

**COAL COUNTY, OKLAHOMA  
SPECIAL-PURPOSE FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2004**

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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, 2004. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN  
State Auditor and Inspector

**COAL COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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**COAL COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

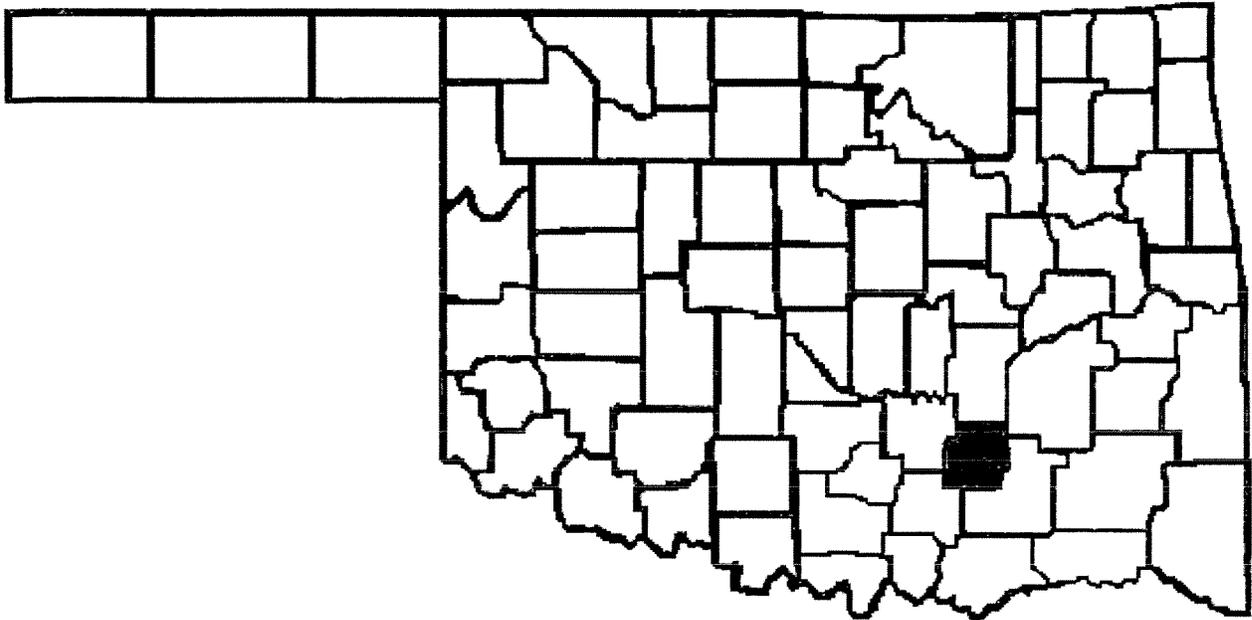
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REPORT TO THE CITIZENS  
OF  
COAL COUNTY, OKLAHOMA

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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.

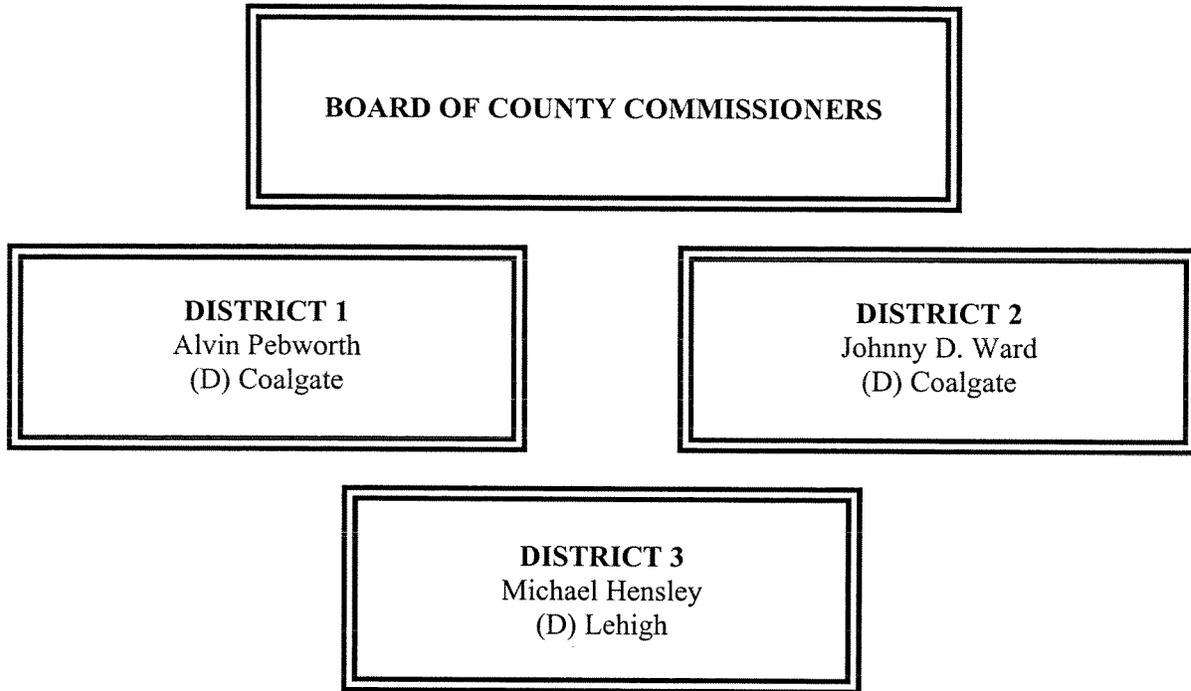
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county.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

Leota Guinn  
(D) Coalgate

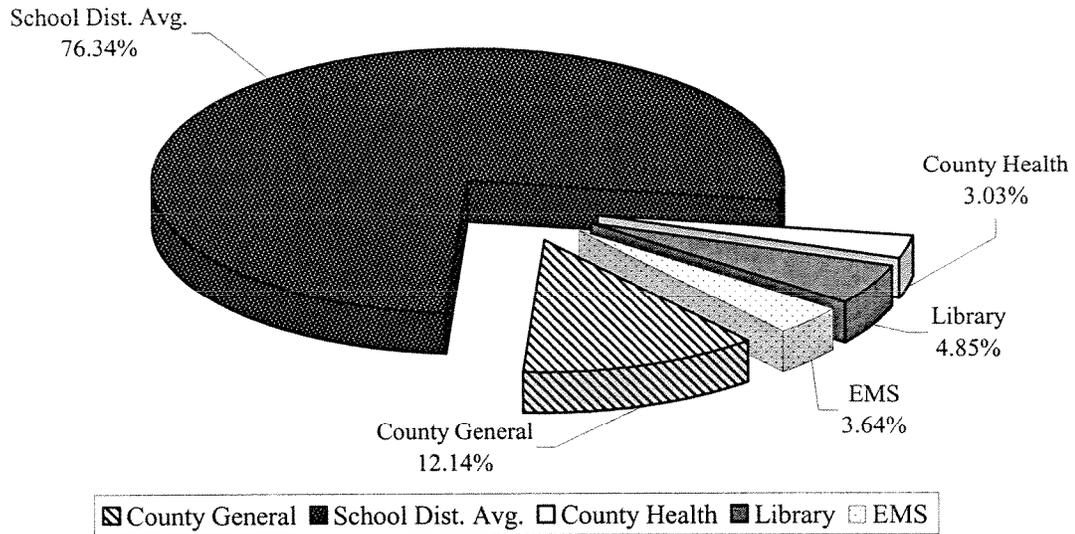
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within 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	8.77	12.00	4.00	64.77
County Library	4.00	Tupelo	35.00	5.00	9.38	12.00	4.00	65.38
County Ambulance	3.00	Olney	35.00	5.00		12.00	4.00	56.00
		Cottonwood	35.00	5.00		12.00	4.00	56.00
Cities and Towns:		Atoka	35.00	5.00		12.00	4.00	56.00
		Hughes	35.00	5.00	12.20	12.00	4.00	68.20
Coalgate	7.8	Stonewall	35.00	5.00	10.05	12.00	4.00	66.05
		Allen	35.00	5.00	13.09	12.00	4.00	69.09
		Johnston	35.00	5.00	8.57	12.00	4.00	64.57

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, 2004, 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. We believe that our audit provides a reasonable basis for our opinion. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

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, 2004, 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, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing 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 introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the special-purpose financial statements. 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, 2004**

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
County General Fund	\$ 15,813	\$ 485,444	\$ 421,316	\$ 79,941
County Highway	409,267	1,373,949	1,386,618	396,598
Resale Property	8,042	14,051	12,950	9,143
Health Department	73,439	112,299	94,464	91,274
County Sales Tax	156,994	263,685	258,138	162,541
CDBG Home/Water	601	6,250	6,250	601
CIP Grant CDBG	600			600
CSSP	121		121	
Sheriff DARE	5,190	1,465	1,618	5,037
B-4 Sheriff Service Fee	24,534	123,212	83,404	64,342
B-9 Sheriff Trash Cop	957	5,000	2,732	3,225
B-J Sheriff Drug	131			131
B-JA Sheriff Drug	5,987		5,987	
C-3 Treasurer Mortgage Certification Fee	2,543	1,435	1,615	2,363
F-3 County Clerk	3,185	36,651	17,827	22,009
F-4 County Clerk	108	30	138	
J.A.I. Block Grant	460	2,350	2,548	262
Juvenile Donations	4			4
SODA HOME - OHFA		123,094	102,144	20,950
SO-5 Assessor	9,974	9		9,983
SO-6 Assessor	3,123	1,883	531	4,475
REAP Park and Fairgrounds	8	11,587	11,582	13
REAP Library Grant	1,177			1,177
F-3P County Clerk Update	10,684	45,250	37,411	18,523
R-10 County Use Tax	40,315	12,059	14,740	37,634
Individual Redemption	912			912
Official Depository	201,638	1,220,595	1,241,659	180,574
Schools	8,204	2,214,912	2,216,953	6,163
Law Library	2,016	11,711	10,991	2,736
County Library	378	133,021	133,180	219
EMS 2	20,657	99,790	79,000	41,447
Municipal	3,660	82,842	82,146	4,356
Coal County Library Project Fund	147			147
Petty Cash	20			20
Tree TEA-21	6,914		6,492	422
R-9 Disaster/Hazard		5,000	5,000	
County Sinking	45			45
<b>Total County Funds</b>	<u>\$ 1,017,848</u>	<u>\$ 6,387,574</u>	<u>\$ 6,237,555</u>	<u>\$ 1,167,867</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, 2004**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 15,813	\$ 15,813	\$ 15,813	\$ -
Less: Prior Year Outstanding Warrants	(11,392)	(11,392)	(11,392)	
Less: Prior Year Encumbrances	(4,555)	(4,555)	(4,540)	15
Beginning Cash Balances, Budgetary Basis	<u>(134)</u>	<u>(134)</u>	<u>(119)</u>	<u>15</u>
Receipts:				
Ad Valorem Taxes	309,496	309,496	332,568	23,072
Charges for Services	36,437	36,437	68,071	31,634
Intergovernmental Revenues	62,258	62,258	69,040	6,782
Miscellaneous Revenues	14,987	15,641	15,765	124
Total Receipts, Budgetary Basis	<u>423,178</u>	<u>423,832</u>	<u>485,444</u>	<u>61,612</u>
Expenditures:				
District Attorney	7,000	7,000	6,912	88
Total District Attorney	<u>7,000</u>	<u>7,000</u>	<u>6,912</u>	<u>88</u>
County Sheriff	120,440	120,440	119,780	660
Total County Sheriff	<u>120,440</u>	<u>120,440</u>	<u>119,780</u>	<u>660</u>
County Treasurer	40,910	40,490	40,480	10
Total County Treasurer	<u>40,910</u>	<u>40,490</u>	<u>40,480</u>	<u>10</u>
County Commissioners		100		100
Total County Commissioners	<u>-</u>	<u>100</u>	<u>-</u>	<u>100</u>
County Clerk	35,269	35,269	35,269	
Total County Clerk	<u>35,269</u>	<u>35,269</u>	<u>35,269</u>	<u>-</u>
Court Clerk	41,260	40,840	40,750	90
Total Court Clerk	<u>41,260</u>	<u>40,840</u>	<u>40,750</u>	<u>90</u>
County Assessor	36,465	36,465	36,465	
Total County Assessor	<u>36,465</u>	<u>36,465</u>	<u>36,465</u>	<u>-</u>
Revaluation of Real Property	42,000	42,042	41,880	162
Total Revaluation of Real Property	<u>42,000</u>	<u>42,042</u>	<u>41,880</u>	<u>162</u>
General Government	57,901	25,835	25,214	621
Total General Government	<u>57,901</u>	<u>25,835</u>	<u>25,214</u>	<u>621</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, 2004**

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	Original Budget	Final Budget	Actual	Variance
Excise - Equalization Board	1,900	2,000	1,800	200
Total Excise - Equalization Board	1,900	2,000	1,800	200
County Election Expense	36,494	37,121	37,121	
Total County Election Expense	36,494	37,121	37,121	-
Insurance - Benefits		32,691	32,691	
Total Insurance - Benefits	-	32,691	32,691	-
County Audit Budget	3,405	3,405		3,405
Total County Audit Budget	3,405	3,405	-	3,405
Provisions for Interest on Warrants			3,301	(3,301)
Total Expenditures, Budgetary Basis	423,044	423,698	421,663	2,035
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	63,662	\$ 63,662
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			4,104	
Add: Current Year Outstanding Warrants			12,175	
Ending Cash Balance			\$ 79,941	

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, 2004**

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 73,439	\$ 73,439	\$ 73,439	\$ -
Less: Prior Year Outstanding Warrants				
Less: Prior Year Encumbrances	(2,918)	(2,918)	(2,542)	376
Beginning Cash Balances, Budgetary Basis	<u>70,521</u>	<u>70,521</u>	<u>70,897</u>	<u>376</u>
Receipts:				
Ad Valorem Taxes	77,374	77,374	83,137	5,763
Charges for Services		59,968	29,099	(30,869)
Miscellaneous Revenues			63	63
Total Receipts, Budgetary Basis	<u>77,374</u>	<u>137,342</u>	<u>112,299</u>	<u>(25,043)</u>
Expenditures:				
Health and Welfare	97,000	126,459	94,402	32,057
Capital Outlay	50,895	81,404	7,627	73,777
Total Expenditures, Budgetary Basis	<u>147,895</u>	<u>207,863</u>	<u>102,029</u>	<u>105,834</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	81,167	<u>\$ 81,167</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			10,074	
Add: Current Year Outstanding Warrants			33	
Ending Cash Balance			<u>\$ 91,274</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, 2004**

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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, 2004**

Official Depository Accounts	Beginning Cash Balances July 1, 2003	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
County Treasurer (A)	\$ 70,551	\$ 6,353	\$ 58,754	\$	\$ 18,150
Court Fund (EB)	44,233	235,014	225,346	1,070	54,971
District Attorney (FA)	6,336	5,345	10,909		772
County Clerk (D)		143,708	143,221		487
County Sheriff (C )		40,124	40,124		
Court Clerk (EA)	33,316	714,410	688,580	2,327	61,473
Assessor (S)		1,883	1,883		
Health Department (I)		29,802	29,802		
District Attorney (FB)	120	445			565
District Attorney (FC)	817				817
District Attorney (FE)	4,665	2,093	5,569		1,189
C.A.M.A. (DA)	33,562	19,763	23,383		29,942
County Election Board (H)	360	15,298	14,892	447	1,213
Court Clerk (J-3)	7,678	6,357	3,040		10,995
<b>Total Official Depository Accounts</b>	<b>\$ 201,638</b>	<b>\$ 1,220,595</b>	<b>\$ 1,245,503</b>	<b>\$ 3,844</b>	<b>\$ 180,574</b>

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, 2004.

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		

**COAL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

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 chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$50,000 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 amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. 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 \$1,167,867 and the bank balance was \$1,195,804. 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.

**COAL COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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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.

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

**COAL COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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Detailed Notes on Funds and Account Balances (continued)

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.

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.

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.

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

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

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

**COAL COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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Detailed Notes on Funds and Account Balances (continued)

R-9 Disaster/Hazard – 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.

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.

COAL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004

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Detailed Notes on Funds and Account Balances (continued)

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, 2003, was approximately \$34,044,571.

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.

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, 2004, were approximately 98 percent of the tax levy.

Detailed Notes on Funds and Account Balances (continued)

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%.

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%.

Detailed Notes on Funds and Account Balances (continued)

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.

**Internal Control and Compliance Section**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
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, 2004, 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, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. 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.

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 2004-1.

A material weakness is a reportable 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 caused by error or fraud 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 2004-1 to be a material weakness.

Compliance and Other Matters

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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain matter that we reported to management of Coal County and is included in Section 2 of the schedule of findings, contained within this report.

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

**Finding 2004-1 - 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 Internal Control Over Financial Reporting and on Compliance and Other Matters 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 2004-2 - 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, 2004**

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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, 2004  
(UNAUDITED)**

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Centerpoint Energy Arkla	\$ 10,787,986	31.69%
Enogex Inc	2,595,616	7.62%
Explorer Pipeline	2,304,949	6.77%
Southwestern Bell	1,368,091	4.02%
Public Service Company	1,024,830	3.01%
Oklahoma RSA	442,001	1.30%
Alltel Oklahoma Inc	290,669	0.85%
Fourwinds Marketing LLC	271,417	0.80%
VF Jeanswear Inc	244,341	0.72%
USA Compression	227,289	0.67%
Total	<u>\$ 19,557,189</u>	<u>57.45%</u>

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

**COAL COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE YEAR ENDED JUNE 30, 2004  
(UNAUDITED)**

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Total net assessed value as of January 1, 2003		<u>\$ 34,044,571</u>
Debt limit - 5% of total assessed value		\$ 1,702,229
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>45</u>	<u>-</u>
Legal debt margin		<u>\$ 1,702,229</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, 2004  
(UNAUDITED)**

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	2004
Estimated population	6,031
Net assessed value as of January 1, 2003	\$ 34,044,571
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, 2004  
 (UNAUDITED)**

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Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2003	\$4,803,101	\$18,884,994	\$11,989,743	\$1,633,267	\$34,044,571	\$222,588,043