

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

June 4, 2003

TO THE CITIZENS OF
STEPHENS COUNTY, OKLAHOMA

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

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

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

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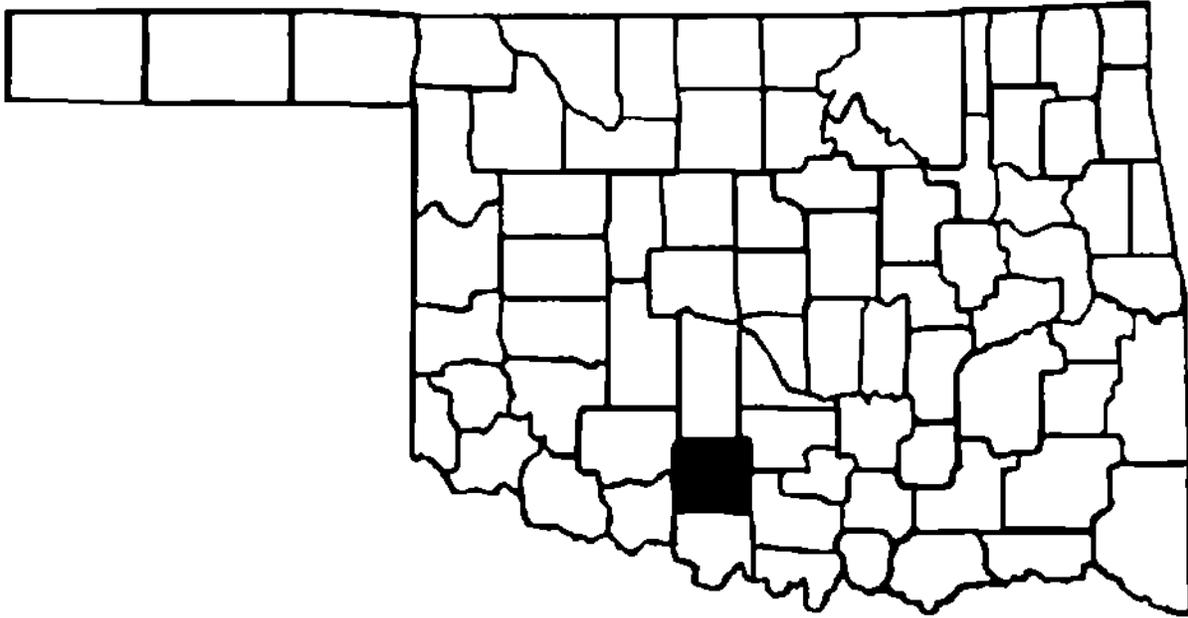
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**STEPHENS COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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**REPORT TO THE CITIZENS
OF
STEPHENS COUNTY, OKLAHOMA**



Created at statehood from portions of Comanche County, Oklahoma Territory, and the Chickasaw Nation, Stephens County was named for John H. Stephens, a member of Congress from Texas and staunch advocate of Oklahoma statehood. The first permanent settler, Silas Fitzpatrick, sold his store to William Duncan, for whom the county seat was named in 1892. The county is served by U.S. 81 and S.H. 7, 29, and 53. Duncan Municipal Airport, OKT Railroad, and Oklahoma Transportation-Jefferson Bus Lines provide additional transportation links.

The economy is based on agriculture (wheat, peanuts, cotton, cattle) and petroleum. Duncan, Marlow, and Comanche are the principal municipalities and each offers a wide range of goods and services. Halliburton Oil Field Services began in Duncan, and remains a major employer in the area.

Duncan maintains 144 acres of parks and playgrounds and two public swimming pools. There are golf courses in Duncan (2), Marlow, and Comanche. Boating, fishing, camping, facilities, and 4,000 acres of recreational lands are found at Clear Creek, Duncan, Humphries, and Fuqua lakes.

The Stephens County Memorial Museum is located in Duncan. For more information, call the county clerk's office at 580-255-0977.

County Seat – Duncan

Area – 877.2 Square Miles

County Population – 43,076
(1999 est.)

Farms – 1,165

Land in Farms – 426,884 Acres

Source: Oklahoma Almanac 2001 - 2002

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Cathy Hokit
(D) Duncan

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
Marilyn Fennel
(D) Duncan

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

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

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

BOARD OF COUNTY COMMISSIONERS

DISTRICT #1
Darrell Sparks
(D) Marlow

DISTRICT #2
Frank Kelly
(D) Duncan

DISTRICT #3
Dee Bowen
(D) Comanche

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

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

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF

Jimmy Bruner
(D) Velma

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

Novalene Goodrich
(D) Bray

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

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Pricilla Harper
(D) Duncan

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
Gene Christian
(D) Duncan

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

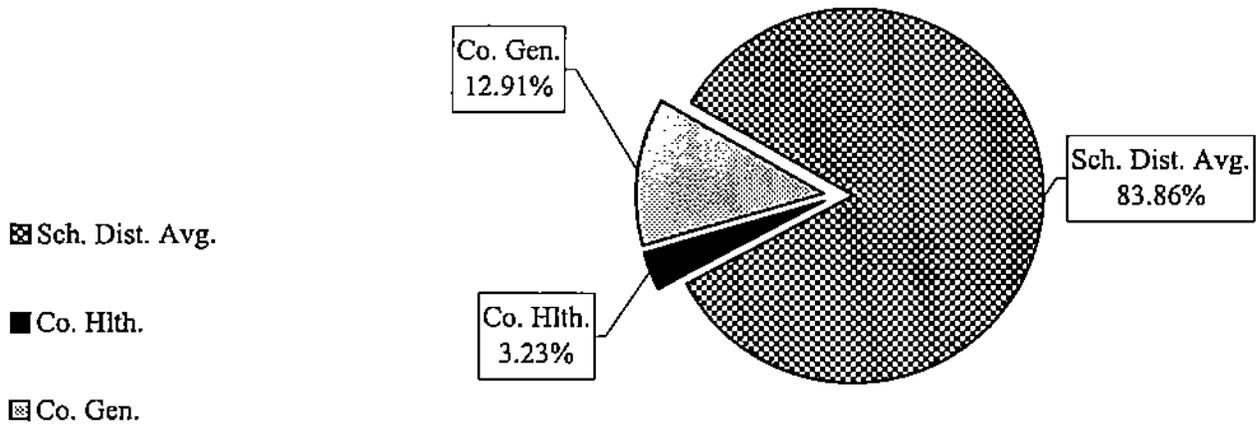
June Kreiger
(D) Bray

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

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

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

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



County-Wide Millages:

Co. General Fund	10.00
Co. Health	2.50

School District Millages:

	<u>Gen.</u>	<u>Bldg.</u>	<u>Skg.</u>	<u>Vo-Tech</u>	<u>Common</u>	<u>Total</u>
Duncan	35.00	5.00	23.75	12.00	4.00	79.75
Comanche	35.00	5.00	20.33	12.00	4.00	76.33
Marlow	35.00	5.00	7.13	12.00	4.00	63.13
Velma-Alma	35.00	5.00	6.54	12.00	4.00	62.54
Empire	35.00	5.00	11.74	12.00	4.00	67.74
Central High	35.00	5.00	4.35	12.00	4.00	60.35
Bray-Doyle	35.00	5.00	9.57	12.00	4.00	65.57
Grandview	35.00	5.00	9.48	12.00	4.00	65.48
Sterling	35.00	5.00	11.81	11.00	4.00	66.81
Fox	35.00	5.00	3.77	10.00	4.00	57.77
Walters	35.00	5.00	3.44	12.00	4.00	59.44
Temple	35.00	5.00	16.32	12.00	4.00	72.32
Pemell	35.00	5.00	12.29	11.00	4.00	67.29
Waurika	35.00	5.00		12.00	4.00	56.00
Ringling	35.00	5.00		10.00	4.00	54.00

See independent auditor's report.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
STEPHENS COUNTY, OKLAHOMA

We have audited the accompanying general-purpose financial statements of Stephens County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of Stephens County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of the enterprise funds. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the enterprise funds, is based on the reports of the other auditors.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2003, on our consideration of Stephens County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Stephens County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole. The other information listed in the table of contents under *Introductory Section* has not been audited by us and, accordingly, we express no opinion on such data.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

May 19, 2003

General-Purpose Financial Statements

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

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type	Account Group	Total (Memorandum Only)
	General	Special Revenue	Enterprise Fund	Trust and Agency	General Long-Term Debt	
ASSETS						
Cash	\$ 953,485	\$ 7,138,760	\$	\$ 3,062,584	\$	\$ 11,154,829
Ad valorem taxes receivable	36,821	9,204		277,865		323,890
Due from other governments	7,272	362,106		253,477		622,855
Accrued interest receivable	9,206	12		1,513		10,731
Cash-construction fund (jail)			3,219,697			3,219,697
Cash-construction fund (fairgrounds)			3,223,054			3,223,054
Cash-construction fund (school)			5,740,503			5,740,503
Cash-revenue account (school)			4,730			4,730
Parking lot			35,892			35,892
Construction in progress - jail project			1,503,953			1,503,953
Construction in progress - fairgrounds project			3,121,849			3,121,849
Construction in progress - school project			160,318			160,318
Cash-reserve accounts			1,969,454			1,969,454
Cash-sinking fund accounts			1,011,305			1,011,305
Cash-escrow accounts			3,455,241			3,455,241
Unamortized bond issue costs			606,352			606,352
Consumable inventory		260,447				260,447
Amount to be provided for capitalized lease agreements					176,192	176,192
Total assets	\$ 1,006,784	\$ 7,770,529	\$ 24,052,348	\$ 3,595,439	\$ 176,192	\$ 36,601,292
LIABILITIES AND FUND BALANCES						
Liabilities:						
Warrants payable	\$ 56,012	\$ 144,177	\$	\$	\$	\$ 200,189
Accounts payable	56,404	334,781				391,185
Due to other taxing units				2,512,773		2,512,773
Due to others				1,082,666		1,082,666
Deferred revenue		608,001				608,001
Bonds payable-current portion			1,275,000			1,275,000
Accrued interest			372,781			372,781
Bonds payable-noncurrent			21,290,000			21,290,000
Unamortized bond discount			(308,763)			(308,763)
Capitalized lease obligations payable					176,192	176,192
Total liabilities	112,416	1,086,959	22,629,018	3,595,439	176,192	27,600,024
Fund equity:						
Retained earnings			1,423,330			1,423,330
Fund balances:						
Reserved for consumable inventories		260,447				260,447
Reserved for encumbrances	22,106	652,626				674,732
Unreserved:						
Undesignated	872,262	2,770,497				6,642,759
Total fund equity	894,368	6,683,570	1,423,330	-	-	9,001,268
Total liabilities and fund equity	\$ 1,006,784	\$ 7,770,529	\$ 24,052,348	\$ 3,595,439	\$ 176,192	\$ 36,601,292

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

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

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Revenues:			
Ad valorem taxes	\$ 1,586,374	\$ 520,389	\$ 2,106,763
Charges for services	255,399	284,243	539,642
Intergovernmental revenues	354,764	5,681,130	6,035,894
Miscellaneous revenues	336,857	128,376	465,233
Total revenues	<u>2,533,394</u>	<u>6,614,138</u>	<u>9,147,532</u>
Expenditures:			
Current operating:			
General government	1,980,255	197,998	2,178,253
Public safety	510,141	277,598	787,739
Education	85,766		85,766
Culture and recreation	87,273		87,273
Health and welfare	458	440,016	440,474
Roads and highways	3,672	4,437,090	4,440,762
Total expenditures	<u>2,667,565</u>	<u>5,352,702</u>	<u>8,020,267</u>
Excess of revenues over (under) expenditures	<u>(134,171)</u>	<u>1,261,436</u>	<u>1,127,265</u>
Other financing sources (uses):			
Capitalized lease agreements		201,982	201,982
Total other financing sources (uses)	<u>-</u>	<u>201,982</u>	<u>201,982</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(134,171)</u>	<u>1,463,418</u>	<u>1,329,247</u>
Beginning fund balances	<u>1,028,539</u>	<u>5,220,152</u>	<u>6,248,691</u>
Ending fund balances	<u>\$ 894,368</u>	<u>\$ 6,683,570</u>	<u>\$ 7,577,938</u>

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

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

	General			Special Revenue Funds		
	Budget	Actual	Variance	County Health Department		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 950,763	\$ 964,603	\$ 13,840	\$ 279,488	\$ 284,002	\$ 4,514
Revenues:						
Ad valorem taxes	1,463,079	1,567,877	104,798	365,770	391,947	26,177
Charges for services	233,569	255,399	21,830		6,315	6,315
Intergovernmental revenues	378,537	347,492	(31,045)	8,708	18,756	10,048
Miscellaneous revenues	298,786	357,642	58,856		2,393	2,393
Total revenues, budgetary basis	<u>2,373,971</u>	<u>2,528,410</u>	<u>154,439</u>	<u>374,478</u>	<u>419,411</u>	<u>44,933</u>
Expenditures:						
Current operating:						
General government	2,618,447	1,986,454	631,993			
Public safety	530,939	512,376	18,563			
Education	85,948	85,946	2			
Culture and recreation	86,400	86,362	38			
Health and welfare				653,966	389,124	264,842
Roads and highways	3,000	2,912	88			
Total expenditures, budgetary basis	<u>3,324,734</u>	<u>2,674,050</u>	<u>650,684</u>	<u>653,966</u>	<u>389,124</u>	<u>264,842</u>
Excess of revenues and beginning fund balances over (under) expenditures, budgetary basis	<u>\$ -</u>	<u>818,963</u>	<u>\$ 818,963</u>	<u>\$ -</u>	<u>314,289</u>	<u>\$ 314,289</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem taxes receivable		36,821			9,204	
Accrued interest receivable		9,206				
Due from other governments		7,272				
Reserved for encumbrances		<u>22,106</u>			<u>1,826</u>	
Ending fund balances		<u>\$ 894,368</u>			<u>\$ 325,319</u>	

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

**STEPHENS COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Type Enterprise Fund
Revenues:	
Lease on jail	\$ 938,253
Sales tax (fairground)	575,145
Interest earned	259,161
Total revenues	1,772,559
Expenses:	
Interest on bonds	732,086
Trustee fees	35,750
Annual fees	25,000
Amortization of bond issue cost	51,475
Total expenses	844,311
Net income (loss)	928,248
Beginning retained earnings	495,082
Ending retained earnings	\$ 1,423,330

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

**STEPHENS COUNTY, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

		Proprietary Fund Type Enterprise Fund
Cash flows from operating activities		
Net income (loss)	\$	928,248
Less interest earned		<u>(259,161)</u>
Net cash provided (used) by operating activities		<u>669,087</u>
Cash flows from financing activities		
Net increase in bonds outstanding		11,130,000
Net increase in accrued interest payable		78,237
Increase in cost of capital projects		(4,181,870)
Increase in bond issue costs		(276,445)
Increase in bond discount		(97,046)
Increase in restricted funds		<u>(4,398,940)</u>
Net cash provided (used) by financing activities		<u>2,253,936</u>
Cash flows from investing activities		
Interest earned		<u>259,161</u>
Net cash provided (used) by investing activities		<u>259,161</u>
Net increase (decrease) in cash and equivalents		3,182,184
Beginning cash		<u>9,005,800</u>
Ending cash	\$	<u><u>12,187,984</u></u>

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

Notes to the Financial Statements

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

1. Summary of Significant Accounting Policies

The financial statements of the County are required to be presented in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies and practices are described below.

A. Financial Reporting Entity

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

In accordance with accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of Stephens County (the primary government) and its legally separate component units.

Blended Component Units

The following component unit has been presented as a blended component unit because the component unit's governing body is substantially the same as the governing body of the County, or the component unit provides services almost entirely to the primary government.

Stephens County Governmental Building Authority – The Authority is a public trust organized under Title 60, of the Oklahoma Statutes. The purpose of the Authority is to assist the beneficiary, Stephens County, and other governmental agencies plan, finance, purchase, lease, construct, operate, and maintain buildings, utilities, and facilities for public use and to administer other rights and privileges upon any real or personal property leased, constructed, purchased, or acquired as set forth in the Trust Indenture. Amounts included are for the fiscal year ending June 30, 2002.

The financial activity for the blended Authority is reported as an enterprise fund. Complete financial statements for the blended Authority are on file at the Stephens County Clerk's office.

Related Organizations Excluded from the Reporting Entity

The County's officials are responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. These organizations are not included in the financial statements.

Stephens County Industrial Development Authority

Stephens County Economic Development Authority

Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three major categories: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for the activities of the general government not accounted for in some other fund.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, when the determination of the net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) except for those that conflict with GASB pronouncements.

Fiduciary Funds

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. Agency funds are generally used to account for assets that the government holds on behalf of others as their agent.

Summary of Significant Accounting Policies (continued)

Account Groups

General Fixed Assets Account Group (GFAAG) – Accounting principles generally accepted in the United States of America require that the fixed assets of a government be reported in a general fixed assets account group (GFAAG). This account group is not a fund. It does not have a balance sheet as such, nor does it report operations. Instead, the GFAAG serves as a list of the government's fixed assets and is designed to ensure accountability.

General Long-Term Debt Account Group (GLTDAG) - The general long-term debt account group (GLTDAG) is used to account for a government's unmatured long-term indebtedness that has not been identified as a specific fund liability of a trust fund. In addition to general obligation debt instruments (e.g., bonds, notes), the GLTDAG is also used to report revenue bonds that will be repaid from general government resources, special assessment debt when the government is "obligated in some manner," special revenue bonds, and certain liabilities that are normally not expected to be liquidated with expendable available financial resources (e.g., capitalized lease-purchase obligations).

C. Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund types operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

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

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

Summary of Significant Accounting Policies (continued)

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

D. Budgetary Policies and Procedures

Under current Oklahoma Statutes, the general fund and the County Health Department fund are the only funds required to adopt a formal budget. The budget presented for the general and special revenue (County Health Department only) funds includes the originally approved budgeted appropriations for expenditures as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other cash funds are made on a monthly basis, according to the funds then available.

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

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

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue (County Health Department only) Funds presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

E. Cash

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. All funds were deposited in interest-bearing demand accounts at June 30, 2002.

F. Receivables

All receivables are reported at their gross value.

G. Interest Receivable

Interest on deposits is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Summary of Significant Accounting Policies (continued)

H. Inventories

Inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

The costs of governmental fund type inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of their respective funds. Reported inventories in these funds are equally offset by a fund balance reserve.

I. Fixed Assets

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

J. Risk Management

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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - Torts - Errors and Omissions - Law Enforcement Officers Liability - Vehicle	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insured Group. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insured Fund. (See ACCO-SIF.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.

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

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
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 assessed additional premiums to be paid by its members in the past three years.

The County continues to carry commercial insurance for employees' health and 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 2002 fiscal year.

K. Compensated Absences

All full-time Stephens County employees are entitled to annual leave in accordance with the schedule outlined below:

<u>Years of Service</u>	<u>Accrual Rates</u>	<u>Annual Leave</u>
00-05 Years		10 Days
05-15 Years		15 Days
15-20 Years		18 Days
Over 20 Years		20 Days

Vacation leave shall not be accumulated and must be taken within the year allowed. All full-time Stephens County employees shall be entitled to sick leave with pay that is accrued on a monthly basis.

Summary of Significant Accounting Policies (continued)

Sick leave shall accumulate at the rate of 1 day for each calendar month of service to the County. Sick leave may be accrued up to a maximum of 130 days. When terminating employment with the County, an employee may not collect pay for accrued sick leave.

The accumulated cost of compensated absences is not considered material to the financial statements, and no liability has been recorded.

L. Long-Term Obligations

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

M. Fund Equity

Retained earnings reflect the accumulated earnings of an enterprise or internal service fund. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund equity represents tentative plans for future use of financial resources.

N. Memorandum Only - Total Columns

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

O. Grant Revenue

Revenues from federal grants are recognized when expenditures are incurred.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Account Balances

Title 62 O.S. § 348.3 authorizes the County Treasurer to invest in:

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

Title 62 O.S. § 72.4a requires public trusts that have the state or county as a beneficiary must only invest in certificates of deposit or other evidence of deposit.

These restrictions do not apply to the proceeds of bonds issued by the Stephens County Governmental Building Authority or the revenues that service the debt in accordance with part B of Title 62 O.S. §72.4a, which requires the proceeds, including the revenue stream, relating to bond issues be invested pursuant to the indenture established for such bonds.

A. Deposits

At year-end, the carrying amount of the County's deposits, excluding the enterprise fund, was \$11,154,829 and the bank balance was \$11,272,170. 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.

B. Receivables

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

The net assessed property value as of January 1, 2001, was \$160,938,728.

The County levied 10.0 mills for general fund operations and 2.5 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 apportions the ad valorem taxes collected to the appropriate taxing units.

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

Detailed Notes on Account Balances (continued)

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

Current year tax collections for the year ended June 30, 2002, were approximately 96.33 percent of the tax levy.

C. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2000, 2001, and 2002, were \$252,228, \$275,045, and \$324,014, respectively, equal to the required contributions for each year.

D. Capital Leases

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

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

Detailed Notes on Account Balances (continued)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 42,042	\$ 8,978	\$ 51,020
2004	44,626	6,591	51,217
2005	46,981	4,035	51,016
2006	<u>42,543</u>	<u>1,243</u>	<u>43,786</u>
Total	<u>\$176,192</u>	<u>\$20,847</u>	<u>\$197,039</u>

During the year, the County capitalized leases totaling \$201,982 and paid \$56,968 on the outstanding balances of lease-purchase agreements.

E. Long-Term Debt

Changes in Long-Term Liabilities

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

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2002</u>
Capital leases	<u>\$31,178</u>	<u>\$201,982</u>	<u>\$56,968</u>	<u>\$176,192</u>
Total	<u>\$31,178</u>	<u>\$201,982</u>	<u>\$56,968</u>	<u>\$176,192</u>

F. Fund Equity

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

Retained Earnings – Retained earnings reflect the accumulated earnings of the enterprise fund.

Reserved for Encumbrances – The reserve for encumbrances represents encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the County but not completed as of the close of the fiscal year.

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

Detailed Notes on Account Balances (continued)

Reserved for Consumable Inventories – The reserve for inventories represents the balance of inventories on hand as of June 30, 2002. This amount is presented as a reserve to indicate that it is not an available spendable resource.

G. Sales Tax

The voters of Stephens County approved a one-half percent sales tax effective October 1, 2000. The sales tax was established to provide revenue for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining County jail facilities and parking facilities for Stephens County; to pay the principal of and interest on indebtedness incurred on behalf of the County by the Stephens County Governmental Building Authority for such purposes; providing that three-tenths of 1 percent sales tax shall be levied until repealed by a majority of the electors of Stephens County in an election called for that purpose, and further providing that the remaining two-tenths of 1 percent sales tax shall expire and cease to be collected on October 1, 2005.

Effective January 1, 2001, for a period of 20 years, the County will realize an additional revenue from a one-fourth percent sales tax levy. The purpose of the tax is to provide revenue exclusively for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining County fair facilities; and pay the principal and interest on indebtedness incurred on behalf of the County by the Stephens County Governmental Building Authority.

H. Fuel Taxes

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

4. Enterprise Fund

The enterprise fund shown in the financial statements is used to account for the activities of the Stephens County Governmental Building Authority, which is a component unit of Stephens County.

A. Stephens County Governmental Building Authority

The Stephens County Governmental Building Authority (the Authority) is a public trust organized on April 17, 2000, under Title 60 of the Oklahoma Statutes, for the purpose, among others, of constructing, owning, and operating public buildings and other facilities within Stephens County, Oklahoma.

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

Enterprise Fund (continued)

B. Cash and Cash Equivalents

Cash and cash equivalents include the following accounts at June 30, 2002:

Cash-BancFirst Construction Funds	\$12,187,984
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Restricted Cash

The Authority also had the following restricted cash accounts at June 30, 2002:

Cash-BancFirst (Reserve Fund)	\$1,969,455
Cash-BancFirst (Sinking Fund)	1,011,304
Cash-BancFirst (Escrow Fund)	<u>3,455,241</u>
	<u>\$6,436,000</u>

The cash accounts, including restricted funds, are temporarily invested in federal obligations; consequently, no collateral pledge is required.

C. Long-Term Debt

On September 1, 2000, the Authority issued its Series 2000 Sales Tax Revenue Bonds in the amount of \$3,970,000. The bonds are payable annually in various principal amounts over the period September 1, 2001, through September 1, 2005. The interest rate on individual bonds is 4.9% to 5.3% per annum. The bonds were sold at a discount of \$79,4000, making the effective average interest rate of approximately 5.88% per annum. The bonds are payable as follows:

Date	Principal	Interest	Total
9/1/02	\$ 680,000	\$ 86,008	\$ 766,008
3/1/03		69,008	69,008
9/1/03	710,000	69,007	779,007
3/1/04		50,903	50,903
9/1/04	750,000	50,902	800,902
3/1/05		31,403	31,403
9/1/05	<u>1,185,000</u>	<u>31,402</u>	<u>1,216,402</u>
Total	<u>\$3,325,000</u>	<u>\$388,633</u>	<u>\$3,713,633</u>

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

Enterprise Fund (continued)

On January 1, 2001, the Authority issued its Series 2001 Sales Tax Revenue Bonds in the amount of \$7,465,000. The bonds are payable annually in various principal amounts over the period January 1, 2002, through January 1, 2021. The interest rate on individual bonds is 4.9% to 6.4% per annum. The bonds were sold at a discount of \$149,300, making the effective average interest rate approximately 6.43% per annum. The bonds are payable as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
7/1/02		\$ 223,975	\$ 223,975
1/1/03	\$ 110,000	223,975	333,975
7/1/03		221,225	221,225
1/4/04	130,000	221,225	351,225
7/1/04		217,910	217,910
1/1/05	150,000	217,910	367,910
7/1/05		214,048	214,048
1/1/06	170,000	214,047	384,047
7/1/06		209,628	209,628
1/1/07	190,000	209,627	399,627
7/1/07-1/1/12	1,315,000	1,916,140	3,231,140
7/1/12-1/1/17	2,135,000	1,440,290	3,575,290
7/1/17-1/1/21	3,155,000	579,520	3,734,520
Total	<u>\$7,355,000</u>	<u>\$6,109,520</u>	<u>\$13,464,520</u>

On February 1, 2002, the Authority issued its 2002 Series Sales Tax Revenue Bonds in the amount of \$4,735,000. The bonds are payable annually in various principal amounts over the period September 1, 2002, through September 1, 2006. The interest rate on individual bonds is 2.20% to 4.2% per annum. The bonds were sold at a discount of \$94,700, making the effective average interest rate approximately 4.86% per annum. The bonds are payable as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
9/1/02	\$ 485,000	\$ 84,355	\$ 569,355
3/1/03		79,020	79,020
9/1/03	1,025,000	79,020	1,104,020
3/1/04		63,133	63,133
9/1/04	1,070,000	63,132	1,133,132
3/1/05		44,140	44,140
9/1/05	1,115,000	44,140	1,159,140
3/1/06		21,840	21,840
9/1/06	1,040,000	21,840	1,061,840
Total	<u>\$4,735,000</u>	<u>\$500,620</u>	<u>\$5,235,620</u>

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

Enterprise Fund (continued)

On April 1, 2002, the Authority issued its Series 2002, Educational Facilities Lease Revenue Bonds in the amount of \$7,150,000. The bonds are payable in various principal amounts over the period September 1, 2003, through September 1, 2008. The interest rate on the individual bonds is 4.75% per annum. The bonds were sold at a discount of \$35,750, making the effective average interest rate approximately 4.86% per annum. The bonds are payable as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
9/1/02	\$	\$ 141,511	\$ 141,511
3/1/03		169,813	169,813
9/1/03	290,000	169,813	459,813
3/1/04		162,925	162,925
9/1/04	695,000	162,925	857,925
3/1/05		146,418	146,418
9/1/05		146,419	146,419
3/1/06		146,418	146,418
9/1/06		146,419	146,419
3/1/07		146,418	146,418
9/1/07	3,885,000	146,419	4,031,419
3/1/08		54,150	54,150
9/1/08	2,280,000	54,150	2,334,150
Total	<u>\$7,150,000</u>	<u>\$1,793,798</u>	<u>\$8,943,798</u>

D. Amortization

The Authority capitalized the bond issue costs of the above bond issues, and will amortize the cost over the period of the bond issue. Cost and amortization for the year ended June 30, 2002, was as follows:

<u>Bond Issue</u>	<u>Issue Cost</u>	<u>Cumulative Amortization</u>
Series 2000, 9/1/00	\$ 84,626	\$31,029
Series 2001, 1/1/01	266,036	19,953
Series 2002, 2/1/02	159,715	14,520
Series 2002, 4/1/02	168,205	6,728
Total	<u>\$678,582</u>	<u>\$72,230</u>

E. Long-Term Leases

The Authority entered into a renewable lease with Stephens County for the lease of the correctional jail facilities of the Stephens County jail. The lease calls for the payment of a sum equal to the amount last remitted to the County of the proceeds of a ½% sales tax approved by the voters of Stephens County, Oklahoma, on August 22, 2000; said rental shall in no event be less than the amount necessary to satisfy the principal and interest due on the bonds payable during the year.

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

Enterprise Fund (continued)

The Authority entered into a long-term lease with the Duncan School District for the lease of the school buildings and fixtures to be constructed by the Authority. The lease calls for the payment of lease payments in an amount necessary to satisfy the principal and interest due on the bonds payable during the year.

F. Fixed Assets

The jail facility, the fairgrounds, and the school facility were under construction during the period. There was no provision for depreciation during the current period.

Supplementary Schedule

**STEPHENS COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grant	14.228	9635 CDBG 00	\$ 52,515
Total U.S. Department of Housing and Urban Development			<u>52,515</u>
<u>U.S. DEPARTMENT OF THE INTERIOR</u>			
Direct Grant:			
Payment In-Lieu of Taxes	15.226		7,229
Total U.S. Department of the Interior			<u>7,229</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through District Attorneys Council			
Crime Victim Assistance	16.575	0501-812	10,326
Direct Grant:			
Local Law Enforcement Block Grant	16.592	2000-LB-BX-3129	11,336
Total U.S. Department of Justice			<u>21,662</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Oklahoma State Department of Civil Emergency Management:			
Public Assistance Grants	83.544		973,752
Hazardous Materials Emergency Preparedness	20.703		68
Hazard Mitigation	83.548		3,800
Emergency Management Preparedness Grant	83.552		8,666
Total Federal Emergency Management Agency			<u>986,286</u>
Total Expenditures of Federal Awards			<u>\$ 1,067,692</u>

**STEPHENS COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Stephens County, Oklahoma, and is presented on the *modified accrual basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**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
STEPHENS COUNTY, OKLAHOMA

We have audited the financial statements of Stephens County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated May 19, 2003. We did not audit the financial statements of the enterprise fund types. Those financial statements were audited by other auditors whose reports have been furnished to us. We qualified our opinion because the general fixed assets account group was not included in the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Stephens County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Stephens County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 97-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 97-1 to be a material weakness.

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

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

May 19, 2003

**Report on Compliance With Requirements Applicable to Each
Major Program and Internal Control Over Compliance in Accordance With
OMB Circular A-133**



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**Report on Compliance With Requirements Applicable to Each
Major Program and Internal Control Over Compliance in Accordance With
OMB Circular A-133**

TO THE OFFICERS OF
STEPHENS COUNTY, OKLAHOMA

We have audited the compliance of Stephens County, Oklahoma with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. Stephens County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Stephens County's management. Our responsibility is to express an opinion on Stephens County's compliance based on our audit.

We conducted our audit of compliance in accordance with accounting standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Stephens County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Stephens County's compliance with those requirements.

In our opinion, Stephens County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Stephens County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Stephens County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

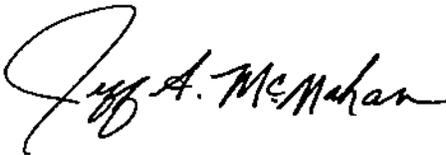
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive style with a large, sweeping initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

May 19, 2003

Schedule of Findings and Questioned Costs

**STEPHENS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
83.544	Public Assistance Grants

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	No

**STEPHENS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

SECTION 2 - Financial Statement Findings

Finding 97-1 - General Fixed Assets

Criteria: Accounting principles generally accepted in the United States of America for a governmental entity using governmental fund types require the presentation of the general fixed assets account group (GFAAG) in the financial statements.

Condition: Information is not available for reporting general fixed assets in accordance with accounting principles generally accepted in the United States of America for a government entity. The general fixed assets control account is not accurate.

Effect: This component of internal control is not effective. Accordingly, there is a greater risk that a fixed asset may not be properly accounted for and safeguarded against loss.

Recommendation: We recommend records include acquisition cost, a complete description, purchase date, location of such asset, and that a control total of the cost of these assets be maintained and reconciled annually.

SECTION 3 – Federal Award Findings and Questioned Costs

No matters were reported.

Corrective Action Plan

DARRELL SPARKS
DISTRICT ONE

FRANK KELLY
DISTRICT TWO

DEE BOWEN
DISTRICT THREE

STEPHENS COUNTY COMMISSIONERS

101 SOUTH 11TH STREET, ROOM 200
DUNCAN, OKLAHOMA 73533
580-255-4193 FAX 580-255-1771

Office of the State Auditor and Inspector
Attention: Jeff A. McMahan
State Capitol Building – Room 100
Oklahoma City, OK 73105

Gentlemen:

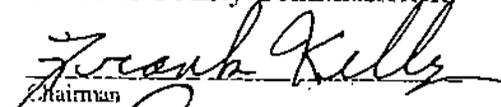
SUBJECT: CORRECTIVE ACTION PLAN

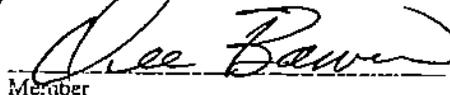
General Fixed Assets – Finding 97-1

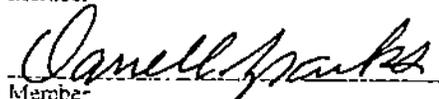
We agree that cost values and control totals are required by Generally Accepted Accounting Principles; however, we do not think the statutes require such information. We may not have the time to accumulate the information needed during the next year.

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

Stephens County
Board of County Commissioners


Chairman


Member


Member