

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

---

This publication is printed and issued by the State Auditor and Inspector as authorized by 74 O.S. § 212. Pursuant to 74 O.S. § 3105, 35 copies have been prepared and distributed at a cost of \$72.45. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

CLIFTON H. SCOTT  
STATE AUDITOR AND INSPECTOR

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

December 23, 2002

TO THE CITIZENS OF  
COAL COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Clifton H. Scott'.

CLIFTON H. SCOTT  
State Auditor and Inspector

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

---

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

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

FINANCIAL SECTION

Report of State Auditor and Inspector.....	I
General-Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Group .....	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types .....	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue (County Health Department only) Funds .....	5
Notes to the Financial Statements.....	6

COMPLIANCE/INTERNAL CONTROL SECTION

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	16
Management Response.....	18

REPORT TO THE CITIZENS  
OF  
COAL COUNTY, OKLAHOMA

---



Formerly a part of Tobucksy County, Choctaw Nation, Coal County is located in southern Oklahoma and was created at statehood and named for the primary economic product of the region.

Coal mining was once the major industry of the county, but has been dormant since 1958. Mementos of this era may be found in the Coal County Historical and Miners Museum in Coalgate, the county seat.

While agriculture is now considered to be the primary economic mainstay of the county, businesses such as the Wrangler Garment Plant and Mary Hurley Hospital also contribute to the economy of the community.

*Coal County History Book* is available from the local genealogical society in Coalgate. For more county information, call the county clerk's office at (580) 927-2103.

County Seat – Coalgate

Area – 518.2 Square Miles

County Population – 6,126  
(1999 est.)

Farms - 586

Land in Farms – 272,894 Acres

Source: Oklahoma Almanac 2001 - 2002

See independent auditor's report.

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

---

**COUNTY ASSESSOR**  
Cherry Hefley  
(D) Coalgate

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**  
Marie DePasse  
(D) Calvin

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

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

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

See independent auditor's report.

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

---

**BOARD OF COUNTY COMMISSIONERS**

**DISTRICT #1**  
Alvin Pebworth  
(D) Coalgate

**DISTRICT #2**  
Johnny D. Ward  
(D) Coalgate

**DISTRICT #3**  
David Franklin  
(D) Lehigh

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

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

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

See independent auditor's report.

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

---

**COUNTY SHERIFF**

Roy Deck  
(D) Coalgate

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**

Carol Denson  
(D) Olney

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

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

See independent auditor's report.

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

---

**COURT CLERK**  
Betty McCurry  
(D) Coalgate

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**  
James Thornley  
(D) Atoka

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

See independent auditor's report.



**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

---

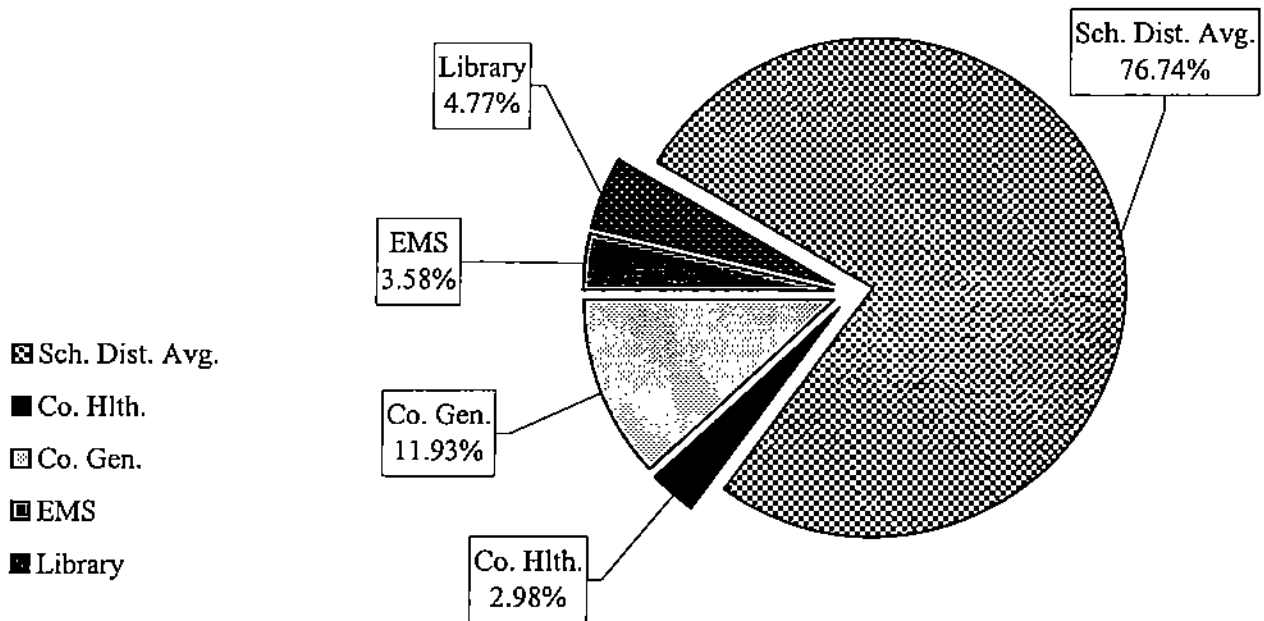
**ELECTION BOARD SECRETARY**  
Ross Reed  
(D) Coalgate

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

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

**AD VALOREM TAX DISTRIBUTION  
COAL COUNTY, OKLAHOMA  
SHARE OF THE AVERAGE MILLAGE**

Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



			<u>Gen.</u>	<u>Bldg.</u>	<u>Skp.</u>	<u>Vo-Tech</u>	<u>Common</u>	<u>Total</u>
Co. General Fund	10.00	I-1 Coalgate	35.00	5.00	10.24	12.00	4.00	66.24
Co. Health	2.50	I-2 Tupelo	35.00	5.00	13.31	10.00	4.00	67.31
Co. Library	4.00	I-4 Olney	35.00	5.00		12.00	4.00	56.00
Co. Ambulance	3.00	D-4 Cottonwood	35.00	5.00	11.17	12.00	4.00	67.17
		A-C Atoka	35.00	5.00		12.00	4.00	56.00
<u>Cities &amp; Towns</u>		I-48 Hughes	36.58	5.22	17.88	12.00	4.00	75.68
		I-30 Stonewall	35.00	5.00	10.23	12.00	4.00	66.23
Coalgate	8.33	PI-1 Allen	35.00	5.00	3.93	12.00	4.00	59.93
		I-37 Johnston Co.	35.00	5.00	8.58	12.00	4.00	64.58

See independent auditor's report.



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

CLIFTON H. SCOTT  
STATE AUDITOR AND INSPECTOR

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

**Independent Auditor's Report**

TO THE OFFICERS OF  
COAL COUNTY, OKLAHOMA

We have audited the accompanying general-purpose financial statements of Coal County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of Coal County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

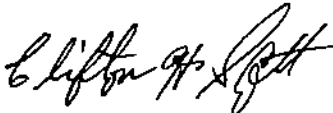
As explained in Note 1(H), the general-purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2002, on our consideration of Coal 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 Coal County, Oklahoma, taken as a whole. The other information listed in the table of contents under *Introductory Section* has not been audited by us and accordingly, we express no opinion on such data.

Sincerely,



CLIFTON H. SCOTT  
State Auditor and Inspector

October 8, 2002

## **General-Purpose Financial Statements**

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

	Governmental Fund Types			Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Trust and Agency	General Long-Term Debt	
<b>ASSETS</b>						
Cash	\$ 54,183	\$ 765,647	\$ 7,672	\$ 225,459	\$	\$ 1,052,961
Ad valorem taxes receivable	2,954	739		22,201		25,894
Sales tax receivable		14,362				14,362
Accrued interest receivable	99	69		8		176
Due from other governments	249	111,993		3,684		115,926
Amount available in debt service					45	45
Amount to be provided for the retirement of general long-term debt					195,568	195,568
Amount to be provided for capitalized lease agreements					389,487	389,487
<b>Total assets</b>	<b>\$ 57,485</b>	<b>\$ 892,810</b>	<b>\$ 7,672</b>	<b>\$ 251,352</b>	<b>\$ 585,100</b>	<b>\$ 1,794,419</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Warrants payable	\$ 15,436	\$ 42,678	\$	\$	\$	\$ 58,114
Accounts payable	763	55,665	7,627			64,055
Due to other taxing units				70,030		70,030
Due to others				181,322		181,322
Revenue note payable					195,613	195,613
Capitalized lease obligations payable					389,487	389,487
<b>Total liabilities</b>	<b>16,199</b>	<b>98,343</b>	<b>7,627</b>	<b>251,352</b>	<b>585,100</b>	<b>958,621</b>
<b>Fund balances:</b>						
Reserved for encumbrances	18	19,039				19,057
Reserved for debt service			45			45
Unreserved:						
Undesignated	41,268	775,428				816,696
<b>Total fund balances</b>	<b>41,286</b>	<b>794,467</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>835,798</b>
<b>Total liabilities and fund balances</b>	<b>\$ 57,485</b>	<b>\$ 892,810</b>	<b>\$ 7,672</b>	<b>\$ 251,352</b>	<b>\$ 585,100</b>	<b>\$ 1,794,419</b>

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

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

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Revenues:</b>				
Ad valorem taxes	\$ 298,820	\$ 92,953	\$	\$ 391,773
Sales tax		234,134		234,134
Charges for services	56,784	106,555		163,339
Intergovernmental revenues	69,600	1,520,041		1,589,641
Miscellaneous revenues	18,464	7,389		25,853
Total revenues	<u>443,668</u>	<u>1,961,072</u>	<u>-</u>	<u>2,404,740</u>
<b>Expenditures:</b>				
<b>Current operating:</b>				
General government	332,618	251,925		584,543
Public safety	112,148	87,689		199,837
Health and welfare		254,332		254,332
Roads and highways	73	1,436,340		1,436,413
<b>Debt service:</b>				
Principal retirement			14,260	14,260
Interest			16,248	16,248
Total expenditures	<u>444,839</u>	<u>2,030,286</u>	<u>30,508</u>	<u>2,505,633</u>
Excess of revenues over (under) expenditures	<u>(1,171)</u>	<u>(69,214)</u>	<u>(30,508)</u>	<u>(100,893)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in			30,508	30,508
Operating transfers (out)		(30,508)		(30,508)
Sale of equipment		15,824		15,824
Capitalized lease agreements		44,358		44,358
Total other financing sources (uses)	<u>-</u>	<u>29,674</u>	<u>30,508</u>	<u>60,182</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(1,171)</u>	<u>(39,540)</u>	<u>-</u>	<u>(40,711)</u>
Beginning fund balances	<u>42,457</u>	<u>834,007</u>	<u>45</u>	<u>876,509</u>
Ending fund balances	<u>\$ 41,286</u>	<u>\$ 794,467</u>	<u>\$ 45</u>	<u>\$ 835,798</u>

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

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

	General			Special Revenue Funds County Health Department		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 37,081	\$ 40,463	\$ 3,382	\$ 47,363	\$ 40,257	\$ (7,106)
Revenues:						
Ad valorem taxes	283,990	297,133	13,143	67,770	74,284	6,514
Charges for services	40,284	56,784	16,500	29,931	10,973	(18,958)
Intergovernmental revenues	65,878	69,619	3,741			
Miscellaneous revenues	19,973	18,824	(1,149)		204	204
Total revenues, budgetary basis	<u>410,125</u>	<u>442,360</u>	<u>32,235</u>	<u>97,701</u>	<u>85,461</u>	<u>(12,240)</u>
Expenditures:						
Current operating:						
General government	334,946	332,636	2,310			
Public safety	112,160	112,148	12			
Health and welfare				145,064	72,758	72,306
Roads and highways	100	73	27			
Total expenditures, budgetary basis	<u>447,206</u>	<u>444,857</u>	<u>2,349</u>	<u>145,064</u>	<u>72,758</u>	<u>72,306</u>
Excess of revenues and beginning fund balances over (under) expenditures, budgetary basis	-	37,966	37,966	-	52,960	52,960
Other financing sources (uses):						
Operating transfer (out)					(30,508)	(30,508)
Excess of revenues, other sources, and beginning fund balances over expenditures and other uses	<u>\$ -</u>	<u>37,966</u>	<u>\$ 37,966</u>	<u>\$ -</u>	<u>22,452</u>	<u>\$ 22,452</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem taxes receivable		2,954			739	
Accrued interest		99			6	
Due from other governments		249				
Reserved for encumbrances		<u>18</u>			<u>158</u>	
Ending fund balances		<u>\$ 41,286</u>			<u>\$ 23,355</u>	

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



**Notes to the Financial Statements**

1. Summary of Significant Accounting Policies

The financial statements of the County are required to be presented in conformity with 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 Coal County (the primary government) and its legally separate component unit.

Blended Component Unit

The following component unit has been presented as a blended component unit because the component unit's governing body is substantially the same as the governing body of the County.

Coal County Public Facilities Authority – was created as a public trust under 60 O.S. § 176 to 180.3, inclusive. The Authority was created for the use and benefit of the beneficiary, Coal County, Oklahoma, to assist, plan, and finance the purchase, lease, construction, operations, and maintenance of 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. The activity of the Authority is included in the Special Revenue Fund, Debt Service Fund, and General Long-Term Debt Account Group.

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 two major categories: governmental and fiduciary.

Summary of Significant Accounting Policies (continued)

Governmental Funds

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), 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.

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., capitalized lease-purchase obligations).

C. Measurement Focus and Basis of Accounting

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

Summary of Significant Accounting Policies (continued)

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

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

D. Budgetary Policies and Procedures

Under current Oklahoma statutes, the general fund 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.

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.

Summary of Significant Accounting Policies (continued)

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. Fixed Assets

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

I. Risk Management

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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - Torts - Errors and Omissions - Law Enforcement Officers Liability - Vehicle	The County participates in a public entity risk pool – Association of County Commissioners of Oklahoma – Self-Insured Group. (See ACCO-SIG.)	If claims exceed 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.

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Health and Life	The County carries	None
- Medical	commercial insurance	
- Disability	for these types of	
- Dental	risk.	
- Life		

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 \$2,500 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.

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 2002 fiscal year.

J. Compensated Absences

The County does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and may be accumulated. The amount of accumulated unpaid vacation benefits is not material to the financial statements for the fiscal year ending June 30, 2002.

The County does not record any liability for sick leave. There is no history of sick leave usage from which to project future usage; hence, no liability for such has been recorded. Such an amount, if recorded, would not be material to the financial statements.

K. Long-Term Obligations

The County reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

Summary of Significant Accounting Policies (continued)

L. Interfund Transactions

Operating transfers consist of \$30,508 transferred from the County health fund to the debt service fund.

M. Memorandum Only - Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Interfund transactions have not been eliminated from the total column of each financial statement.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office or department, and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

3. Detailed Notes on Account Balances

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

- U. S. Government obligations
- Certificates of deposit
- Saving accounts
- G.O. bonds issued by counties, municipalities, or school districts
- Money judgments against counties, municipalities, or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality, or school district

A. Deposits

At year-end, the carrying amount of the County's deposits was \$1,052,961 and the bank balance was \$1,068,782. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

Detailed Notes on Account Balances (continued)

B. Receivables

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

The net assessed property value as of January 1, 2001, was \$29,818,981.

The County levied 10.00 mills for general fund operations, 2.50 mills for the County Health Department, 4.00 mills for Multi-County library, and 3.00 mills for the emergency medical service. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and apportions the ad valorem taxes collected to the appropriate taxing units.

Taxes are due on November 1 following the levy date, although, they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year. Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2002, were approximately 98 percent of the tax levy.

C. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2000, 2001, and 2002, were \$77,211, \$73,586, and \$75,678, respectively, equal to the required contributions for each year.



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

Detailed Notes on Account Balances (continued)

D. Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all subsequent pieces of machinery acquired. Oklahoma statutes prohibit the County from entering into contracts of this nature longer than one year. For this reason, these lease-purchase agreements do not qualify for capitalization until the year the lease-purchase agreements are completed and title to the equipment is transferred to the County. However, it is the County's intent to exercise its right to purchase this property; accordingly, the lease-purchase agreements have been capitalized to conform with accounting principles generally accepted in the United States of America. The unpaid portions of these agreements have been reflected as capitalized lease obligations within the general long-term debt account group.

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

Year Ending June 30,	Principal	Interest	Total
2003	\$ 165,183	\$ 18,101	\$ 183,284
2004	107,948	9,513	117,461
2005	43,116	5,399	48,515
2006	27,111	3,556	30,667
2007	18,276	2,304	20,580
2008-2009	27,853	1,292	29,145
Total	<u>\$ 389,487</u>	<u>\$ 40,165</u>	<u>\$ 429,652</u>

During the year, the County capitalized leases totaling \$44,358 and paid \$212,879 on the outstanding balances of lease-purchase agreements.

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

Detailed Notes on Account Balances (continued)

**E. Revenue Note**

The Coal County Public Facilities Authority issued a non-taxable revenue note, Series 1992, for the sole purpose of constructing a Public Health Facility for the citizens of Coal County. The total principal amount of the Series 1992 note is expressly limited to \$300,000. The note bears interest of 7.5% per annum calculated on a 360-day year. Payments are equal to \$7,627.13 and are due quarterly in February, May, August, and November. Payments began May 8, 1993, and continue through February 8, 2011. The funds to liquidate this note will be provided by payments received from the State Health Department. The County is obligated for the repayment of this note only to the extent of the pledged revenues.

A summary of future principal and interest payments to maturity is presented below:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 16,379	\$ 14,130	\$ 30,509
2004	17,621	12,888	30,509
2005	19,023	11,486	30,509
2006	20,469	10,040	30,509
2007	22,048	8,461	30,509
2008-2011	100,073	15,485	115,558
Total	<u>\$ 195,613</u>	<u>\$ 72,490</u>	<u>\$ 268,103</u>

**F. Long-Term Debt**

Changes in Long-Term Liabilities

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

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002
Revenue note	\$ 209,873	\$	\$ 14,260	\$ 195,613
Capital leases	558,008	44,358	212,879	389,487
Total	<u>\$ 767,881</u>	<u>\$ 44,358</u>	<u>\$ 227,139</u>	<u>\$ 585,100</u>

Detailed Notes on Account Balances (continued)

G. Fund Balance

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance accounts are summarized below:

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 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 any outstanding bonds, interest, or judgments against the County.

H. Sales Tax

Coal County voters approved a one percent (1%) sales tax for a period of five years which began February 14, 1994. In a special election held on September 15, 1998, the voters of Coal County reapproved the assessment of a one percent (1%) sales tax to begin on February 14, 1999, and continue for a period of five years. The prior sales tax (1%) expired on February 14, 1999. Proceeds of the tax are designated as follows: County general fund, 27%; County Sheriff and security, 20%; OSU Extension and 4H, 10%; capital improvements on County buildings, 12%; emergency medical service, 13%; Senior Citizens Center, 8%; rural fire department, 5%; and solid waste recycling, 5%.

I. 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.

**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

CLIFTON H. SCOTT  
STATE AUDITOR AND INSPECTOR

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

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

TO THE OFFICERS OF  
COAL COUNTY, OKLAHOMA

We have audited the financial statements of Coal County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated October 8, 2002. 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 Coal 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 Coal 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.

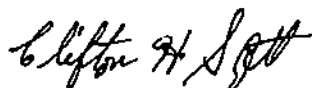
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



CLIFTON H. SCOTT  
State Auditor and Inspector

October 8, 2002

## **Management Response**

# Board of County Commissioners Coal County

4 North Main, Suite #3  
Coalgate, OK 74538  
Fax (580) 927-4003

Alvin Pebworth, Dist. #1\*\*\*Johnny Ward, Dist. #2\*\*\*Mike Hensley, Dist. #3  
927-2792 927-3122 927-2766

Office of the State Auditor and Inspector  
Attention: Clifton H. Scott  
State Capitol Building – Room 100  
Oklahoma City, Oklahoma 73105

Gentlemen:

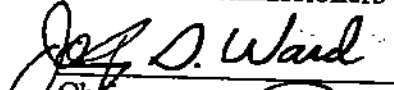
SUBJECT: CORRECTIVE ACTION PLAN

General Fixed Assets – Finding 97-1

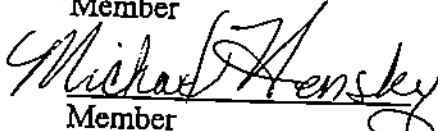
We agree that cost values and control totals are required by accounting principles generally accepted in the United States of America; however, we do not think the statutes require such information. We may not have the time to accumulate the information needed during the next year.

During the current fiscal year, we will try to update the inventory records required by 19 O.S. 1991, ss 178.1 which include an inventory card for each item with a complete description of the item, the serial number, and location.

Coal County  
Board of Commissioners

  
Chairman

  
Member

  
Member