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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

March 6, 2003

TO THE CITIZENS OF
CLEVELAND COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cleveland County, Oklahoma, for the fiscal year ended June 30, 2001. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

Jeff A. McMahan

JEFF A. McMAHAN
State Auditor and Inspector

2300 North Lincoln Boulevard • Room 100 State Capitol • Oklahoma City, OK 73105-4801 • (405) 521-3495 • Fax (405) 521-3426 • www.sai.state.ok.us

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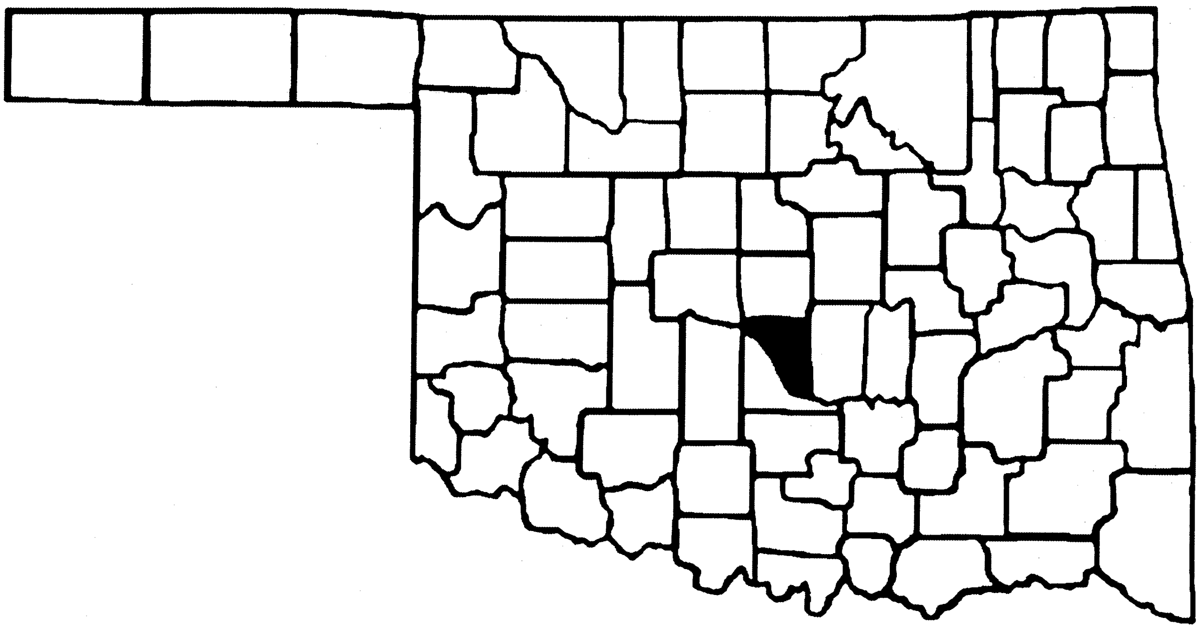
OF
CLEVELAND COUNTY, OKLAHOMA



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 – 203,449
(1999 est.)

Farms – 1,017

Land in Farms – 162,308 Acres

Source: Oklahoma Almanac 2001 - 2002

See independent auditor's report.

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.

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.

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.

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

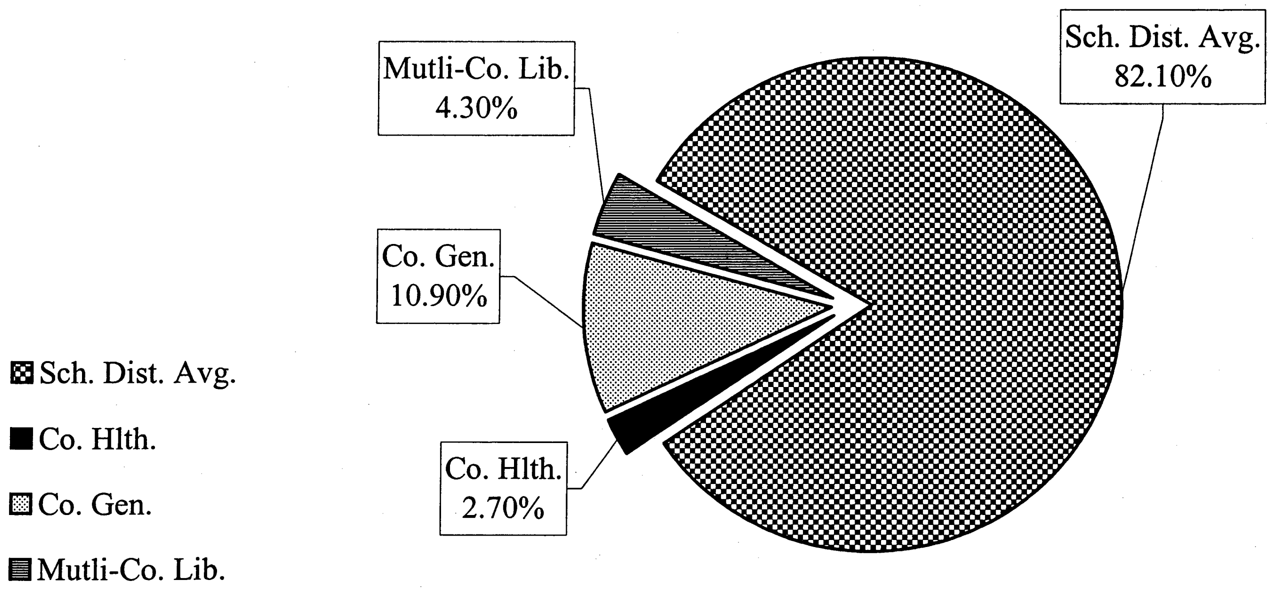
As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an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

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.

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	0.21
Multi-Co. Library	4.11
Co. Health	2.57
Cities and Towns:	
Norman	2.06
Moore	9.77
Noble	7.15
Oklahoma City	15.37
Other:	
Noble Ambulance	3.08
Little Axe Fire	7.16

School District Millages:

	Gen.	Bldg.	Skg.	Vo-Tech	Common	Total
McLoud-Jt.	35.64	5.09	17.02	4.11	14.22	76.08
Moore-2	36.07	5.15	17.82	4.11	13.36	76.51
Robin Hill-16	36.48	5.21	7.06	4.11		52.86
Norman-29	35.88	5.12	16.69	4.11	13.36	75.16
Noble-40	35.85	5.12	27.01	4.11	9.25	81.34
Mid-Del-52	36.04	5.14	21.05	4.11	16.84	83.18
Lexington-57	36.55	5.22	28.55	4.11	9.25	83.68
Mustang-69	36.08	5.15	26.58	4.11	15.46	87.38
Little Axe	35.69	5.10	19.48	4.11	9.25	73.63

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, 2001, 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 fund. 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 fund, 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, 2001, 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.

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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, are fairly stated, in all material respects, in relation to the general-purpose financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2002, 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 schedule listed in the table of contents is presented for purpose of additional analysis and is not a required part of the general-purpose financial statements. 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,

Jeff A. McMahan

JEFF A. McMAHAN
State Auditor and Inspector

December 2, 2002

General-Purpose Financial Statements

CLEVELAND COUNTY, OKLAHOMA
COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Group	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Long-Term Debt	Total (Memorandum Only)
ASSETS									
Cash and cash equivalents	$ 7,306,208	$ 7,027,244	$ 141,585	$ 808,401	$ 18,970,629	$ 62	$ 2,953,496	$	$ 37,207,625
Restricted cash and equivalents					20,135				20,135
Restricted funds					2,272,400				2,272,400
Investments					2,054,213				2,054,213
Ad valorem taxes receivable	124,428	31,107	2,351				1,060,462		1,218,348
Due from other governments	24,947	458,618					119,520		603,085
Due from projects					55,352				55,352
Accrued interest receivable	97,777	3,882	74	292	603,044		1,579		706,648
Rent receivable					453,225				453,225
Contracted service receivable					65,520				65,520
Mortgage receivable					34,503,777				34,503,777
Certificate premium					1,174,626				1,174,626
Loan agreement					9,911,250				9,911,250
Long-term rent receivable					3,840,781				3,840,781
Restricted investments					478,720				478,720
Note receivable					9,384				9,384
Property and equipment, net					3,429,974				3,429,974
Building, net					2,725,090				2,725,090
Bond discount, net					6,400				6,400
Cost of issuance, net					148,557				148,557
Consumable inventory		387,367							387,367
Amount available in debt service								144,010	144,010
Amount to be provided for capitalized lease agreements								514,107	514,107
Amount to be provided for retirement of judgments								145,990	145,990
Total assets	$ 7,553,360	$ 7,908,218	$ 144,010	$ 808,693	$ 80,723,077	$ 62	$ 4,135,057	$ 804,107	$ 102,076,584

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, 2001

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Group	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Long-Term Debt	Total (Memorandum Only)
LIABILITIES AND FUND EQUITY									
Liabilities:									
Warrants payable	$ 248,819	$ 111,524	$	$	$	$	$	$	$ 360,343
Accounts payable	293,097	423,202		195	14,689				731,183
Judgments payable								290,000	290,000
Capitalized lease obligations payable								514,107	514,107
Due to other taxing units							1,349,670		1,349,670
Due to others							2,785,387		2,785,387
Accretion bonds					215,377				215,377
Due to authority general fund					2,688				2,688
Contracted services					65,520				65,520
Rent in advance					8,890				8,890
Interest payable					551,378				551,378
Revenue bonds payable					68,022,816				68,022,816
Bond premiums, net					2,049,698				2,049,698
Mortgage's escrow					830				830
Repair and replacement					123,340				123,340
Deferred issuance fees					108,620				108,620
Revenue/note bonds					3,025,000				3,025,000
Total liabilities	541,916	534,726	-	195	74,188,846	-	4,135,057	804,107	80,204,847
Fund equity:									
Retained earnings					6,534,231	62			6,534,293
Fund balances:									
Reserved for encumbrances	498,274	164,804		446					663,524
Reserved for consumable inventories		387,367							387,367
Reserved for debt service			144,010						144,010
Unreserved:									
Designated for capital projects				808,052					808,052
Undesignated	6,513,170	6,821,321							13,334,491
Total fund balances	7,011,444	7,373,492	144,010	808,498	6,534,231	62	-	-	21,871,737
Total liabilities and fund balances	$ 7,553,360	$ 7,908,218	$ 144,010	$ 808,693	$ 80,723,077	$ 62	$ 4,135,057	$ 804,107	$ 102,076,584

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, 2001

	Governmental Fund Types				Total
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
Revenues:					
Ad valorem taxes	$ 8,116,209	$ 2,027,021	$ 165,060	$	$ 10,308,290
Charges for services	733,306	631,586			1,364,892
Intergovernmental revenues	1,230,438	5,555,494			6,785,932
Miscellaneous revenues	1,020,892	1,159,330	1,020	33,212	2,214,454
Total revenues	11,100,845	9,373,431	166,080	33,212	20,673,568
Expenditures:					
Current operating:					
General government	5,265,504	368,173			5,633,677
Public safety	3,710,459	567,196			4,277,655
Culture and recreation	199,814				199,814
Education	252,919				252,919
Health and welfare	48,187	2,935,542			2,983,729
Roads and highways	548,832	4,466,018			5,014,850
Capital projects				19,191	19,191
Debt service:					
Principal retirement			64,166		
Interest			3,848		
Total expenditures	10,025,715	8,336,929	68,014	19,191	18,381,835
Excess of revenues over (under) expenditures	1,075,130	1,036,502	98,066	14,021	2,291,733
Other financing sources (uses):					
Capitalized lease agreements		248,433			248,433
Total other financing sources (uses)	-	248,433	-	-	248,433
Excess of revenues and other sources over (under) expenditures and other uses	1,075,130	1,284,935	98,066	14,021	2,540,166
Beginning fund balances	5,936,314	6,088,557	45,944	794,477	12,865,292
Ending fund balances	$ 7,011,444	$ 7,373,492	$ 144,010	$ 808,498	$ 15,405,458

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, 2001

	General			Special Revenue Funds County Health Department		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	$ 5,423,872	$ 5,583,770	$ 159,898	$ 677,615	$ 690,055	$ 12,440
Revenues:						
Ad valorem taxes	8,171,185	8,065,682	(105,503)	2,042,796	2,016,419	(26,377)
Charges for services	759,500	733,306	(26,194)	45,917	24,225	(21,692)
Intergovernmental revenues	1,349,405	1,327,233	(22,172)			
Miscellaneous revenues	763,756	997,295	233,539	37,022	80,174	43,152
Total revenues, budgetary basis	11,043,846	11,123,516	79,670	2,125,735	2,120,818	(4,917)
Expenditures:						
Current operating:						
General government	11,219,369	5,318,712	5,900,657			
Public safety	3,714,691	3,708,990	5,701			
Education	255,360	252,821	2,539			
Health and welfare	49,083	48,187	896	2,803,350	1,510,587	1,292,763
Roads and highways	790,567	674,267	116,300			
Culture and recreation	438,648	438,291	357			
Total expenditures, budgetary basis	16,467,718	10,441,268	6,026,450	2,803,350	1,510,587	1,292,763
Excess of revenues and beginning fund balances over (under) expenditures, budgetary basis	$ -	6,266,018	$ 6,266,018	$ -	1,300,286	$ 1,300,286
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem taxes receivable		124,428			31,107	
Accrued interest receivable		97,777			3,257	
Due from other governments		24,947				
Reserved for encumbrances		498,274			72,808	
Ending fund balances		$ 7,011,444			$ 1,407,458	

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, 2001

	Proprietary Fund Types	
	Enterprise Funds	Internal Service Funds
Revenues:		
Occupant note interest	$ 210,806	$
Reimbursements	2,692	
Interest income	2,439,850	
Interest income - mortgages	2,733,164	
Interest income - judgment	1,067	
Miscellaneous revenues	453	
Lease rental home	652,083	
DHS O&M payments	17,783	
Detention contract revenue	797,160	
Unrealized Market Value Fluctuation	(6,445)	
Project administration fee	107,760	
Certificate application fee	13,100	
Realized gain (loss) on investments	35,369	
Total revenues	7,004,842	-
Expenses:		
Administrative fee	80,455	
Bank administrative fee	9,231	
Legal, accounting, and audit expense	359,146	
Note/Bond interest	219,499	
Interest expense	5,602,373	
Trustee and paying agent fees	70,919	
Insurance	12,944	
Depreciation expense	330,171	
Repairs and maintenance	4,180	
Issuer administration fee	5,881	
Utilities	10,379	
Detention services contract	797,160	
Arbitrage Rebate Expense	10,200	
Arbitrage calculation	3,922	
Community projects	8,000	
Miscellaneous	583	
DHS building and maintenance	19,967	
Claims paid		24,747
Total expenses	7,545,010	24,747
Net income (loss)	(540,168)	(24,747)
Beginning retained earnings - undesignated	7,074,399	24,809
Ending retained earnings	$ 6,534,231	$ 62

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, 2001

	Proprietary Fund Types	
	Enterprise Funds	Internal Service Funds
Cash flows from operating activities		
Net income (loss)	$ (540,168)	$ (24,747)
Noncash items included in net income (loss):		
Amortized bond premium/discount	474,016	
Amortized accretion and interest bonds	23,576	
Realized gain (loss) on investments	(34,530)	
Unrealized gain (loss) on investments	6,445	
Depreciation	330,171	
Amortized cost of issuance	21,280	
Amortized deferred loss	25,350	
Deferred fees payable	(16,907)	
Changes in:		
Due to (from) projects	(5,119)	
Due to Industrial Authority general fund	(626)	
Accrued interest receivable	(389,831)	
Accrued interest payable	(121,940)	
Accounts payable	13,627	
Rent receivable	28,895	
Net cash provided (used) by operating activities	(185,761)	(24,747)
Cash flows from investment activities		
Purchase of mortgage certificates	(2,536,235)	
Purchase of investments	(2,425,930)	
Purchase of building	(2,400,000)	
Purchase of equipment	(988,809)	
Proceeds from restricted investments	11,885	
Proceeds from investments	2,343,410	
Proceeds from mortgages	3,143,099	
Purchase of restricted cash	(190,842)	
Proceeds from restricted cash	241,685	
Reduction of debt receivable	2,947	
Net cash provided (used) by investment activities	(2,798,790)	-
Cash flows from financing activities:		
Proceeds from rent receivable	230,122	
Note/bond payments	(12,348,809)	
Proceeds from notes/bonds	3,388,809	
Repair fund payments	(6,660)	
Proceeds from repair fund	20,000	
Net cash provided (used) by financing activities	(8,716,538)	-
Net increase (decrease) in cash and equivalents	(11,701,089)	(24,747)
Cash and cash equivalents, beginning of year	30,691,853	24,809
Cash and cash equivalents, end of year	$ 18,990,764	$ 62

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of the County are required to be presented in conformity with 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, 2001.

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, 2000.

Cleveland County Public Facilities Authority: The Authority is a public trust organized under Title 60, Oklahoma Statues. 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, 2001.

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 fiscal year ending June 30, 2001.

The financial activity for all blended Authorities is reported in a single combined enterprise fund. Combining statements are presented for the enterprise funds. 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, 2001.

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:

Types of Loss	Method Managed	Risk of Loss Retained
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 accident 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 2001 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 2001, a total of $24,747 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, 2001, the available fund balance in the debt service fund reserved for the retirement of judgments was $144,010.

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 appropriable 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

Public trusts that have the state or a county as beneficiary must only invest in certificates of deposit or other evidences of deposit. (62 O.S. § 72.4a)

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 Authority, and the Cleveland County Industrial Authority in accordance with Title 62 O.S. Supp. §72.4b.

Detailed Notes on Account Balances (continued)

A. Deposits

Deposits - County - At year-end, the carrying amount of the County's deposits, excluding component units, was $18,236,996 and the bank balance was $18,446,284. Of the bank balance, all funds were covered by federal depository insurance or by 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.

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, 2000, was $794,862,356.

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 .21 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, 2001, were approximately 97 percent of the tax levy.

Detailed Notes on Account Balances (continued)

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, 1999, 2000, and 2001, were $799,321, $681,921, and $753,875, 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. Supp. 1998, § 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 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.

Detailed Notes on Account Balances (continued)

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, 2001, are as follows:

Year Ending June 30,	Principal	Interest	Total
2002	$ 194,172	$ 24,507	$ 218,679
2003	107,498	14,868	122,366
2004	103,991	9,038	113,029
2005	67,192	3,981	71,173
2006	41,254	1,101	42,355
Total	$ 514,107	$ 53,495	$ 567,602

During the year, the County capitalized leases totaling $248,433 and paid $246,784 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, 2001, principal payments of $64,166 and interest payments of $3,848 were made on these judgments. The County settled one case that was filed against them through arbitration. The new judgment equals $40,000.

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

Year Ending June 30,	Principal	Interest	Total
2002	$ 96,667	$ 28,626	$ 125,293
2003	96,667	19,333	116,000
2004	96,666	9,667	106,333
Total	$ 290,000	$ 57,626	$ 347,626

Detailed Notes on Account Balances (continued)

F. Long-Term Debt

Changes in Long-Term Liabilities

During the year ended June 30, 2001, the following changes occurred in liabilities reported in the general long-term debt account group:

	Balance July 1, 2000	Additions	Reductions	Balance June 30, 2001
Claims and judgments	$ 314,166	$ 40,000	$ 64,166	$ 290,000
Capital leases	512,458	248,433	246,784	514,107
Total	$ 826,624	$ 288,433	$ 310,950	$ 804,107

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. State Assistance

The County's Youth and Family received a grant in the amount of $718,255 from the Oklahoma Office of Juvenile Affairs. The Youth and Family Services received and expended $718,255 in the year ending June 30, 2001.

6. 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 transaction, 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). The new system is still in the development stage, and the former mainframe is no longer being used. The new system is not realizing the functionality and service levels of the old system.

Some financial data, historical data, and case records were incorrectly converted during the move to the new system. Additionally, the receipting and the disbursement functions did not work for a period of several months. During that period of time, it was necessary to generate manual receipts. Because the monies collected were not originally entered into the OCIS, it was necessary to enter those receipts into the computer at a later date.

7. 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.

7A. 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.

7A.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:

	2001		2000	
	Cost	Market	Cost	Market
United States Treasury Notes Interest rate range 5.5-7.0% Maturity 6/30/02-8/15/10	$ 2,054,213	$ 2,070,709		
United States Treasury Notes Interest rate range 5.25-6.5% Maturity 1/31/01-8/15/07			$ 1,275,119	$ 1,260,094

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.

Enterprise Funds (continued)

Transfer to/from Beneficiary – During the prior fiscal year ending June 30, 2000, the Authority assisted with the Courthouse Beautification Project in the amount of $10,429. All amounts were made payable to various vendors for purchases and services.

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

7A.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, 2001, is as follows:

	Maturity Date	Rate	2001	2000
Serial Bonds	August 1, 2000	6.50%	$	$ 115,000
Term Bonds	August 1, 2012	8.00%	4,365,000	5,265,000
	Total		$ 4,365,000	$ 5,380,000

Enterprise Funds (continued)

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, 2001, 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.

	2001	2000
Mercadian Funding L.P. Investment Agreement	$ 504,055	$ 750,672
One Group U.S. Treasury Money Market Short Term Investments	139,220	28,542
Total	$ 643,275	$ 779,214

Restricted Funds – Reserved 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 2001, is $521,865.

Mortgage Receivable – Single-Family Mortgage receivables as of June 30, 2001 and 2000, in the amount of $3,485,512 and $4,240,858, 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.

7A.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.

Enterprise Funds (continued)

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.

Mortgage Receivable – 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, 2001, and 2000, the bonds outstanding is as follows:

		2001	2000
Current Interest Bonds	7.73%	$	$ 2,470,807
Compound Interest Bonds	7.73%	$	$ 819,580
Accretion Bonds	9.6828%	$ 215,377	$ 191,800

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, 2001 and 2000, is $96,095 with accrued interest in the amount of $284,307 and $255,876 for a total book value of $380,402 and $351, 971, respectively. The additional accreted interest reported as income for the year ending June 30, 2001 and 2000, amounted to $28,451 and $28,451. The Zero Coupon Bond has a market value of $325,778 and is expected to be held until maturity.

Enterprise Funds (continued)

7A.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.

The maturity schedule of the Bonds outstanding as of June 30, 2001 is as follows:

	Maturity Date	Rate	2001	2000
Serial Bonds	All redeemed		$	$
Term Bonds	August 1, 2012	8.375%	1,810,000	2,030,000
	Total		$ 1,810,000	$ 2,030,000

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 amortization for June 30, 2001 and 2000, amounted to $14,070 and $14,070, respectively.

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.

Enterprise Funds (continued)

	2001	2000
AIG Matched Funding Corp Investment Agreement	$ 193,515	$ 224,192
One Group U.S. Treasury Money Market Short Term Investments	52,355	283,734
Total	$ 245,870	$ 507,926

Restricted Funds – Reserved Fund – As of June 30, 2001, the mandatory capital reserve fund amounted to $228,708 and is invested in the AIG Matched Funding Corp. investment agreement earning 7.2% for the term of the agreement, August 1, 2012. And the mandatory mortgage reserve fund amounted to $210,396 and is invested in the One Group U. S. Treasury Money Market with a current earning rate of approximately 3.3%

Mortgage Receivable - Single-Family Mortgage receivables as of June 30, 2001 and 2000, in the amount of $1,379,188 and $1,518,771 respectively, consists of current mortgages. When a mortgage falls into default the foreclosure procedures begin with all possible claims filed.

Subsequent Event – In August 2001, the mortgages were sold and the funds escrowed to call all the bonds outstanding.

7A.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.

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, 2001, are as follows:

Maturity Date Serial Bonds	1994 Issue		1995 Issued		Total
2001	$ 175,000	7.75%	$ 90,000	7.00%	$ 265,000
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
Term Bond					
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	$ 7,180,000		$ 3,625,000		$ 10,805,000

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:

December 1,	Required Deposit
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	1,045,000
Total	$ 8,100,000

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.

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, 2001 and 2000.

	2001	2000
Wells Fargo Government Money Market Fund	$ 613,781	$ 410,679
Federal Mrtg. Assoc. Note, Rate 6.54%, 9/10/07	317,248	323,693
Federal Home Loan Bond, Rate 5.863%, 4/22/09		310,507
Federal Mortgage Assoc. Cap Debt Zero Coupon, 10/9/19		424,220
Total Cost	$ 931,029	$ 1,469,099
Market Value	$ 941,029	$ 1,443,163

7A.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 lessor 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 Untied 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, 2001, amounted to $24,242.

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%.

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.

	2001	2000
Trinity Plus Funding Company Investment Agreement	$	$ 1,352,397
One Group U.S. Treasury Money Market Short Term Investments	160,010	16,203
Total	$ 160,010	$ 1,368,600

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, 2001 and 2000, the GNMA Certificates amounted to $16,110,456 and $17,325,405 and the premium amounted to $634,010 and $676,091 after current interest amortization expense of $63,023 and $45,456.

7A.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 lessor 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 Untied 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, 2001, 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.

Enterprise Funds (continued)

	2001	2000
Trinity Plus Funding Company Investment Agreement	$ 11,209,001	$ 13,379,211
One Group U.S. Treasury Money Market Short Term Investments	187,158	104,626
Cash	34,432	74,231
Total	$ 11,430,591	$ 13,558,068

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, 2001 and 2000, the GNMA Certificates amounted to $13,515,410 and $12,055,615 and the premium amounted to $540,616 and $482,225 after interest amortization $25,768 and $2,498.

7A.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.

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

Date of Draw	Schedule of Draws Amount	Cumulative Outstanding
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.

	2000	1999
CDC Funding Investment Agreement	$	$ 3,455,000
One Group U.S. Treasury Money Market Short Term Investments	11,522	3,014
Total	$ 11,522	$ 3,458,014

Enterprise Funds (continued)

7A.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.

As of June 30, 2001, the bonds proceeds are invested under the Investments Agreement and no progress has been made on the Multifamily Housing Project.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash and/or AP Treasury Money Market and HSBC Bank USA Investment Agreement.

On March 20, 2000, the Trustee Bank entered into an investment agreement with HSBC Bank USA, a state bank organized under the laws of New York.

HSBC Bank USA will invest the amounts in the Project Fund at an interest rate of 67.1% of the Morgan Guaranty Trust Company's Prime Rate. The initial interest payment date is May 1, 2000, and the earnings shall be calculated on the basis of actual days lapsed. The maturity date of this agreement is March 1, 2002.

	2001	2000
HSBC Bank USA Investment Agreement	$ 6,100,000	$ 6,100,000
AP Treasury Money Market	42,341	8,348
Total	$ 6,142,341	$ 6,108,348

7B. 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.

Enterprise Funds (continued)

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.

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, 2000.

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, 2000.

Building – 601 North Porter – The Authority has title to the building at 601 North Porter. The property is operated by the County as the lessor which pays the operation and maintenance expenses in excess of rents collected. In September 1999, the Authority deeded this property to the County. The Authority did not have the cost basis of this property recorded in the financial statements.

Enterprise Funds (continued)

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:

	October 1999	Additions	October 2000
Building	$ 1,600,000	$	$ 1,600,000
Improvements	100,000		100,000
	1,700,000		1,700,000
Accumulated Depreciation	892,035	178,407	1,070,442
Building, net	$ 807,965	$ 178,407	$ 629,558

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.

	October 1999	Additions	October 2000
Bond Discount	$ 17,623	$	$ 17,623
Amortization	(9,353)	(1,870)	(11,223)
			$ 6,400
Cost of Issuance	$ 33,860	$	$ 33,860
Amortization	(17,980)	(3,596)	(21,576)
			$ 12,284

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 October 13, 1999	Issued	Retired	Balance October 31, 2000
Moore Schools	$ 1,155,000	$	$ 205,000	$ 950,000
	$ 1,155,000	$	$ 205,000	$ 950,000
Less Current Portion				215,000
Long-Term Portion				$ 735,000

Enterprise Funds (continued)

Flame Control Project – Flame Control mortgage paid off September 1998. Administrative and audit expense reimbursement due from Flame Control as of October 31, 1999, was $370.00.

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.

Maurity	Amount	Interest
3/15/01	$ 215,000	6.10%
3/15/02	$ 225,000	6.20%
3/15/03	$ 245,000	6.30%
3/15/04	$ 265,000	6.40%

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

Enterprise Funds (continued)

$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 that 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.

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.

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

October 31, 2001	$ 60,538	$ 179,602
October 31, 2002	77,210	192,873
October 31, 2003	82,627	207,125
October 31, 2004	88,007	222,429
October 31, 2005	94,598	157,344
Thereafter	1,997,020	
	$ 2,400,000	$ 959,373

Enterprise Funds (continued)

7C. 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.

Cash and Equivalents – Cash and equivalents consist of checking accounts at local banks and One Group U. S. Treasury Securities 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.

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, 2001:

	2000	Additions	Dispositions	2001
Land Behind the Fairgrounds	$ 228,400	$	$	$ 228,400
DHS Building	1,068,384			1,068,384
	$ 1,296,784	$	$	$ 1,296,784
Less: Accumulated depreciation	(287,345)	(21,335)		(308,680)
	$ 1,009,439	$ (21,335)	$ -	$ 988,104

Enterprise Funds (continued)

7C.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.

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 dates 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.

Enterprise Funds (continued)

The Bonds mature as follows:

$2,840,000 Non-Taxable Series 1996 A Bonds

Maturity	Interest Rate	Amount
February 1, 2006	7.75%	$ 70,000
February 1, 2013	8.00%	550,000
February 1, 2026	8.50%	2,220,000
		$ 2,840,000

$285,000 Taxable Series 1996B Bonds
Balance as of June 30, 2000, $255,000

Maturity	Interest Rate	Amount
2002	9.25%	$ 40,000
2003	9.50%	40,000
2004	9.75%	50,000
2005	10.00%	55,000
		$ 185,000

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.

Restricted Investments – The Revenue Fund, Reserve Funds, and Principal and Interest Fund are restricted for the payment of bond principal and interest. Investments are recorded at the lower of cost or market. As of June 30, 2001, the restricted investments consist of the following:

	Cost	Market
One Group U.S. Treasury Money Market	$ 409,163	$ 409,163
U.S. Treasury Notes, rate 5.875%, 11/30/01	69,557	70,613
Total	$ 478,720	$ 479,776

Enterprise Funds (continued)

Property and Equipment – The following is a summary of property and equipment stated at cost less accumulated depreciation held at June 30, 2001.

	2000	Additions	Dispositions	2001
Apartment Building	$ 2,494,967	$	$	$ 2,494,967
Less: Accumulated depreciation	(273,833)	(62,374)		(336,207)
	$ 2,221,134	$ (62,374)	$ -	$ 2,158,760

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 $142,317 since inception.

7C.2. Revenue Note – Series 1996 – Cleveland County Health Department

The Authority issued the Series 1996 Note in the amount of $300,000 to provide funds to pay the cost of acquiring furniture and equipment and the remodel/expansion of the Cleveland County Health Department building.

The Note was paid in full with funds from the County Board of Health of the Cleveland County Department of Health as of January 11, 2000.

As of June 30, 2001, the ownership of the building addition has not been transferred to the County Board of Health and therefore remains a project of the Authority.

	2001	2000
Building remodeling		
Equipment and furnishings	$ 283,110	$ 283,110

7D. 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.

Enterprise Funds (continued)

7D.1. Cash Equivalents – Cash equivalents consist of cash and liquid assets with maturities of three months or less.

	2001
Checking Account	$ 17,518
Certificate of Deposit, 3.7%	100,000
	$ 117,518

7D.2. Alan J. Couch Juvenile Services Center Project

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

	2001	2000
Unrestricted use:		
Operations and Maintenance Account	$ 270	$ 57,892
Expense Account		-
	$ 270	$ 57,892
Restricted use:		
Principal and Interest Account	$	$ 77,430
Revenue Fund Account	12,935	128,495
Rebate Fund	10,200	1,762
Reserve Fund Account		359,500
Repair and Replacement Account		17,911
	$ 23,135	$ 585,098
Total One Group U.S. Treasury Security Money Market Fund	$ 23,405	$ 642,990

Enterprise Funds (continued)

Debt Service Reserve Fund - A Debt Service Reserve Fund was established pursuant to the Indenture and was required to be funded from proceeds of the Bonds in an amount equal to $359,500. Amounts in the Debt Service Fund are to be used to pay principal of, premium, if any, and interest on the Bonds to the extent of any deficiency in the Bond Fund. Interest earned on the funds can be transferred to the interest account to pay current interest. The reserve fund was funded with One Group U.S. Treasury Security Fund. The reserve fund was used to fund the final maturity of the bonds.

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.

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

	2000	Change	2001
Building	$ 2,722,209	$	$ 2,722,209
Accumulated Depreciation	(558,622)	(68,055)	(626,677)
Net Building	$ 2,163,587	$ 68,055	$ 2,095,532

Deferred Loss on Refunding – The loss on refunding the 1991 Lease Revenue Bonds consists of the following:

Net book value at time of refunding	$ 3,223,668
Funds Escrowed with Escrow Deposit Trustee - Bank of Oklahoma	3,578,562
Deferred loss on refunding	$ 354,894
Previous Accumulative Interest Amortization	(329,544)
Current Interest Amortization	(25,350)
Total Amortization	(354,894)
Net Deferred Loss on Refunding	$ -

Enterprise Funds (continued)

Revenue Bonds Outstanding - $3,925,000 Lease Revenue Refunding Bonds – Bank Qualified (Alan J. Couch Juvenile Services Center Project) Series 1991.

On December 15, 1991, the Authority issued $3,925,000 aggregate principal amount of its Lease Revenue Refunding Bonds – Bank Qualified, Series 1991, pursuant to a Bond Indenture dated December 15, 1991, between the Authority and Bank of Oklahoma, National Association, (the "Trustee").

At December 15, 1993, $3,450,000 of the 1991 Lease Revenue Bonds were outstanding. Due to a better economic environment, the Authority refunded the 1991 Lease Revenue Bonds with the issuance of $3,595,000 Lease Revenue Refunding Bonds – Bank Qualified, Series 1993, pursuant to a Bond Indenture dated December 15, 1993, between the Authority and a successor trustee, Bank One of Oklahoma, National Association (the "Trustee"). The bonds will be payable solely from the rents, revenues and receipts received by the Authority for the use of the Project. A Financial Guaranty Bond was issued by Capital Guaranty Insurance Company simultaneously with the issuance and delivery of the Bonds which provides for the prompt payment of principal and interest on the Bonds when due for payment to the extent that the Trustee has not received sufficient funds from the Authority.

The Bonds were purchased at an aggregate purchase price of 98.0% of the aggregate principal amount of the Bonds ($3,526,818). The Bond Discount and Original Issue Discount of $68,182 is recorded and amortized on a straight line basis over the term of Bonds, which is June 1, 2001.

The Trustee holds a real estate mortgage on the property. With the mortgage the Trustee has the power to sell the mortgaged property without going to court in a foreclosure action upon default by the Authority.

The Bonds were issued for the purpose of providing funds to effect a refinancing of the costs of construction of the Alan J. Couch Juvenile Services Center Project.

In December 1997, Bank One of Oklahoma, National Association, acquired Liberty Bank and Trust Company of Oklahoma and became the Trustee for the Revenue Refunding Bonds.

Bond Maturities – Interest on the Bonds will be payable semiannually on each June 1 and December 1, and shall mature on June 1 in each year. The bonds will be retired with future rentals, funds from the reserve account and investment earnings from the reserve, principal and interest accounts. On June 1, 2001, the final payment of $890,000 paid the bonds in full.

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 and utilities and insurance of the building. Each tenant will be responsible for their own maintenance and repairs.

COMBINING FINANCIAL STATEMENTS
(Enterprise Funds)

CLEVELAND COUNTY, OKLAHOMA
COMBINING BALANCE SHEET – ALL ENTERPRISE FUNDS
JUNE 30, 2001

	Cleveland County Public Facilities Authority	Cleveland County Facilities Authority	Cleveland County Industrial Authority	Cleveland County Home Loan Authority	Totals 2001
ASSETS					
Cash and equivalents	$ 51,396	$ 140,923	$ 6,438	$ 18,771,872	$ 18,970,629
Restricted cash and equivalents	499		19,636		20,135
Restricted fund - reserve fund				2,272,400	2,272,400
Investments				2,054,213	2,054,213
Due from projects	52,664		2,688		55,352
Accrued interest receivable			56,830	546,214	603,044
Rent receivable			453,225		453,225
Contracted services receivable		65,520			65,520
Mortgage receivable				34,503,777	34,503,777
Certificate premium				1,174,626	1,174,626
Loan agreements				9,911,250	9,911,250
Long-term rent receivable			3,840,781		3,840,781
Restricted investments	478,720				478,720
Note receivable	9,384				9,384
Property and equipment, net	3,429,974				3,429,974
Building, net		2,095,532	629,558		2,725,090
Bond discount, net			6,400		6,400
Cost of issuance, net	136,273		12,284		148,557
Total assets	$ 4,158,910	$ 2,301,975	$ 5,027,840	$ 69,234,352	$ 80,723,077
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	$ 617	$ 14,072	$	$	$ 14,689
Accretion bonds				215,377	215,377
Due to authority general fund			2,688		2,688
Contracted services		65,520			65,520
Rent in advance		8,890			8,890
Accrued interest payable	106,667		20,953	423,758	551,378
Revenue bonds payable			4,309,373	63,713,443	68,022,816
Bond premium, net				2,049,698	2,049,698
Mortgage's escrow				830	830
Repair and replacement				123,340	123,340
Deferred issuance fees				108,620	108,620
Revenue note/bonds	3,025,000				3,025,000
Total liabilities	3,132,284	88,482	4,333,014	66,635,066	74,188,846
Fund equity:					
Undesignated	1,026,626	2,213,493	694,826	2,599,286	6,534,231
Total fund equity	1,026,626	2,213,493	694,826	2,599,286	6,534,231
Total liabilities and fund equity	$ 4,158,910	$ 2,301,975	$ 5,027,840	$ 69,234,352	$ 80,723,077

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, 2001

	Cleveland County Public Facilities Authority	Cleveland County Facilities Authority	Cleveland County Industrial Authority	Cleveland County Home Loan Authority	Totals 2001
Revenues:					
Occupant note interest	$	$	$ 210,806	$	$ 210,806
Reimbursements			2,692		2,692
Interest income	26,196	44,699	3,572	2,365,383	2,439,850
Interest income - mortgages				2,733,164	2,733,164
Interest income - judgment				1,067	1,067
Miscellaneous revenues	383			70	453
Lease rental income	280,526	371,557			652,083
DHS O&M payments		17,783			17,783
Detention contract revenue		797,160			797,160
Unrealized Market Value Fluctuation				(6,445)	(6,445)
Project administration fee	5,881			101,879	107,760
Certificate application fee				13,100	13,100
Realized gain (loss) on investments	837			34,532	35,369
Total revenues	313,823	1,231,199	217,070	5,242,750	7,004,842
Expenses:					
Administrative fee			1,788	78,667	80,455
Bank administrative fee				9,231	9,231
Legal, accounting, and audit expense	9,468	11,064	2,500	336,114	359,146
Note/bond interest			219,499		219,499
Interest expense	283,588	90,903		5,227,882	5,602,373
Trustee and paying agent fees	5,000	3,500	2,500	59,919	70,919
Insurance		6,668		6,276	12,944
Depreciation expense	83,709	68,055	178,407		330,171
Repairs and maintenance		4,180			4,180
Issuer administration fee	5,881				5,881
Utilities		10,379			10,379
Detention services contract		797,160			797,160
Arbitrage Rebate Expense		10,200			10,200
Arbitrage calculation		3,922			3,922
Community projects				8,000	8,000
Miscellaneous	407		64	112	583
DHS building and maintenance	19,967				19,967
Total expenses	408,020	1,006,031	404,758	5,726,201	7,545,010
Net income (loss)	(94,197)	225,168	(187,688)	(483,451)	(540,168)
Fund equity, beginning	1,120,823	1,988,325	882,514	3,082,737	7,074,399
Fund equity, ending	$ 1,026,626	$ 2,213,493	$ 694,826	$ 2,599,286	$ 6,534,231

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, 2001

	Cleveland County Public Facilities Authority	Cleveland County Facilities Authority	Cleveland County Industrial Authority	Cleveland County Home Loan Authority	Totals 2001
Cash flows from operating activities					
Net income (loss)	$ (94,197)	$ 225,168	$ (187,688)	$ (483,451)	$ (540,168)
Noncash items included in excess:					
Amortized bond premium/discount	26,274	8,376	5,466	433,900	474,016
Amortized accretion and interest bonds				23,576	23,576
Realized gain (loss) on investments				(34,530)	(34,530)
Unrealized gain (loss) on investments				6,445	6,445
Depreciation	83,709	68,055	178,407		330,171
Amortized cost of issuance		21,280			21,280
Amortized deferred loss		25,350			25,350
Deferred fees payable				(16,907)	(16,907)
Changes in:					
Due to (from) projects	(24,321)		996	18,206	(5,119)
Due to Industrial Authority general fund			(626)		(626)
Accrued interest receivable			(4,222)	(385,609)	(389,831)
Accrued interest payable	(937)	(3,263)	11,983	(129,723)	(121,940)
Accounts payable	(445)	14,072			13,627
Rent receivable		28,895			28,895
Net cash provided (used) by operating activities	(9,917)	387,933	4,316	(568,093)	(185,761)
Cash flows from investment activities					
Purchase of mortgage certificates				(2,536,235)	(2,536,235)
Purchase of investments				(2,425,930)	(2,425,930)
Purchase of building			(2,400,000)		(2,400,000)
Purchase of equipment			(988,809)		(988,809)
Proceeds from restricted investments	11,885				11,885
Proceeds from investments				2,343,410	2,343,410
Proceeds from mortgages				3,143,099	3,143,099
Purchase of restricted cash				(190,842)	(190,842)
Proceeds from restricted cash				241,685	241,685
Reduction of debt receivable	2,947				2,947
Net cash provided (used) by investment activities	14,832	-	(3,388,809)	575,187	(2,798,790)
Cash flows from financing activities:					
Proceeds from rent receivable			230,122		230,122
Note/bond payments	(25,000)	(890,000)	(234,436)	(11,199,373)	(12,348,809)
Proceeds from notes/bonds			3,388,809		3,388,809
Repair fund payments				(6,660)	(6,660)
Proceeds from repair fund				20,000	20,000
Net cash provided (used) by financing activities	(25,000)	(890,000)	3,384,495	(11,186,033)	(8,716,538)
Net increase (decrease) in cash and equivalents	(20,085)	(502,067)	2	(11,178,939)	(11,701,089)
Cash and cash equivalents, beginning of year	71,980	642,990	26,072	29,950,811	30,691,853
Cash and cash equivalents, end of year	$ 51,895	$ 140,923	$ 26,074	$ 18,771,872	$ 18,990,764

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

Supplementary Schedule

CLEVELAND COUNTY, OKLAHOMA
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2001

Grantor/Pass Through Grantor/Program Title	Project Grant Number	State Expenditures
OKLAHOMA DEPARTMENT OF HUMAN SERVICES		
Child and Youth Services	2001-528	$ 718,255
Total State Assistance		$ 718,255

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, 2001, and have issued our report thereon dated December 2, 2002. 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 below.

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.

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 the reportable condition described above 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,

Jeff A. McMahan

JEFF A. McMAHAN
State Auditor and Inspector

December 2, 2002

Management Response

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

Heart of Oklahoma

Office of the State Auditor and Inspector
Attention: Clifton H. Scott
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. 1991, § 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

George Skinner
Chairman

Member

Bill Graves
Member