary Basis	<u>19,359,391</u>	<u>19,531,574</u>	<u>12,364,675</u>	<u>7,166,899</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	7,028,178	<u>\$ 7,028,178</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			651,265	
Add: Current Year Outstanding Warrants			<u>543,899</u>	
Ending Cash Balance			<u>\$ 8,223,342</u>	

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

**CLEVELAND COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL -
COUNTY HEALTH DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2003**

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 2,340,252	\$ 2,340,252	\$ 2,340,252	\$
Less: Prior Year Outstanding Warrants	(3,961)	(3,961)	(3,961)	
Less: Prior Year Encumbrances	(84,254)	(84,254)	(70,228)	14,026
Beginning Cash Balances, Budgetary Basis	<u>2,252,037</u>	<u>2,252,037</u>	<u>2,266,063</u>	<u>14,026</u>
Receipts:				
Ad Valorem Taxes	2,344,917	2,344,917	2,316,995	(27,922)
Charges for Services		34,079	58,622	24,543
Intergovernmental			162	162
Miscellaneous Revenues	61,485	61,485	77,026	15,541
Total Receipts, Budgetary Basis	<u>2,406,402</u>	<u>2,440,481</u>	<u>2,452,805</u>	<u>12,324</u>
Expenditures:				
Health and Welfare	2,051,402	2,334,731	1,976,888	357,843
Capital Outlay	2,607,037	2,357,787	375,601	1,982,186
Total Expenditures, Budgetary Basis	<u>4,658,439</u>	<u>4,692,518</u>	<u>2,352,489</u>	<u>2,340,029</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	2,366,379	<u>\$ 2,366,379</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			378,430	
Add: Current Year Outstanding Warrants			<u>29,578</u>	
Ending Cash Balance			<u>\$ 2,774,387</u>	

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

**CLEVELAND COUNTY, OKLAHOMA
DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2003**

Beginning Cash Balance	\$ 22,278
Receipts:	
Ad Valorem Tax	91,293
Miscellaneous	79
Total Receipts	91,372
Disbursements:	
County Judgments	104,240
Interest Paid	7,684
Total Disbursements	111,924
Ending Cash Balance	\$ 1,726

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

**CLEVELAND COUNTY, OKLAHOMA
DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2003**

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
County Treasurer	\$ 205,295	\$ 4,411,411	\$ 4,396,250	\$ 19,535	\$ 239,991
County Clerk	211,998	2,918,973	2,859,146	113	271,938
Court Clerk	1,118,999	16,416,592	10,334,504	18,985	7,220,072
Court Clerk Revolving	94,401	72,745	28,066		139,080
County Assessor	339	8,951	7,862		1,428
County Sheriff	1,305	2,832,332	2,831,972		1,665
County Sheriff Cash Bond	3,835	280,550	285,672	2,335	1,048
Election Board	240	195,504	200,459	4,965	250
District Attorney Child Support Inc.	14,986		14,861	24	149
District Attorney Bogus Checks	104,903	1,844,794	1,839,234	4,385	114,848
District Attorney Criminal Restitution	11,332	222,306	227,817	6,590	12,411
District Attorney Drug Court Fund	7,432	4,614	5,899		6,147
District Attorney Bogus Fee	144,622	1,291,926	1,232,405	165	204,308
District Attorney General Account		123,230	123,230		
District Attorney Revolving	46,181	62,123	108,698	4,397	4,003
District Attorney Witness Fee	159	16,155	13,304	287	3,297
Health Fund	7,452	93,380	93,917		6,915
County Clerk M&M Lien	83,170	17,745	47,323	1	53,593
Court Fund	541,064	2,495,805	2,470,461	1,227	567,635
Law Library	22,567	96,929	94,550		24,946
Cleveland County Courthouse Capital Imp.		644,934			644,934
Total Official Depository Accounts	\$ 2,620,280	\$ 34,050,999	\$ 27,215,630	\$ 63,009	\$ 9,518,658

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, 2003

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Summary of Significant Accounting Policies (continued)

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

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

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

E. Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2003.

F. Risk Management

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

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

CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Summary of Significant Accounting Policies (continued)

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

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

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

The County continues to carry commercial insurance for employees' health and life insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2003 fiscal year.

CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Summary of Significant Accounting Policies (continued)

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 2003, no benefits were paid. 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.

G. Compensated Absences

All full-time employees shall be entitled to vacation leave that is accrued on a monthly basis in accordance with the schedule outlined below:

<u>Years of Service</u>	<u>Vacation Leave</u>	<u>Accumulation Limits</u>
0-5 years	10 days (6.7 hrs per month)	30 days
6-10 years	15 days (10 hrs per month)	60 days
11-15 years	18 days (12 hrs per month)	60 days
Over 15	20 days (13.3 hrs per month)	60 days

Vacation must be earned before it is taken. Vacation leave will be accrued on a monthly basis and pro-rated, as appropriate, for less than full-time service.

All full-time employees shall be entitled to sick leave with pay that is accrued on a monthly basis. Sick leave shall accumulate at the rate of eight hours for the first five years, and after five years leave accumulates at the rate of ten hours for each calendar month of service to the County.

The County does not record any liability for sick leave.

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

A. Deposits

At year-end, the reported amount of the County's deposits was \$29,155,347 and the bank balance was \$28,830,094. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

Title 62 O.S. § 348.3 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
- 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 acceptance 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

B. Description of Funds

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

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

Highway Community Service - accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

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

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

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

Detailed Notes on Account Balances (continued)

Sheriff Revolving – accounts for the collections received for reimbursement of salaries and housing prisoners.

Sheriff Drug Fund – accounts for the collection of the Sheriff's percentage of drug forfeitures.

Sheriff Training – court approved fund, accounts for unclaimed inmate money and disbursed for training purposes only.

Sheriff Environmental Award – accounts for grant monies received and fines collected.

Sheriff Commissary – accounts for monies received from inmates for purchases from the County's commissary and disbursements as restricted by state statute.

Sheriff Federal Share Revenue – accounts for the collection of a percentage of seized assets and disbursed for law enforcement purposes.

Sheriff Special DARE – accounts for donations received by the Sheriff's office for the DARE Program.

Sheriff Donations – account for the donations made to the Sheriff's office.

County Community Building Fund – accounts for proceeds from the sale of county owned real estate and disbursements as restricted by state statutes.

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

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

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

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

Child Abuse Prevention – accounts for monies received from jurors to aid in the prevention of child abuse.

Youth and Family – accounts for grant monies received from the Oklahoma Office of Juvenile Affairs for the operation of the Youth and Family Center.

Saferoom FEMA Grant – accounts for grant monies received and disbursed as restricted by grant agreement.

CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Account Balances (continued)

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

OK Housing Finance Agency – accounts for grant monies received for the construction of homes for qualified applicants within the County.

Local Law Enforcement Block Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

Health GASP Grant Fund – accounts for grant monies received and disbursed as restricted by the grant agreement.

Sheriff Criminal Alien Assistance Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

County Sinking - accounts for the payment of interest and principal on the matured portion of long-term bonded debt and civil judgments. Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

Bridge Capital Improvement – accounts for state money received for the construction and/or improvements to bridges within the County.

Worker's Compensation – accounts for premiums paid to the County's self-insurance worker's compensation plan. The County now participates in the public entity risk pool ACCO-SIF.

Court Fund Remodeling – accounts for a special encumbrance from the Court Fund for the remodeling of the courts

Local Emergency Planning Committee – accounts for grant monies received and disbursed as restricted by the grant agreement.

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

Cities and Towns – accounts for monies collected on behalf of the cities and towns in Cleveland County from ad valorem taxes, state and local revenues, and remitted to them monthly.

Multi-County Library - accounts for monies collected on behalf of the county library from ad valorem taxes.

CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Account Balances (continued)

Independent Cemetery – accounts for monies invested by the County on behalf of the independent cemetery.

District Attorney Drug Grant – accounts for federal grant monies received and disbursed as restricted by the grant agreement.

District Attorney Victim Service – accounts for the collection of restitution and disbursements to victims.

District Attorney Domestic Violence – accounts for grant monies received and disbursed as restricted by the grant agreement.

District Attorney Incarceration Costs – account for the collection of incarceration fees assessed as court costs by the Court Clerk.

District Attorney Witness Fee Reimbursement – accounts for monies received from the state to reimburse the County for witness expenses.

District Attorney Juvenile Drug Court – accounts for monies received for the Oklahoma Department of Mental Health for the administration and operation of the juvenile drug court.

County Fair Board – accounts for the collection of revenue generated from building rent, booth rental, and other fees.

Individual Redemption - accounts for the monies collected and due to individuals from property tax sales on delinquent taxes.

County Treasurer Overpayment – accounts for overpayments made in the Treasurer's office. Disbursements are refunds issued by cash voucher.

Court Clerk Trust Cash Voucher Fund – accounts for a special encumbrance from the court fund approved by the Chief Justice of Oklahoma for the purpose of purchasing computer equipment.

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

Protest Tax – accounts for ad valorem taxes collected in protest.

21st Judicial District Drug Court – accounts for federal grant monies received for the administration and operation of the drug court.

CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Account Balances (continued)

Over/Under Fund – accounts for monies collected in excess of ad valorem tax payment amount. Disbursements are made for monies collected under the tax payment amount.

Additionally, the following official depository accounts are described below:

County Treasurer – accounts for miscellaneous collections held in trust for disbursement.

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

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

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

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

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

County Sheriff Cash Bond – accounts for the collection of cash bonds and disbursed by court order.

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

District Attorney Child Support Inc. – accounts for child support incentive moneys received from the state. Money is disbursed for the operation of the child support office.

District Attorney Bogus Check – accounts for the collection of bogus checks and District Attorney fees to be disbursed to the merchant and the District Attorney fee account.

District Attorney Criminal Restitution – accounts for collection received by court orders to reimburse victims.

District Attorney Drug Court Fund – accounts for fees collected by court order. Money is disbursed for drug testing and supplies.

District Attorney Bogus Fees – account for the collection of District Attorney fees transferred from the merchant account and disbursements of funds restricted by state statutes.

CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Account Balances (continued)

District Attorney General Account – accounts for state monies received from the District Attorney's Council. Money is disbursed for salaries.

District Attorney Revolving – accounts for collections from asset forfeitures. Disbursements are restricted by court order.

District Attorney Witness Fee – accounts for the collection of restitution and disbursements to victims.

Health Fund – accounts for the collections of state funds and charges for services. Money is disbursed on a monthly basis to be transferred to the county health department cash account.

County Clerk M&M Lien Fee – accounts for lien collections and disbursements as restricted by statute.

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

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

Cleveland County Courthouse Capital Improvement – accounts for monies deposited from the Court Clerk's office for the remodeling of the courthouse. Money is vouchered to the Capital Improvement Fund for disbursement.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2002, was approximately \$912,419,006.

Per Article 10, § 8A, with the repeal of personal property tax, the millage with the adjustment factor is 10.28 mills for general fund operations, 2.57 mills for the county health department, 4.11 mills for the multi-county library, and 0.10 mills for county sinking. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Account Balances (continued)

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

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

Current year tax collections for the year ended June 30, 2003, were approximately 98 percent of the tax levy.

D. 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.

E. Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 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 percent on all subsequent pieces of machinery acquired.

F. Judgment

The County has a judgment which is being retired by a tax levy. The County is obligated to pay judgment over a three-year period.

<u>Case Number</u>	<u>Original Judgment</u>
CJ-96-850-L	\$40,000

CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Account Balances (continued)

Future principal and interest payments that will become due on the existing judgment are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$13,333	\$874	\$14,207
Total	<u>\$13,333</u>	<u>\$874</u>	<u>\$14,207</u>

G. Fuel Tax

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

4. Contingent Liabilities

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

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

**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 special-purpose financial statements of Cleveland County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 1, 2003. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Cleveland County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*. The following finding, 2003-1, is included in Section 1 of the Schedule of Findings, contained within this report.

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 special-purpose 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 following finding, 2003-2, is included in Section 1 of the Schedule of Findings, contained within this report.

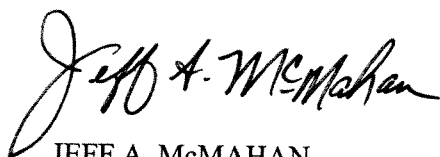
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 2003-2 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, reading "Jeff A. McMahen". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

December 1, 2003

SECTION 1 - Findings related to the *Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*

2003-1 – Financial Statements

Criteria: For counties who have adopted the County Budget Act per 19 O.S. 2001, § 1403, Title 19 O.S. 2001, § 1405 states, “The accounting records of each county shall be established and maintained and financial statements prepared therefore in conformity with generally accepted accounting principles promulgated from time to time by authoritative bodies of the United States...”

Condition: The County has adopted the County Budget Act, however does not prepare financial statements in conformity with generally accepted accounting principles as provided by that Act.

Recommendation: We recommend the County prepare its financial statements in conformity with generally accepted accounting principles as required by counties who have adopted the County Budget Act.

Management’s Response: Management is aware of this situation, however, due to financial situations we are unable to comply with this statute at this time. We are currently in the process of correcting this situation to comply with state statutes.

Finding 2003-2 – Leave Balances

Criteria: The Employee Personnel Policy Handbook of Cleveland County addresses leave benefits given to County employees and prescribes accrual and accumulation limits as follows: With the exception of law enforcement, each employee can accrue up to 240 hours of compensatory time off in lieu of overtime payment. Such employee will thereafter be paid cash payment for overtime. In the case of law enforcement, each employee can accumulate up to 480 hours of compensatory time. Maximum accumulation limits for annual leave is 480 hours. CASA (Court Appointed Special Advocate) employees follow a separate policy regarding leave benefits. CASA’s policy allows employees to accrue a maximum of 150 hours of annual leave.

Condition: The annual leave balance for an employee of District #2, CASA, and the County Sheriff’s office exceeded the maximum accumulation set forth in the personnel policies, and one employee at District #1 has accrued more compensatory time than allowed by the County policy manual. In addition, at the end of June 2003, 240 hours were transferred from District #2 employee’s annual leave balance to compensatory time. There are no records to document that this is true compensatory time.

Recommendation: We recommend all county officers adhere to the leave policy set forth in the Employee Personnel Policy Handbook.

Management’s Response: Management concurs with auditor’s finding and will implement procedures to correct this issue.

**Statistical Data
(Unaudited)**

**CLEVELAND COUNTY, OKLAHOMA
TOP TEN TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

	TAXPAYER	JANUARY 1, 2002 NET ASSESSED VALUATION	% OF TOTAL NET VALUATION
1	Southwestern Bell Telephone	\$ 19,331,221	2.12%
2	OG&E	16,013,835	1.76%
3	Shanklee Corp/Yamanouchi	7,233,268	0.79%
4	Wal-Mart Stores	7,143,648	0.78%
5	ONG	5,580,854	0.61%
6	York International Corp	3,901,977	0.43%
7	Brookwood Village Apartments LP	3,029,419	0.33%
8	Sooner Fashion Mall LLC	2,780,266	0.31%
9	Kir Norman 001, LLC	2,736,697	0.30%
10	Saxon Publishers Inc.	2,026,280	0.22%
	Total	<u>\$ 69,777,465</u>	<u>7.65%</u>

Source: (Provided by Oklahoma Tax Commission – Ad Valorem Division)

**CLEVELAND COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

Total net assessed value as of January 1, 2002		<u>\$ 912,419,006</u>
Debt Limit - 5% of total assessed value		45,620,950
Total bonds outstanding	<u>-</u>	
Legal Debt Margin		<u>\$ 45,620,950</u>

CLEVELAND COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)

	<u>2003</u>
Estimated population	<u>208,016</u>
Net assessed value	<u>\$ 912,419,006</u>
Gross bonded debt	-
Net bonded debt	<u>\$ -</u>
Ratio of net bonded debt to assessed value	<u>-</u>
Net bonded debt per capita	<u>\$ -</u>

**CLEVELAND COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 FOR THE YEAR ENDED JUNE 30, 2003
 (UNAUDITED)**

<u>Tax Year</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
2003	\$ 69,782,121	\$ 56,520,277	\$ 826,777,610	\$ 40,661,002	\$ 912,419,006	\$ 7,718,684,602