

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

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

May 10, 2005

TO THE CITIZENS OF  
COAL COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN  
State Auditor and Inspector

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

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**TABLE OF CONTENTS**

INTRODUCTORY SECTION (Unaudited)

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

FINANCIAL SECTION

Report of State Auditor and Inspector.....	1
Special-Purpose Financial Statements:	
Statement of Receipts, Disbursements, and Changes in Cash Balances - All Funds.....	3
Comparative Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund.....	4
Comparative Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - County Health Department Fund .....	6
Detailed Statement of Receipts, Disbursements, and Changes in Cash Balances - Sinking Fund .....	7
Detailed Statement of Receipts, Disbursements, and Changes in Cash Balances - Official Depository Accounts.....	8
Notes to the Financial Statements.....	9

COMPLIANCE AND 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> .....	19
Schedule of Findings .....	21

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

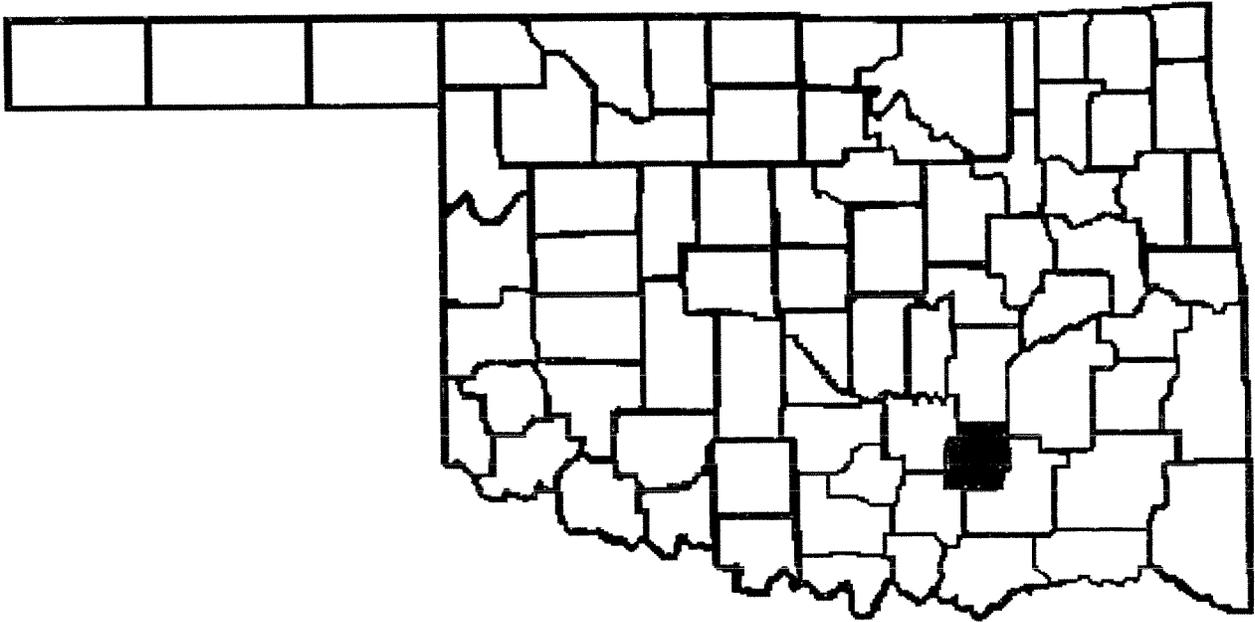
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STATISTICAL SECTION (Unaudited)

Top Ten Taxpayers.....	23
Computation of Legal Debt Margin .....	24
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita .....	25
Assessed Value of Property .....	26

REPORT TO THE CITIZENS  
OF  
COAL COUNTY, OKLAHOMA

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Formerly a part of Tobucksy County, Choctaw Nation, Coal County is located in southeastern 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 – 6,031  
(2000 est.)

Farms – 586

Land in Farms – 272,894 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**COAL COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**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.

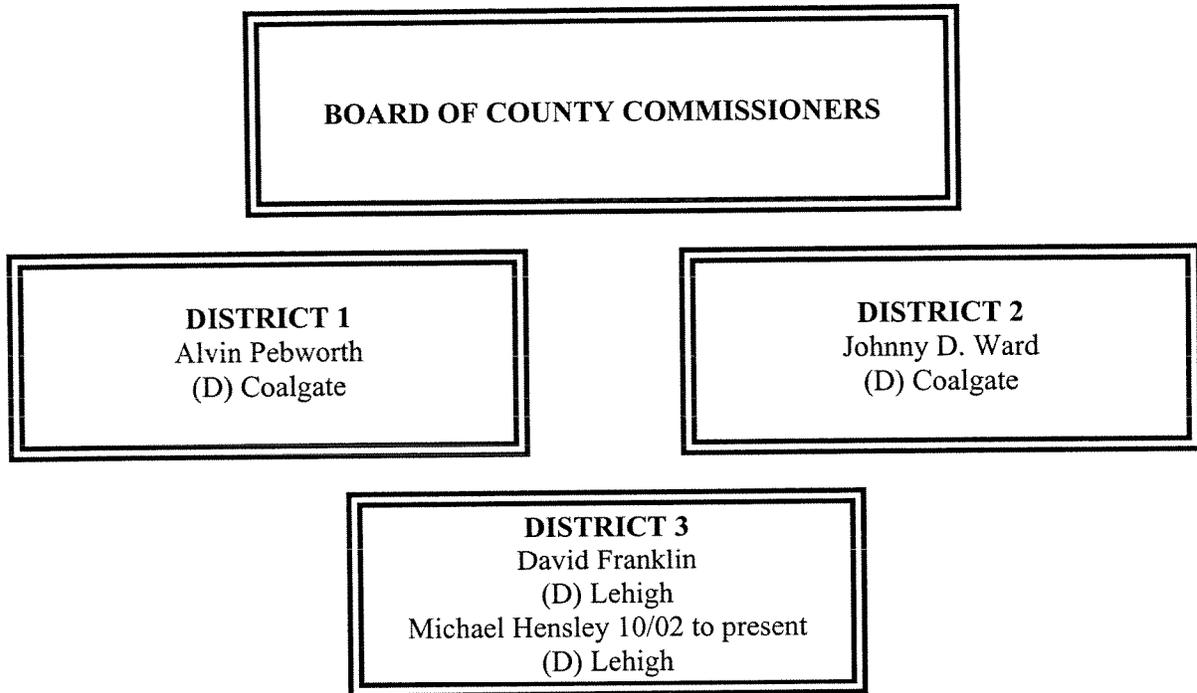
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. 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.

**COAL COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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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.

**COAL COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**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) Onley

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

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

See independent auditor's report.

**COAL COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**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  
Mark Campbell 1/03 to present  
(D) Durant

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.

**COAL COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**ELECTION BOARD SECRETARY**

Ross Reed  
(D) Coalgate  
Leota Guinn 5/03 to present  
(D) Coalgate

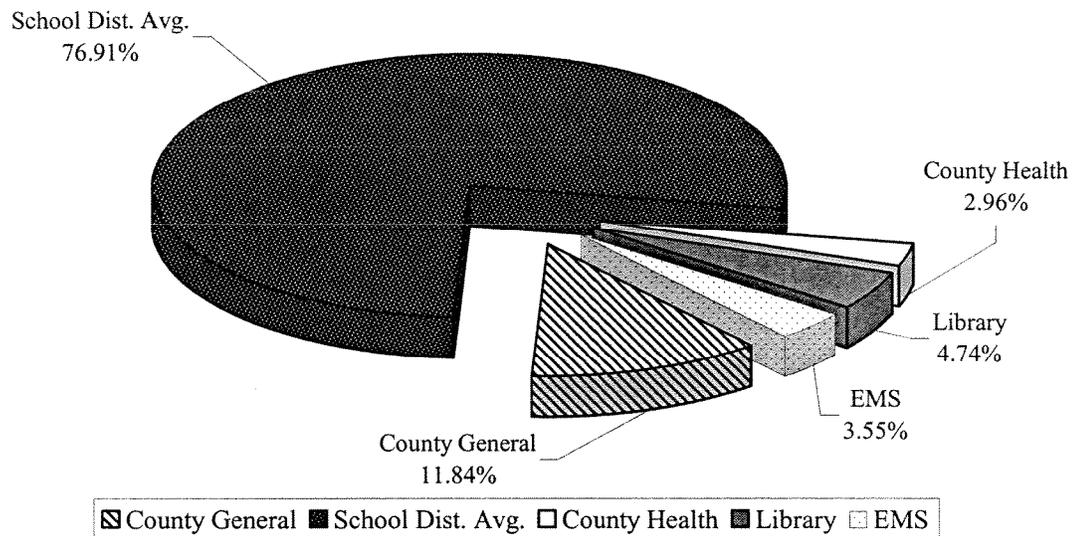
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

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

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



County-Wide Millages		School District Millages						
			Gen.	Bldg.	Skg.	Tech Cntr.	Common	Total
Co. General	10.00							
County Health	2.50	Coalgate	35.00	5.00	9.62	12.00	4.00	65.62
County Library	4.00	Tupelo	35.00	5.00	11.70	12.00	4.00	67.70
County Ambulance	3.00	Olney	35.00	5.00		12.00	4.00	56.00
		Cottonwood	35.00	5.00	11.56	12.00	4.00	67.56
		Atoka	35.00	5.00		12.00	4.00	56.00
		Hughes	35.00	5.00	15.93	12.00	4.00	71.93
		Stonewall	35.00	5.00	9.71	12.00	4.00	65.71
Coalgate	7.8	Allen	35.00	5.00	13.01	12.00	4.00	69.01
		Johnston	35.00	5.00	7.36	12.00	4.00	63.36

See independent auditor's report.

## **Financial Section**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Independent Auditor's Report**

TO THE OFFICERS OF  
COAL COUNTY, OKLAHOMA

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2005, 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.

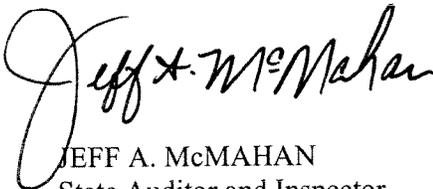
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Coal County, Oklahoma, taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Section* has not been audited by us, and accordingly, we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

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,



JEFF A. McMAHAN  
State Auditor and Inspector

January 10, 2005

**Special-Purpose Financial Statements**

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

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2003
County General Fund	\$ 54,183	\$ 428,765	\$ 467,135	\$ 15,813
County Highway	476,755	1,308,821	1,376,309	409,267
Resale Property	4,855	20,263	17,076	8,042
Health Department	36,515	126,667	89,743	73,439
County Sales Tax	157,850	218,643	219,499	156,994
CDBG Home/Water	80	6,250	5,729	601
CIP Grant CDBG	600			600
CSSP	121			121
Sheriff DARE	2,773	3,000	583	5,190
B-4 Sheriff Service Fee	27,575	108,162	111,203	24,534
B-9 Sheriff Trash Cop	5,162		4,205	957
B-J Sheriff Drug	4,992	3	4,864	131
B-JA Sheriff Drug	5,987			5,987
C-3 Treasurer Mortgage Certification Fee	2,498	1,210	1,165	2,543
F-3 County Clerk	9,700	12,975	19,490	3,185
F-4 County Clerk	98	396	386	108
J.A.I. Block Grant	3,963	935	4,438	460
Juvenile Donations	570		566	4
SODA HOME - OHFA		160,115	160,115	
MD-4 County Health	30		30	
SO-5 Assessor	10,265	19	310	9,974
SO-6 Assessor	2,503	875	255	3,123
REAP Park and Fairgrounds	7	78,603	78,602	8
REAP Library Grant	1,177			1,177
R-4 Insurance Reimbursement	26	47,700	47,726	
F-3P County Clerk Update	18,925	14,615	22,856	10,684
R-10 County Use Tax	246	40,069		40,315
Individual Redemption	912			912
Official Depository	165,463	938,331	902,156	201,638
Schools	5,821	2,073,125	2,070,742	8,204
Law Library	1,278	12,301	11,563	2,016
County Library	234	120,738	120,594	378
EMS 2	27,708	169,195	176,246	20,657
EMS 4	5,626		5,626	
Municipal	4,608	84,972	85,920	3,660
Coal County Library Project Fund	147			147
2000 Tax Refunds	13,663		13,663	
Petty Cash		20		20
Mortgage #803 Cancelled and Refunded		1,600	1,600	
Tree TEA-21		12,414	5,500	6,914
County Sinking	45			45
<b>Total County Funds</b>	<u>\$ 1,052,961</u>	<u>\$ 5,990,782</u>	<u>\$ 6,025,895</u>	<u>\$ 1,017,848</u>

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

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 54,183	\$ 54,183	\$ 54,183	\$ -
Less: Prior Year Outstanding Warrants	(18,667)	(18,667)	(18,667)	
Less: Prior Year Encumbrances	(781)	(781)	(781)	
Beginning Cash Balances, Budgetary Basis	<u>34,735</u>	<u>34,735</u>	<u>34,735</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	292,483	292,483	301,046	8,563
Charges for Services	51,643	51,643	40,486	(11,157)
Intergovernmental Revenues	67,424	67,424	69,951	2,527
Miscellaneous Revenues	15,465	17,812	17,282	(530)
Total Receipts, Budgetary Basis	<u>427,015</u>	<u>429,362</u>	<u>428,765</u>	<u>(597)</u>
Expenditures:				
District Attorney	7,000	7,000	6,703	297
Total District Attorney	<u>7,000</u>	<u>7,000</u>	<u>6,703</u>	<u>297</u>
County Sheriff	121,440	121,440	121,433	7
Total County Sheriff	<u>121,440</u>	<u>121,440</u>	<u>121,433</u>	<u>7</u>
County Treasurer	44,680	44,680	44,655	25
Total County Treasurer	<u>44,680</u>	<u>44,680</u>	<u>44,655</u>	<u>25</u>
County Commissioners	100	100	48	52
Total County Commissioners	<u>100</u>	<u>100</u>	<u>48</u>	<u>52</u>
County Clerk	44,880	44,880	44,880	
Total County Clerk	<u>44,880</u>	<u>44,880</u>	<u>44,880</u>	<u>-</u>
Court Clerk	44,280	44,280	44,272	8
Total Court Clerk	<u>44,280</u>	<u>44,280</u>	<u>44,272</u>	<u>8</u>
County Assessor	37,120	37,120	37,120	
Total County Assessor	<u>37,120</u>	<u>37,120</u>	<u>37,120</u>	<u>-</u>
Revaluation of Real Property	40,000	40,000	39,414	586
Total Revaluation of Real Property	<u>40,000</u>	<u>40,000</u>	<u>39,414</u>	<u>586</u>
General Government	26,829	27,829	27,698	131
Total General Government	<u>26,829</u>	<u>27,829</u>	<u>27,698</u>	<u>131</u>

continued on next page

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

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

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	Original Budget	Final Budget	Actual	Variance
Excise - Equalization Board	2,000	2,000	1,858	142
Total Excise - Equalization Board	2,000	2,000	1,858	142
County Election Expense	36,350	37,967	37,945	22
Total County Election Expense	36,350	37,967	37,945	22
Insurance - Benefits	54,000	53,730	52,847	883
Total Insurance - Benefits	54,000	53,730	52,847	883
County Audit Budget	3,071	3,071	3,071	
Total County Audit Budget	3,071	3,071	3,071	-
Provisions for Interest on Warrants			1,690	(1,690)
Total Expenditures, Budgetary Basis	461,750	464,097	463,634	463
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	(134)	\$ (134)
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			4,555	
Add: Current Year Outstanding Warrants			11,392	
Ending Cash Balance			<u>15,813</u>	

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

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

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 36,515	\$ 36,515	\$ 36,515	\$ -
Less: Prior Year Outstanding Warrants				
Less: Prior Year Encumbrances	(12,045)	(12,045)	(6,255)	5,790
Beginning Cash Balances, Budgetary Basis	<u>24,470</u>	<u>24,470</u>	<u>30,260</u>	<u>5,790</u>
Receipts:				
Ad Valorem Taxes	69,797	69,797	75,469	5,672
Charges for Services		20,374	51,117	30,743
Miscellaneous Revenues			81	81
Total Receipts, Budgetary Basis	<u>69,797</u>	<u>90,171</u>	<u>126,667</u>	<u>36,496</u>
Expenditures:				
Health and Welfare	94,267	114,641	86,406	28,235
Total Expenditures, Budgetary Basis	<u>94,267</u>	<u>114,641</u>	<u>86,406</u>	<u>28,235</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	70,521	<u>\$ 70,521</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			2,918	
Add: Current Year Outstanding Warrants				
Ending Cash Balance			<u>\$ 73,439</u>	

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

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

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Beginning Cash Balance	\$ 45
Receipts:	
Total Receipts	-
Disbursements:	
Total Disbursements	-
Ending Cash Balance	\$ 45

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

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

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
County Treasurer (A)	\$ 17,517	\$ 74,197	\$ 21,213	\$ 50	\$ 70,551
Court Fund (EB)	34,672	244,029	235,554	1,086	44,233
District Attorney (FA)	2,927	10,512	7,103		6,336
County Clerk (D)		72,942	72,942		
County Sheriff (C )		48,302	48,302		
Court Clerk (EA)	70,084	379,169	426,487	10,550	33,316
Assessor (S)		875	875		
Health Department (I)		51,497	51,497		
District Attorney (FB)	120				120
District Attorney (FC)	637	180			817
District Attorney (FE)	990	14,056	10,381		4,665
C.A.M.A. (DA)	20,329	19,125	8,531	2,639	33,562
County Election Board (H)	252	18,488	18,849	469	360
Court Clerk (J-3)	3,935	4,959	1,216		7,678
Court Clerk (J-4)	14,000		14,000		
<b>Total Official Depository Accounts</b>	<u>\$ 165,463</u>	<u>\$ 938,331</u>	<u>\$ 916,950</u>	<u>\$ 14,794</u>	<u>\$ 201,638</u>

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

Summary of Significant Accounting Policies (continued)

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

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

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

E. Cash and Investments

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

F. Risk Management

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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Group (See ACCO-SIG).	If claims exceed the authorized deductibles, the County could have to pay its share of the pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
- Torts		
- Errors and Omissions		
- Law Enforcement Officers Liability		
- Vehicle		
Physical Plant		
- Theft		
- Damage to Assets		
- Natural Disasters		

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Worker's Compensation - Employees' Injuries	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Employee - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of coverage	None

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating County will pay a deductible amount (\$1,000 to \$10,000; the County has a \$10,000 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Commercial Insurance - The County obtains commercial insurance coverage to pay legitimate worker's compensation claims and employees' insurance. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Management believes coverage is sufficient to preclude any significant uninsured losses to the County.

G. Compensated Absences

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

<u>Years of Service</u>	<u>Vacation Leave</u>	<u>Accumulation Limits</u>
After 1 full year	10 days	30 days

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

All full-time employees shall be entitled to sick leave with pay that is accrued on a monthly basis. Sick leave shall accumulate at the rate of 12 hours for each full calendar month of service to the County.

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 Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$1,017,848 and the bank balance was \$1,029,963. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

Title 62 O.S. § 348.1 and § 348.3 allow the following types of investments:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

B. Description of Funds

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

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

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

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

Detailed Notes on Funds and Account Balances (continued)

County Sales Tax – accounts for the collection of sales tax revenue to be allocated in accordance with the sales tax resolution.

CDBG Home/Water – accounts for grant monies received and disbursed as restricted by the grant agreement.

CIP Grant CDBG – accounts for grant monies received and disbursed as restricted by the grant agreement.

CSSP – Community Service Sentencing Program accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

Sheriff DARE – accounts for donations received by the Sheriff's office to administer the DARE program.

B-4 Sheriff Service Fee – accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

B-9 Sheriff Trash Cop – accounts for grant funds received from the State of Oklahoma for the enforcement of trash and litter laws.

B-J Sheriff Drug – accounts for monies set aside for law enforcement sting operations.

B-JA Sheriff Drug - accounts for monies set aside for law enforcement sting operations.

C-3 Treasurer Mortgage Certification Fee – accounts for the collection of fees by the County Treasurer for mortgage tax certificates and disbursements of the funds as restricted by statutes.

F-3 County Clerk – accounts for lien collections and disbursements as restricted by statutes.

F-4 County Clerk – accounts for fax fees collected and disbursed for fax machine expenses.

J.A.I. Block Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

Juvenile Donations – accounts for donations used for the juvenile graduated sanctions.

SODA HOME – OHFA – accounts for grant monies received and disbursed as restricted by the grant agreement.

MD-4 County Health – accounts for donations used for the operation of the health department.

Detailed Notes on Funds and Account Balances (continued)

SO-5 Assessor – accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

SO-6 Assessor – accounts for the collection of funding through the state for computer equipment.

REAP Park and Fairgrounds – accounts for grant monies received and disbursed as restricted by the grant agreement.

REAP Library Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

R-4 Insurance Reimbursement – accounts for insurance monies received for storm damage to courthouse used to make repairs.

F-3P County Clerk Update – accounts for fees collected for instruments filed with the Registrar of Deeds as restricted by statute for preservation of records.

R-10 County Use Tax – accounts for remittance of Use Tax by the Oklahoma Tax Commission and disbursements for the general operation of the County.

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

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

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

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

County Library – accounts for monies collected on behalf of the multi-county library from ad valorem taxes and remitted to them monthly.

EMS 2 – accounts for monies collected on behalf of the EMS in Coal County from ad valorem taxes, charges for services, grant monies, and remitted to them monthly.

EMS 4 – accounts for monies raised for the purpose of purchasing equipment.

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

Detailed Notes on Funds and Account Balances (continued)

Coal County Library Project Fund – accounts for grant monies received and disbursed as restricted by the grant agreement.

2000 Tax Refunds – accounts for overpayments made in the Treasurer’s office and disbursements are refunds issued by cash voucher.

Petty Cash – accounts for monies held in the Treasurer’s office used for daily operations.

Mortgage #803 Cancelled and Refunded – accounts for a mortgage tax correction.

Tree TEA-21 – accounts for grant monies received and disbursed as restricted by the grant agreement.

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

The following narrative details the official depository accounts.

County Treasurer (A) – accounts for the miscellaneous collections held in trust for disbursement.

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

District Attorney (FA) – accounts for the collections from asset forfeitures and disbursement of funds are by court order and state statutes.

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

County Sheriff (C) – accounts for all collections of foreign service fees and bonds. Monies are vouchered out at the end of the month to the Sheriff’s service fee account and Court Clerk.

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

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

Health Department (I) – accounts for the collection of state funds and charges for services. Money is disbursed on a monthly basis to be transferred to the county health department cash account.

Detailed Notes on Funds and Account Balances (continued)

District Attorney (FB) – accounts for the collection of bogus checks and district attorney fees to be disbursed to the merchant and the District Attorney fee account.

District Attorney (FC) – accounts for the District Attorney’s percentage of jail costs received by the Court Clerk and disbursed as restricted by state statute.

District Attorney (FE) – accounts for money held in asset forfeiture cases until the case has been resolved and disbursement of funds are restricted by court orders and state statutes.

C.A.M.A. (DA) – accounts for funds related to the Child Abuse Multiple Discipline Account.

County Election Board (H) – accounts for the collection for copies and fees related to the operation of the election board.

Court Clerk (J-3) – accounts for the charge of \$5.00 for each warrant issued. Money is disbursed in the same manner as the court fund.

Court Clerk (J-4) – accounts for collections set aside for computer data processing equipment.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2002, was approximately \$30,710,717.

The County levied 10.00 mills (the legal maximum) for general fund operations, 2.50 mills for the county health department, 4.00 mills for the 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 remits 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.

**COAL COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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Detailed Notes on Funds and Account Balances (continued)

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

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

**D. Pension Plan**

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

**E. Capital Leases**

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all subsequent pieces of machinery acquired.

**F. Sales Tax**

Coal County voters approved a one percent (1%) sales tax for a period of five years, which began February 14, 1994. The prior sales tax (1%) expired on February 14, 1999. 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 continued for a period of five years. Proceeds of the current 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%.

**COAL COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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Detailed Notes on Funds and Account Balances (continued)

In a special election held on August 27, 2002, the voters of Coal County approved the assessment of a one percent (1%) sales tax to begin February 14, 2005, and continue for a period of ten years. 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, 14%; emergency medical service, 13%; Senior Citizens Center, 8%; rural fire department, 5%; and solid waste recycling, 3%.

G. Fuel Tax

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

4. Contingent Liabilities

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

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

**Compliance and Internal Control Section**



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  
COAL COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Coal County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated January 10, 2005. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Coal County's special-purpose 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*. However, we noted a certain immaterial instance of noncompliance, which we have reported to management of Coal County and is included in Section 2 of the schedule of findings, contained within this report.

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 special-purpose financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2003-1.

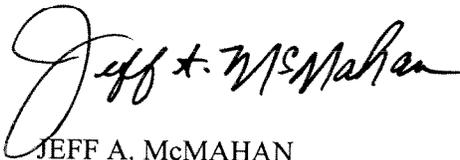
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2003-1 to be a material weakness.

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

This report is intended solely for the information and use of the management of the County 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  
State Auditor and Inspector

January 10, 2005

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

**Finding 2003-1 - Segregation of Duties (Repeat Finding)**

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation is an important element of effective internal control over government assets and resources.

Condition: The limited number of office personnel within several County offices prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control structure.

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

Management's Response: We concur with the auditor's findings. Management does have knowledge of office operations and will perform a periodic review of these operations.

**SECTION 2 - Other Findings - This section contains findings not required to be reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, but which we believed were significant enough to bring to the County's attention. We recommend that the County consider these matters and take appropriate corrective action.**

**Finding 2003-2 - Fixed Assets Inventory (Repeat Finding)**

Criteria: Title 19 O.S. 2001, § 178.1 states, "The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Two Hundred Fifty Dollars (\$250.00), and therefore maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter...."

**COAL COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
JUNE 30, 2003**

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Condition: The County does not perform a biennial verification of the fixed assets inventory.

Recommendation: We recommend that the Board of County Commissioners cause a biennial inventory to be taken of all working tools, apparatus, machinery, and equipment belonging to the County. We also recommend that these inventories be documented on form #3512.

Management's Response: We concur with the auditor's findings. All officers are currently updating inventory records and will complete form #3512.

**Statistical Section  
(Unaudited)**

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

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Reliant Energy	\$ 9,866,730	32.13%
Enogex Inc.	2,602,098	8.47%
Southwestern Bell	1,438,731	4.69%
Public Service Company	1,031,904	3.36%
Explorer Pipeline	817,105	2.66%
VF Jeanswear Inc.	541,336	1.76%
Oklahoma RSA 9 & 10	420,030	1.37%
Alltel Okla Inc.	298,590	0.97%
AT&T Communication	156,880	0.51%
Duke Energy Field Service	137,635	0.45%
Total	<u>\$ 17,311,039</u>	<u>56.37%</u>

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

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

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Total net assessed value as of January 1, 2002		<u>\$ 30,710,717</u>
Debt limit - 5% of total assessed value		\$ 1,535,536
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>45</u>	<u>-</u>
Legal debt margin		<u>\$ 1,535,536</u>

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

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	2003
Estimated population	6,031
Net assessed value as of January 1, 2002	\$ 30,710,717
Gross bonded debt	-
Less available sinking fund cash balance	45
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

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

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<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2002	\$4,132,633	\$16,618,124	\$11,605,438	\$1,645,478	\$30,710,717	\$203,877,611