

**PAYNE 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

November 30, 2004

TO THE CITIZENS OF
PAYNE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Payne 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

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

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

STATISTICAL DATA (Unaudited)

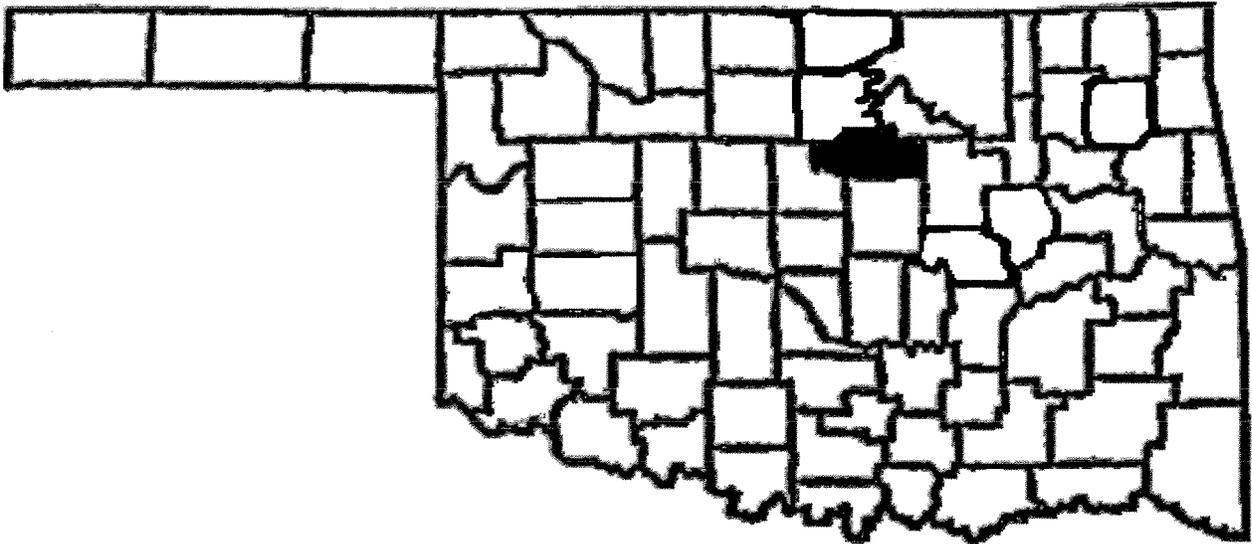
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REPORT TO THE CITIZENS
OF
PAYNE COUNTY, OKLAHOMA



Payne County was among the first counties settled during the land run of April 22, 1889.

For more than half a century, agriculture was the basis of the county's economy, with cotton, corn, and later oats, wheat, and alfalfa the major crops.

Since World War II, the economic base has changed. Industry has replaced agriculture as the leading source of employment. Major industrial plants along North Perkins Road in Stillwater employ more than 2,500 workers, many of whom commute from Yale, Ripley, Glencoe, Perkins, and Cushing. Oklahoma State University, which opened in 1891, is still the county's largest employer with more than 7,500 employees.

From 1913 to 1930, oil was a major economic factor in the county, but this, too, has declined except for massive facilities at Cushing, enhancing its status as "Pipeline Crossroads of the World."

County Seat – Stillwater

Area – 686.4 Square Miles

County Population – 68,190
(2000 est.)

Farms – 1,281

Land in Farms – 339,359 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**PAYNE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Cheri Hall
(D) Stillwater

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
Sherri Schieffer
(D) Stillwater

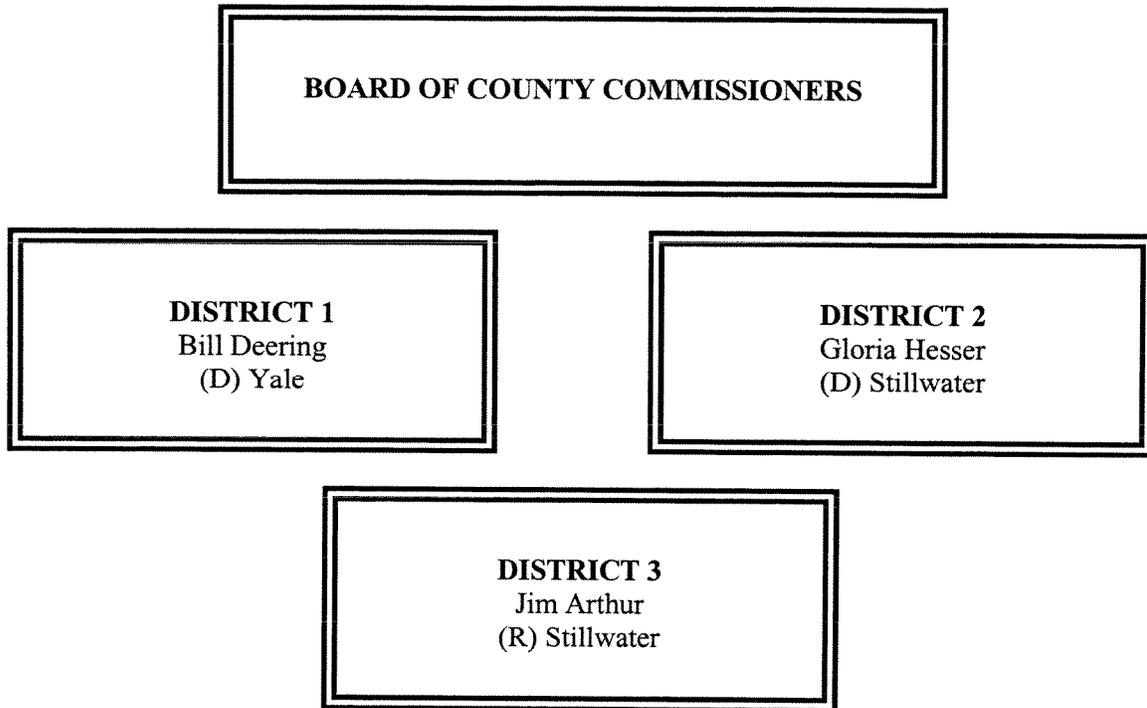
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**PAYNE COUNTY OFFICIALS
AND RESPONSIBILITIES**



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

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

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

See independent auditor's report.

**PAYNE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF

Carl Hiner
(D) Stillwater

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

Bonita Stadler
(R) Stillwater

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.

**PAYNE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Lisa Lambert
(D) Stillwater

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
Robert L. Hudson
(R) Guthrie

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.

ELECTION BOARD SECRETARY

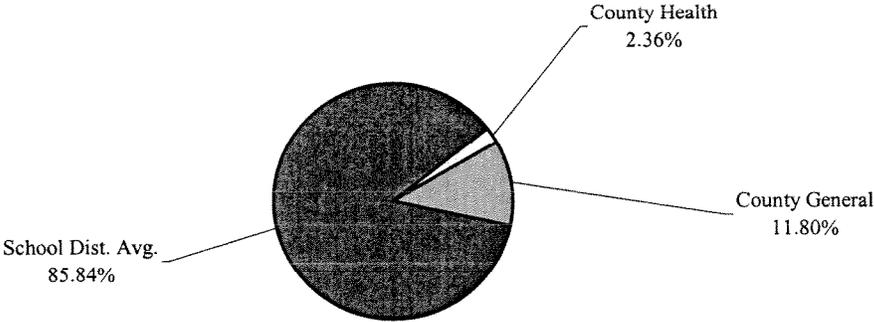
Glenna Craig
(D) Stillwater

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.

**PAYNE 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 General
 School Dist. Avg.
 County Health

County-Wide Millages		School District Millages							
Co. General	10.00			Gen.	Bldg.	Skg.	Career-Tech	Common	Total
County Health	2.00	Ripley	I-3	35.00	5.00	17.41	13.00	4.00	74.41
		Logan	I-3	35.00	5.00	14.82	15.00	4.00	73.82
		Noble-Joint	I-6	35.00	5.00	16.07	15.00	4.00	75.07
Other		Logan	I-14	35.00	5.00	7.68		4.00	51.68
Stillwater	13.70	Stillwater	I-16	35.00	5.00	24.34	15.00	4.00	83.34
Yale EMS	3.00	Creek	I-20	35.00	5.00	18.29	13.00	4.00	75.29
		Creek	I-39	35.00	5.00	22.56	13.00	4.00	79.56
		Perkins	I-56	35.00	5.00	20.09	15.00	4.00	79.09
		Cushing	I-67	35.00	5.00	17.93	13.00	4.00	74.93
		Glencoe	I-101	35.00	5.00	19.16	15.00	4.00	78.16
		Yale	I-103	35.00	5.00	13.36	13.00	4.00	70.36
		Oak Grove	D-104	35.00	5.00		13.00	4.00	57.00

See independent auditor's report.

Independent Auditor's Report



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
PAYNE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Payne 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 Payne County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Payne 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 Payne 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 Payne 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 August 19, 2004, on our consideration of Payne 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 Payne County, Oklahoma, taken as a whole. The other information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we express no opinion on such data.

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

This report is intended solely for the information and use of the management of the County and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMAHAN". The signature is written in black ink and is positioned above the printed name and title.

JEFF A. McMAHAN
State Auditor and Inspector

August 19, 2004

Special-Purpose Financial Statements

**PAYNE 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	Cancelled Vouchers	Ending Cash Balances June 30, 2003
General Fund	\$ 2,195,339	\$ 5,950,162	\$ 5,784,556	\$	\$ 2,360,945
Self-Insurance	687,037	\$ 41,609	204,194		524,452
Highway Cash	839,802	3,342,859	3,375,554		807,107
County Health Department	650,500	574,472	550,744		674,228
Bridge Improvements	435,912	19,905			455,817
Sheriff Training Fund	18,857	23,125	21,191		20,791
Sheriff Board of Prisoners	26,541	27,421	33,820		20,142
Tree Planting	373				373
Assessor's Revolving	15,610	7,092	17,325		5,377
Solid Waste	13,753	44,188	41,727		16,214
Fairboard Cash	58,891	96,394	111,090		44,195
Mortgage Cert. Fee	98,057	24,417	22,616		99,858
Community Service	10,609	30,093	32,796		7,906
D.A. Revolving Account	69,259	90,285	115,300		44,244
D.A. Drug Task Force	46,154	140,120	155,732		30,542
Court Clerk Revolving	151,489	76,663	22,966		205,186
Emergency 911 Funds	53,057	148,301	154		201,204
D.A. VOCA	2,682	74,286	76,968		
Resale Property	355,328	138,674	128,053		365,949
Lien Cash Account	47,987	24,333	23,685		48,635
Sheriff Service Fee	137,557	177,203	175,137		139,623
Grant Monies	3,930	188,920	186,224		6,626
Cities and Towns	101,584	2,577,156	2,630,978		47,762
Court Fund	252,887	1,248,019	1,328,940		171,966
Official Depository	1,659,006	9,581,387	9,280,279	17,378	1,977,492
Sheriff Commissary	22,366	20,298	22,755		19,909
Cemetery Fund	8,152	203	344		8,011
Facilities Authority	274,081	724,654	497,239		501,496
Fairboard Premiums	3,020	20,999	20,694		3,325
Child Abuse Prevention	2,158	670	2,500		328
REN Corporation	58,010	91,501	34,171		115,340
D.A. Revolving Evidence	1,120	117			1,237
Payne Co. Economic Authority	162,945	99,856	11,740		251,061
EMS Yale	55,002	18,296	73,211		87
Payne Co. Home Finance	77,714	7,117			84,831
Weed	1,351	15,623	15,912		1,062
County Law Library	11,259	51,286	52,959		9,586
Sewer	27				27
Conservancy Dist. 18		6,666	6,636		30
Schools	519,994	26,073,633	26,028,113		565,514
Capital Projects	2,161,799	157,981	631,082		1,688,698
Limited Purpose Sales Tax	62,497	773,899	771,293		65,103
Paving		73	73		
Gun Violence Grant		16,667	13,333		3,334
Flood Plain		9,680	3,883		5,797
Record Owners		1,172			1,172
Total County Funds	<u>\$ 11,353,696</u>	<u>\$ 52,737,475</u>	<u>\$ 52,505,967</u>	<u>\$ 17,378</u>	<u>\$ 11,602,582</u>

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

**PAYNE 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	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 2,164,096	\$2,164,096	\$2,195,339	\$ 31,243
Less: Prior Year Outstanding Warrants	(294,253)	(294,253)	(296,769)	(2,516)
Less: Prior Year Encumbrances	(242,014)	(242,014)	(166,559)	75,455
Beginning Cash Balances, Budgetary Basis	<u>1,627,829</u>	<u>1,627,829</u>	<u>1,732,011</u>	<u>104,182</u>
Receipts:				
Ad Valorem Taxes	2,638,456	2,638,456	2,649,622	11,166
Sales Tax	2,089,478	2,089,478	2,321,698	232,220
Charges for Services	279,942	279,942	334,849	54,907
Intergovernmental Revenues	461,692	437,043	444,217	7,174
Miscellaneous Revenues	90,555	90,555	199,776	109,221
Total Receipts, Budgetary Basis	<u>5,560,123</u>	<u>5,535,474</u>	<u>5,950,162</u>	<u>414,688</u>
Expenditures:				
Total District Attorney	55,000	45,939	44,080	1,859
Total County Sheriff	1,159,553	1,165,719	1,142,656	23,063
Total County Treasurer	155,124	155,124	154,974	150
Total County Commissioners	183,187	183,187	176,485	6,702
OSU Extension	235,126	246,544	206,498	40,046
Capital Outlay	266,068	250,472	26,667	223,805
Total OSU Extension	501,194	497,016	243,165	253,851
Total County Clerk	<u>265,655</u>	<u>268,405</u>	<u>267,910</u>	<u>495</u>

continued on next page

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

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

continued from previous page

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Total Court Clerk	\$ 236,272	\$ 236,272	\$ 232,166	\$ 4,106
County Assessor	225,773	218,279	217,812	467
Capital Outlay		7,199	7,199	
Total County Assessor	225,773	225,478	225,011	467
Revaluation of Real Property	350,102	335,589	334,351	1,238
Capital Outlay		14,250	14,249	1
Total Revaluation of Real Property	350,102	349,839	348,600	1,239
Total Highway	1,309,810	1,309,810	1,115,991	193,819
General Government	590,392	590,112	433,261	156,851
Capital Outlay	4,253	4,253	1,356	2,897
Total General Government	594,645	594,365	434,617	159,748
Total Excise-Equalization Board	1,000	1,000	502	498
Total County Election Board	100,441	100,505	99,541	964
Total Fringe Benefits	653,530	653,555	610,030	43,525
Total Building Engineer	56,300	56,300	54,296	2,004
Total Jail Annex	242,692	242,692	117,773	124,919
Total County Audit	27,773	27,773	27,773	-
Fairboard - Sales Tax	288,619	269,042	260,078	8,964
Capital Outlay	553,815	553,815	553,815	
Total Fairboard- Sales Tax	842,434	822,857	813,893	8,964
Fire Department - Sales Tax				
Cushing	16,906	16,906	15,915	991
Glencoe	15,974	15,974	8,431	7,543
Ingalls	29,094	29,094	5,324	23,770
Perkins	51,561	51,561	34,625	16,936
Ripley	13,241	13,241	4,650	8,591
Stillwater	50,221	50,221		50,221
Yale	44,470	44,470		44,470
Drumright	6,000	6,000	5,656	344
Total Fire Department - Sales Tax	227,467	227,467	74,601	152,866

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

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

continued from previous page

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Total Expenditures, Budgetary Basis	\$ 7,187,952	\$7,163,303	\$6,184,064	\$ 979,239
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	1,498,109	\$1,498,109
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			445,749	
Add: Current Year Outstanding Warrants			417,087	
Ending Cash Balance			\$2,360,945	

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

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

	County Health Department			
	Original	Final		
	Budget	Budget	Actual	Variance
Beginning Cash Balances	\$ 649,690	\$ 649,690	\$ 650,500	\$ 810
Less: Prior Year Outstanding Warrants	(75,114)	(75,114)	(75,114)	
Less: Prior Year Encumbrances	(53,546)	(53,546)	(48,606)	4,940
	<u>521,030</u>	<u>521,030</u>	<u>526,780</u>	<u>5,750</u>
Beginning Cash Balances, Budgetary Basis				
Receipts:				
Ad Valorem Taxes	527,690	527,690	530,003	2,313
Charges		36,184	36,184	
Intergovernmental	1,331	1,331	1,331	
Miscellaneous Revenue	9,743	9,743	6,954	(2,789)
Total Receipts, Budgetary Basis	<u>538,764</u>	<u>574,948</u>	<u>574,472</u>	<u>(476)</u>
Expenditures:				
Health and Welfare	1,059,794	1,095,978	539,204	556,774
Total Expenditures, Budgetary Basis	<u>1,059,794</u>	<u>1,095,978</u>	<u>539,204</u>	<u>556,774</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	562,048	<u>\$ 562,048</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			104,457	
Add: Current Year Outstanding Warrants			7,723	
Ending Cash Balance			<u>\$ 674,228</u>	

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

**PAYNE 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
Court Clerk	\$ 1,108,893	\$ 2,410,472	\$ 2,812,539	\$ 4,344	\$ 711,170
County Clerk	64,690	662,277	610,301	24	116,690
County Sheriff	2,472	33,847	32,848		3,471
Treasurer	65,177	4,748,633	4,066,069	510	748,251
District Attorney	415,101	1,609,771	1,642,052	10,933	393,753
Election Board	10	61,604	63,041	1,567	140
County Health	2,285	47,717	46,449		3,553
County Assessor	378	7,066	6,980		464
Total Official Depository Accounts	<u>\$ 1,659,006</u>	<u>\$ 9,581,387</u>	<u>\$ 9,280,279</u>	<u>\$ 17,378</u>	<u>\$ 1,977,492</u>

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

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

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including the county health department, 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 deposited in interest-bearing demand accounts at June 30, 2003.

F. Risk Management

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

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

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

Summary of Significant Accounting Policies (continued)

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

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating County will pay a deductible amount (\$1,000 to \$10,000; the County has a \$2,500 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

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

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

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

The County does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and may be accumulated. The amount of accumulated vacation benefits is not material to the financial statements for the fiscal year ending June 30, 2003.

The County does not accrue any liability for sick leave. An employee earns up to one day per month and may accumulate up to 130 days. There is no history of sick leave usage from which to project future usage; hence, no liability for such has been recorded. Such an amount if recorded would not be material to the financial statements.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before May 31st of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office, or department and object. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or department and object.

3. Detailed Notes on Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$11,602,582 and the bank balance was \$10,307,067. 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
- Saving accounts
- G.O. bonds issued by counties, municipalities, or school districts
- Money judgments against counties, municipalities, or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality, or school district
- 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

Detailed Notes on Account Balances (continued)

- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

B. Description of Funds

General Fund – revenues are from ad valorem taxes, sales tax, officers' fees, interest earnings and miscellaneous collections of the County. Disbursements are for the general operations of the County.

Self-Insurance – revenues are from interest earned on a portion of the money generated when the Home Finance Authority restructured bonds. Disbursements are used for insurance premiums and deductibles for the County.

Highway Cash – revenues are from state imposed fuel taxes and disbursements are for the maintenance and construction of county roads and bridges.

County Health – revenues are from ad valorem taxes, miscellaneous fees charged by the health department and state and federal funds. Disbursements are for the operation of the county health department.

Bridge Improvements – revenues are from the Oklahoma Department of Transportation. Disbursements are for bridge improvements throughout the County.

Sheriff Training Fund – revenues are from the sale of property forfeited in drug cases. Disbursements are for officer training, equipment, and crime prevention.

Sheriff Board of Prisoners – revenues are from fees charged for boarding prisoners for other governments in the county jail. Disbursements are for jail maintenance.

Tree Planting – revenues are from donations from private parties and disbursements are for the planting of trees throughout the County.

Assessor's Revolving – revenues are from fees charged by the County Assessor (copies, etc.). Disbursements are for any legal expenses of the Assessor's office.

Solid Waste – revenues are from grant monies, general government and illegal dumping fines. Disbursements are used to clean and post street signs on county roads.

Fairboard Cash – accounts for the collection of rental fees for the use of fair property. Disbursements are made for the maintenance of fairgrounds.

Detailed Notes on Account Balances (continued)

Treasurer's Mortgage Certification Fee – revenues are from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's office.

Sheriff Community Service – revenues are from state funds reimbursing the supervision expense of people sentenced to community service.

D.A. Revolving Account – revenues are from the sales of confiscated items used in drug trafficking. Disbursements are made for any lawful expense of the District Attorney.

D.A. Drug Task Force – revenues are from grants and disbursements are for combating drug trafficking throughout the County.

Court Clerk Revolving – revenues are from fees charged on court cases. Disbursements are for any legal expenditure of the Court Clerk's office.

E-911 – revenues are from telephone surcharges. Disbursements are for the emergency 911 system.

D.A. VOCA – revenues are from grants received and disbursements are for the assistance to victims of crimes.

Resale Property – revenues are from interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Lien Cash Account – revenues are from lien redemptions. Disbursements are for remittance to lienholders.

Sheriff Service Fee – revenues are from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

Grant Monies – revenues are from federal grants and disbursements are for various items as restricted by the grant agreements.

Cities and Towns – All funds collected on behalf of cities and towns are recorded in this fund and remitted to the individual cities and towns monthly.

Court Fund – accounts for fees transferred from the Court Clerk account and interest earnings. Disbursements are for operating expense of the Court Clerk's office.

Official Depository – All officers and agencies collecting fees deposit those fees to this account daily. At the end of each month the fees are distributed to the appropriate fund or agency.

Detailed Notes on Account Balances (continued)

Sheriff Commissary – revenues are from profits derived from the sale of commissary items to jail inmates. Disbursements are for the operation and improvement of jail facilities.

Cemetery Fund – revenues are from donations. Disbursements are for cemetery maintenance and care.

Facilities Authority – revenues are from the limited purpose sales tax. Disbursements are for the renovation of the County Courthouse.

Fairboard Premiums – accounts for county fair prizes and premiums.

Child Abuse Prevention – revenues are from jurors who donate a portion of their earnings received for appearing on jury duty. Disbursements are for child abuse prevention activities.

REN Corporation – acts as a county bond refinancing program and accounts for the collection of county bond money.

D.A. Revolving Evidence – accounts for the collection of evidence used in crimes and the disbursement of the evidence per court order.

Payne County Economic Authority – accounts for the collection and disbursement of funds used to promote economic growth and development of the County.

EMS Yale – accounts for the receipt and disbursement of funds for the Yale Emergency Medical Service District.

Payne County Home Finance – accounts for the collection and disbursement of funds used to promote the development of adequate residential use housing within the County.

Weed – accounts for the collection and disbursement of a city weed tax.

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

Sewer – accounts for the disbursement of funds used to operate the county sewer system.

Conservancy District 18 – accounts for the collection and disbursement of taxes collected to prevent flooding in certain areas of the County.

Schools – All funds collected on behalf of the county schools are recorded in this fund and remitted to the individual schools monthly.

Detailed Notes on Account Balances (continued)

Capital Projects – accounts for financial resources segregated for the acquisition or construction of major capital properties (other than those financed by trust funds).

Limited Purpose Sales Tax – accounts for the collection and disbursement of sales tax revenues as designated by a vote of the residents of the County.

Paving – revenues are from citizens and disbursements are for road repairs financed by donations.

Gun Violence Grant – revenues are from federal grants and disbursements are for the prevention of gun related crime.

Flood Plain – revenues are from the federal government and disbursements are for the prevention of flooding.

Record Owners – accounts for the reimbursement of funds for certificate purchases when the owner pays their property taxes.

The following narrative details the official depository accounts.

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

County Clerk – accounts for the collection of filing fees and transfers to the appropriate entity monthly.

County Sheriff – accounts for cash bonds, tax warrants, drug forfeiture, reserve officer donations, reimbursements, and inmate commissary funds. Disbursements are made to the proper recipient or fund monthly.

County Treasurer – accounts for all collections of pre-paid ad valorem taxes, pre-paid mobile home taxes, and the sale of motor vehicle tax stamps. Disbursements are to the proper recipient monthly.

District Attorney – accounts for the collection of controlled substance forfeitures, restitution, witness fees, and miscellaneous collections of the District Attorney's office. Disbursements are for the transfer of funds to the proper fund or recipient.

County Election Board – accounts for reimbursements for election cost and disbursements for election board operations.

County Health – accounts for fees charged by the county health department. Disbursements are to the county health department budget account monthly.

Detailed Notes on Account Balances (continued)

County Assessor – accounts for fees charged by the County Assessor and remitted to the Assessor's Revolving Fund monthly.

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 \$277,732,255.

The County levied 10 mills (the legal maximum) for general fund operations and 2 mills for the county health department. 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, 2003, were approximately 95 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.

Detailed Notes on Account Balances (continued)

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. 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

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.

5. Sales Tax

The voters of Payne County approved a 3/8 of 1% sales tax extension effective January 1, 1999. This sales tax was established to provide revenue for:

Road and bridge improvements	53%
General fund purposes	16%
Expo center and fairboard	20%
Extension service	7%
Rural fire fighting	4%

The voters of Payne County approved an additional 1/8 of 1% sales tax effective April 1, 1998. This sales tax will expire March 31, 2008. The sales tax was established to provide for operating and maintaining the County Jail and Courthouse.

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

6. Embezzlement of Funds

The Oklahoma State Auditor's Office has uncovered an embezzlement scheme perpetrated in the County Treasurer's Office. The suspected employee has been terminated and charges were filed by the District Attorney. The embezzlement did not and will not affect the balances reported herein. The amount unaccounted for at June 30, 2003, is \$20,945.67.

7. Subsequent Events

The total amount of the embezzlement was determined to be \$104,495.92 through its duration (June 8, 2004). The County expects to receive full restitution from the employees honesty bond.

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
PAYNE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Payne County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated August 19, 2004. 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 Payne 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2002-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Payne County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 special-purpose financial statements. The reportable conditions are described in the accompanying schedule of findings as items 98-2 and 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 believe that none of the reportable conditions described above is 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 the 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

August 19, 2004

PAYNE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003

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 2002-1 – Financial Statements (Repeat Finding)

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

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

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

Finding 98-2 – Segregation of Duties (Repeat Finding)

Criteria: Demonstration of accountability and stewardship are goals used in evaluating management’s accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

Condition: Based on inquiries of County personnel, it was noted that the duties of receiving, receipting, recording, and depositing collections were not adequately segregated.

Effect: These conditions could result in unrecorded transactions, misstated financial reports, errors, or misappropriation of assets.

Recommendation: Management should be aware of these conditions and realize the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management’s knowledge of office operations and a periodic review of those operations.

Finding 2003-1 – Misappropriation of Funds

Criteria: Demonstration of accountability and stewardship are goals used in evaluating management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

Condition: The duties of posting receipts, preparing bank deposits and reconciling bank balances to county records were not segregated. This concentration of duties resulted in the opportunity for checks to be substituted for cash payments and/or receipts to be deleted in order to disguise the missing money.

Effect: As of June 30, 2003, \$20,945.67 of Official Depository fund receipts was not deposited with the County's bank.

Recommendation: Management should be aware of these conditions and realize the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of office operations and a periodic review of those operations.

**Statistical Data
(Unaudited)**

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

<u>Taxpayer</u>	<u>January 1, 2002 Net Assessed Valuation</u>	<u>% of Total Net Valuation</u>
1. Brunswick Corp.	\$ 11,121,344	4.00%
2. Southwestern Bell.	9,976,266	3.59
3. Armstrong World Ind.	6,380,994	2.30
4. CCA Prison Realty Trust	3,634,448	1.31
5. B P Pipeline	3,165,634	1.14
6. Quebecor World Inc.	2,595,774	0.93
7. OG&E	2,351,766	0.85
8. Wal-Mart	2,139,030	0.77
9. ONG	2,069,700	0.75
10. Equilon Pipeline Co.	<u>1,890,287</u>	<u>0.68</u>
Total	<u>\$45,325,243</u>	<u>16.32%</u>

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

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

Total net assessed value as of January 1, 2002		<u>\$ 277,732,255</u>
Debt limit - 5 % of total assessed value		\$ 13,886,613
Total bonds outstanding	0	
Total judgments outstanding	0	
Less cash in sinking fund	<u>0</u>	<u>-</u>
Legal debt margin		<u>\$ 13,886,613</u>

**PAYNE 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)**

	2003
Estimated population	68,190
Net assessed value as of January 1, 2002	\$ 277,732,255
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0
Net bonded debt per capita	\$ -

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

<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>
1-1-02	\$47,601,070	\$31,871,888	\$210,607,740	\$12,348,443	\$277,732,255	\$2,436,247,850