

**STEPHENS 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

January 10, 2005

TO THE CITIZENS OF  
STEPHENS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Stephens 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 cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN  
State Auditor and Inspector

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

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

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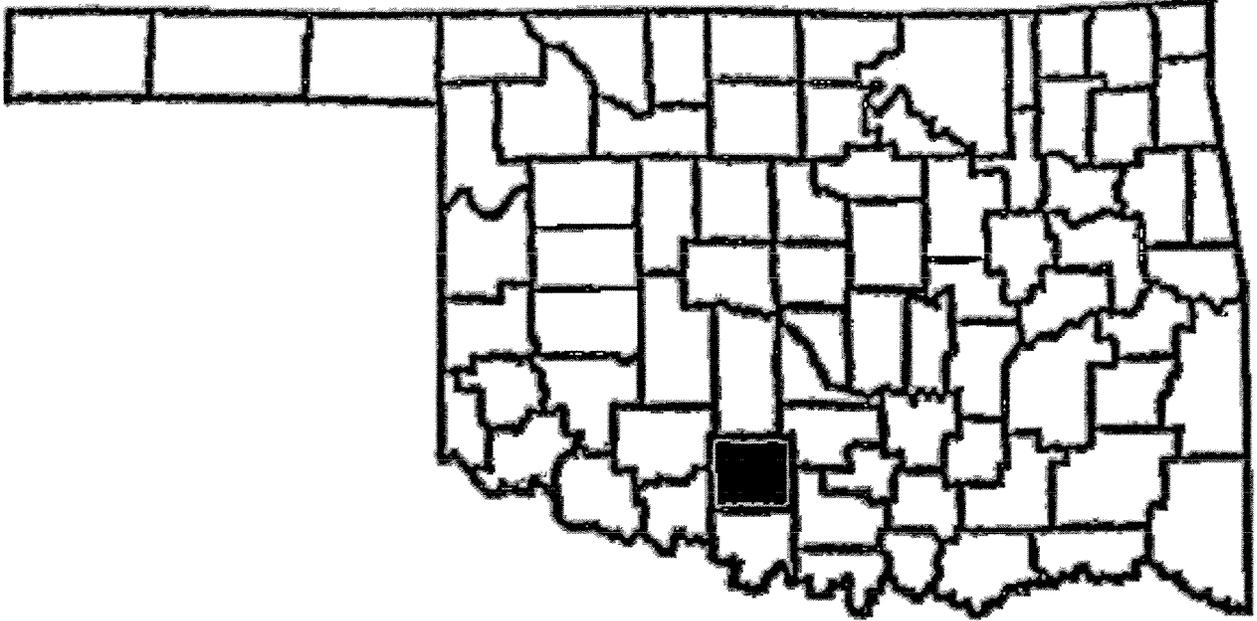
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REPORT TO THE CITIZENS  
OF  
STEPHENS COUNTY, OKLAHOMA

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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. 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.

County Seat – Duncan

Area – 877.2 Square Miles

County Population – 43,182  
(2000 est.)

Farms – 1,165

Land in Farms – 426,884 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**STEPHENS COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**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**  
Jo Johnson  
(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.

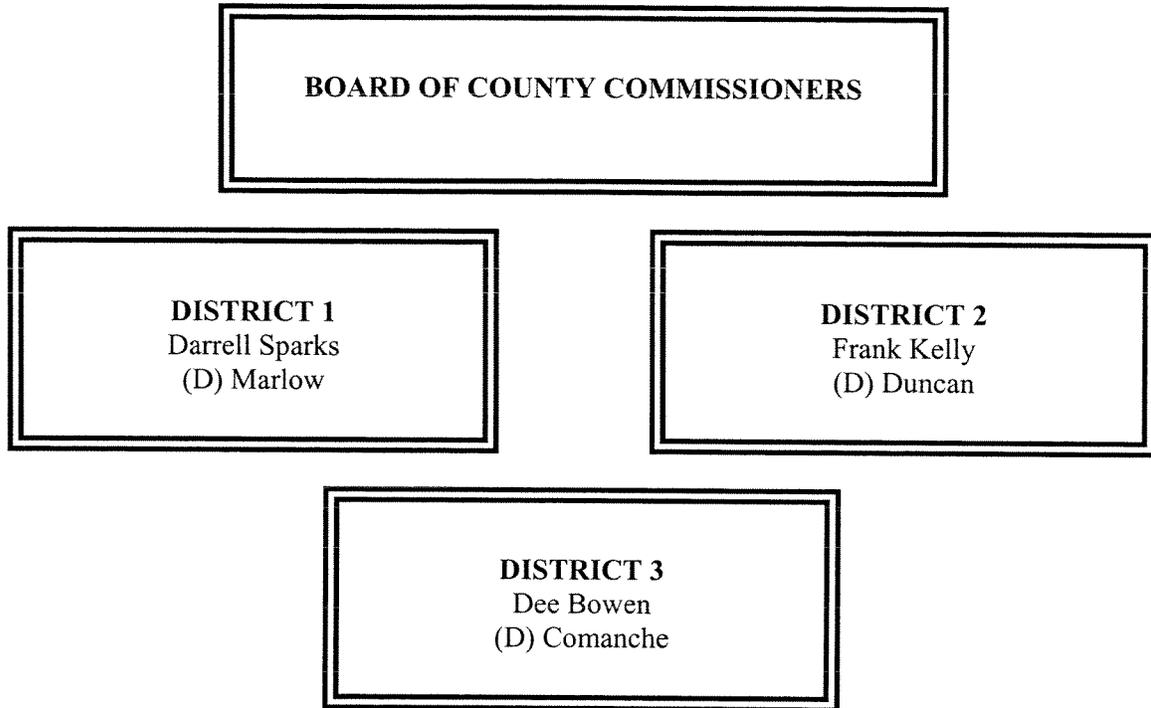
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county.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

**STEPHENS COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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

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

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

See independent auditor's report.

**STEPHENS COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**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 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.

**STEPHENS COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COURT CLERK**  
Connie Elam  
(D) Comanche

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.

**STEPHENS COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**ELECTION BOARD SECRETARY**

Peggy Winton  
(D) Duncan

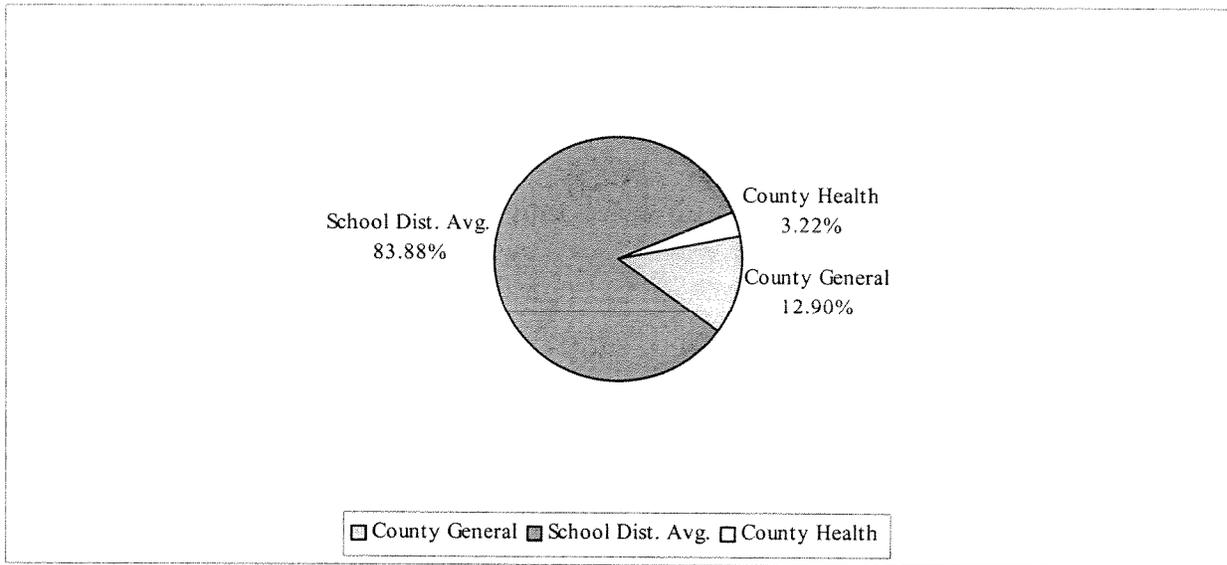
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

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

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



County-Wide Millages		School District Millages						
					Technology Center			
Co. General	10.00		Gen.	Bldg.	Skg.	Building	Common	Total
County Health	2.50	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	12.00	4.00	67.81
		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
		Pernell	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.

## **Financial Section**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Independent Auditor's Report**

TO THE OFFICERS OF  
STEPHENS COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Stephens 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 Stephens 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 Stephens 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 Stephens 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 Stephens 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 December 20, 2004, 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.

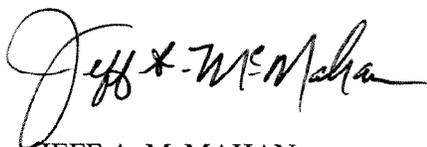
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Stephens County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole. The 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, 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. McMAHAN". The signature is written in a cursive style with a large, looped initial "J".

JEFF A. McMAHAN  
State Auditor and Inspector

December 20, 2004

**Special-Purpose Financial Statements**

**STEPHENS 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
County General Fund	\$ 953,486	\$ 2,391,772	\$ 2,641,497	\$	\$ 703,761
Highway Cash	6,318,552	4,549,403	4,668,790		6,199,165
County Health Department	350,466	434,639	468,867		316,238
Resale Property	131,589	179,402	131,305		179,686
Sheriff Service Fee	29,514	146,114	130,950		44,678
Sheriff Housing	95,880	125,289	124,696		96,473
Sheriff Training	409		108		301
DARE	8				8
Civil Defense	8,179	11,261	10,175		9,265
District Attorney Community Service	6,616	1,817			8,433
Community Service Sentencing Program	3,722	1,216	632		4,306
County Clerk Lien Fee	43,132	20,873	8,967		55,038
Cash Fund	70,355	71,625	53,206		88,774
Treasurer Mortgage Tax Certification Fee	34,433	17,497	10,702		41,228
Assessor Revolving	19,637	16,312	10,972		24,977
Assessor Visual Inspection	11,268	108			11,376
REAP	15,000	10,000	15,000		10,000
Schools	275,184	13,087,404	13,244,531		118,057
Cities and Towns	25,483	352,955	350,511		27,927
Official Depository	934,827	6,493,274	6,198,302	12,789	1,242,588
Law Library	29,064	44,118	27,045		46,137
Free Fair	25,024	38,393	41,451		21,966
Individual Redemption	4,035	20,623	20,697		3,961
Courthouse Building	9,737				9,737
Tax Refunds	79	8,782	5,264		3,597
Mortgage Tax Refunds		626	626		
GBA Jail - Sales Tax	1,153,073	1,706,812	1,156,914		1,702,971
GBA Fair - Sales Tax	526,178	852,828	571,100		807,906
LLEBG Local	339				339
District Attorney Evidence	53,981	35,576	39,855		49,702
District Attorney VOCA		33,000	33,000		
Multi-Jurisdictional Task Force	11,020	147,218	155,348		2,890
District Attorney Property Forfeiture	7,191	22,223	27,593		1,821
Deferred Prosecution	3,791	11,556	3,014		12,333
District Attorney Restitution	2,000				2,000
Stephens County Graduated Sanction	492	4,325	2,539		2,278
Sheriff VOCA	961	23,819	18,891		5,889
Protest Tax		369,840			369,840
Change Fund	125				125
<b>Total County Funds</b>	<u>\$ 11,154,830</u>	<u>\$ 31,230,700</u>	<u>\$ 30,172,548</u>	<u>\$ 12,789</u>	<u>\$ 12,225,771</u>

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

**STEPHENS 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	\$ 952,800	\$ 952,800	\$ 953,486	\$ 686
Less: Prior Year Outstanding Warrants	(57,436)	(57,436)	(57,436)	
Less: Prior Year Encumbrances	(88,652)	(88,652)	(78,510)	10,142
Beginning Cash Balances, Budgetary Basis	<u>806,712</u>	<u>806,712</u>	<u>817,540</u>	<u>10,828</u>
Receipts:				
Ad Valorem Taxes	1,587,815	1,587,815	1,640,384	52,569
Charges for Services	229,859	229,859	264,700	34,841
Intergovernmental Revenues	333,957	386,563	346,838	(39,725)
Miscellaneous Revenues	323,632	323,632	139,850	(183,782)
Total Receipts, Budgetary Basis	<u>2,475,263</u>	<u>2,527,869</u>	<u>2,391,772</u>	<u>(136,097)</u>
Expenditures:				
District Attorney	22,000	21,000	15,348	5,652
Capital Outlay	3,000	4,000		4,000
Total District Attorney	<u>25,000</u>	<u>25,000</u>	<u>15,348</u>	<u>9,652</u>
County Sheriff	551,439	581,439	556,357	25,082
Capital Outlay	3,000	3,000	1,836	1,164
Total County Sheriff	<u>554,439</u>	<u>584,439</u>	<u>558,193</u>	<u>26,246</u>
County Treasurer	162,389	162,389	161,054	1,335
Capital Outlay	1	1		1
Total County Treasurer	<u>162,390</u>	<u>162,390</u>	<u>161,054</u>	<u>1,336</u>
County Commissioners	3,000	1,510	1,434	76
Capital Outlay	500	1,990	1,425	565
Total County Commissioners	<u>3,500</u>	<u>3,500</u>	<u>2,859</u>	<u>641</u>
OSU Extension	82,948	78,148	72,013	6,135
Capital Outlay	3,000	7,800	7,755	45
Total OSU Extension	<u>85,948</u>	<u>85,948</u>	<u>79,768</u>	<u>6,180</u>
County Clerk	289,839	290,839	289,513	1,326
Capital Outlay	12,000	11,000	10,189	811
Total County Clerk	<u>301,839</u>	<u>301,839</u>	<u>299,702</u>	<u>2,137</u>
Court Clerk	168,739	168,739	161,010	7,729
Capital Outlay				
Total Court Clerk	<u>168,739</u>	<u>168,739</u>	<u>161,010</u>	<u>7,729</u>
County Assessor	151,927	149,206	148,339	867
Capital Outlay	3,001	5,722	5,595	127
Total County Assessor	<u>154,928</u>	<u>154,928</u>	<u>153,934</u>	<u>994</u>
Revaluation of Real Property	222,250	244,042	201,709	42,333
Capital Outlay	38,000	33,000	13,964	19,036
Total Revaluation of Real Property	<u>260,250</u>	<u>277,042</u>	<u>215,673</u>	<u>61,369</u>

continued on next page

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

**STEPHENS 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

	Original Budget	Final Budget	Actual	Variance
District Court	3,000	5,550	5,532	18
Capital Outlay				
Total District Court	3,000	5,550	5,532	18
General Government	1,268,300	1,270,106	828,593	441,513
Capital Outlay	3,000	3,000	1,018	1,982
Total General Government	1,271,300	1,273,106	829,611	443,495
Excise-Equalization Board	7,050	7,050	3,894	3,156
Capital Outlay	1	1		1
Total Excise-Equalization Board	7,051	7,051	3,894	3,157
County Election Board	79,633	79,924	72,881	7,043
Capital Outlay	1	1,168	796	372
Total County Election Board	79,634	81,092	73,677	7,415
Charity	31,140	31,140	24,802	6,338
Capital Outlay	1	1		1
Total Charity	31,141	31,141	24,802	6,339
Trapper - Animal Control	2,400	2,400	2,400	
Capital Outlay				
Total Trapper-Animal Control	2,400	2,400	2,400	-
County Audit Budget	17,466	17,466	17,466	
Total County Audit Budget	17,466	17,466	17,466	-
Free Fair Budget	150,950	138,903	138,874	29
Capital Outlay	2,000	14,047	9,552	4,495
Total Free Fair Budget	152,950	152,950	148,426	4,524
Total Expenditures, Budgetary Basis	3,281,975	3,334,581	2,753,349	581,232
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	455,963	\$ 455,963
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			66,164	
Add: Current Year Outstanding Warrants			181,634	
Ending Cash Balance			\$ 703,761	

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

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

	County Health Department			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 350,466	\$ 350,466	\$ 350,466	\$ -
Less: Prior Year Outstanding Warrants	(993)	(993)	(993)	
Less: Prior Year Encumbrances	(47,576)	(47,576)	(35,128)	12,448
Beginning Cash Balances, Budgetary Basis	<u>301,897</u>	<u>301,897</u>	<u>314,345</u>	<u>12,448</u>
Receipts:				
Ad Valorem Taxes	396,953	396,953	410,066	13,113
Charges for Services			4,870	4,870
Intergovernmental Revenue		5,833	18,722	12,889
Miscellaneous Revenues			981	981
Total Receipts, Budgetary Basis	<u>396,953</u>	<u>402,786</u>	<u>434,639</u>	<u>31,853</u>
Expenditures:				
Health and Welfare	540,000	595,833	528,488	67,345
Capital Outlay	158,850	108,850	2,466	106,384
Total Expenditures, Budgetary Basis	<u>698,850</u>	<u>704,683</u>	<u>530,954</u>	<u>173,729</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	218,030	<u>\$ 218,030</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			95,382	
Add: Current Year Outstanding Warrants			2,826	
Ending Cash Balance			<u>\$ 316,238</u>	

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

**STEPHENS 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
District Court Clerk	\$ 430,939	\$ 2,370,478	\$ 2,163,080	\$ 5,395	\$ 643,732
Court Fund	252,631	1,129,794	1,105,794	763	277,394
Court Clerk Revolving	53,403	30,460	9,572		74,291
District Attorney Bogus Check	108,004	672,554	633,398	1,916	149,076
Victim Restitution	1,238	72,978	73,511	301	1,006
Victim Fee Restitution	591	779	93		1,277
State Witness Fee	1,323	7,888	7,062		2,149
County Sheriff		229,653	229,653		
Sheriff Drug Buy	365	80			445
Sheriff Donation	134	700	260		574
Incarceration	3,134	1,522			4,656
County Clerk		413,048	413,253	205	
Trust Account	24,452	706,734	710,533	2,408	23,061
EFTPS		713,999	713,999		
AFLAC Insurance		2,175	2,175		
Vehicle Stamps		37,191	37,191		
Farm Stamps		5,934	5,934		
County Election Board	1,138	58,747	59,894	1,801	1,792
County Health Department	1,475	16,577	15,602		2,450
County Commissioners	56,000	4,500	1,000		59,500
County Assessor		17,483	16,298		1,185
<b>Total Official Depository Accounts</b>	<u>\$ 934,827</u>	<u>\$ 6,493,274</u>	<u>\$ 6,198,302</u>	<u>\$ 12,789</u>	<u>\$ 1,242,588</u>

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

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

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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 Stephens 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 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. Funds presented are established by statute, and their operations are under the control of the County officials.

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

Summary of Significant Accounting Policies (continued)

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

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

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

E. Cash and Investments

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

F. Risk Management

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

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

STEPHENS 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>
Worker's Compensation - Employees' Injuries	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Employee - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of coverage.	None

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$50,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

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

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

G. Compensated Absences

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

<u>Years of Service</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

Summary of Significant Accounting Policies (continued)

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.

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.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$12,225,771 and the bank balance was \$12,297,301. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

Detailed Notes on Funds and 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 - accounts for the general operations of the government.

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

County Health Department – accounts for monies collected on behalf of the County Health Department from ad valorem taxes and state and local revenues.

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

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

Sheriff Housing – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of maintaining the jail.

Sheriff Training – accounts for the monies collected from sale of unclaimed personal property. The statutes allow for the purchase of equipment, materials, or supplies that may be used in crime prevention, education, training, or programming.

DARE – accounts for state funds disbursed for the purpose of drug education and drug awareness.

Civil Defense – accounts for the receipt and disbursement of funds from state and local government for emergency management director's salary.

District Attorney Community Service – accounts for money given by the state and used for community service purposes.

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

County Clerk Lien Fee - accounts for lien collections and disbursements as restricted by statute.

Cash Fund - accounts for change funds maintained by county offices.

Detailed Notes on Account Balances (continued)

Treasurer Mortgage Tax Certification Fee - accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by statute.

Assessor Revolving - accounts for the collection of fees for copies restricted by state statute.

Assessor Visual Inspection - accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

REAP Grant - accounts for grant monies received for fire departments to pay for equipment.

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

Cities and Towns - accounts for Oklahoma Tax Commission collections distributed to the cities of the County.

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

Law Library - accounts for monies received for disbursement from the state for the Law Library Board.

Free Fair - accounts for monies received from rentals and used for the operations of the fairgrounds.

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

Courthouse Building - accounts for monies received for courthouse improvements.

Tax Refunds - accounts for ad valorem taxes held and refunded to the taxpayer.

Mortgage Tax Refunds - accounts for mortgage taxes held and refunded to the taxpayer.

Jail - Sales Tax - accounts for sales taxes received to build new jail at the county courthouse.

Fair - Sales Tax - accounts for sales taxes received to renovate and build new buildings at the fairgrounds.

LLEBG Local - accounts for collections of contracts for law enforcement of surrounding cities and towns and disbursed for personal services.

Detailed Notes on Account Balances (continued)

District Attorney Evidence – accounts for monies placed in evidence until cases are finalized and money is released or forfeited.

District Attorney VOCA – This is a grant and the money is used to pay salaries of a victim’s advocate.

Multi-Jurisdictional Task Force – accounts for District Attorney cash fund of drug confiscations money used for drug bust operations.

District Attorney Property Forfeiture – accounts for monies forfeited from evidence confiscation and drug bust and money is used for the legal operation of the District Attorney’s office.

Deferred Prosecution – accounts for District Attorney deferred prosecution, which consists of \$40.00 per month fee collected and funds are used for legal operation of the office.

District Attorney Restitution – accounts for bogus check fee monies received and used for legal operation of the office.

Stephens County District Attorney Graduated Sanction – accounts for fees collected from juveniles who perform community service in lieu of a jail sentence.

Sheriff VOCA – accounts for grant monies received to pay salaries of victim’s advocate.

Protest Tax – accounts for ad valorem collected under protest and held until issue is resolved and then apportioned or refunded as decided.

Change Fund - accounts for change funds held in the Treasurer’s office.

Additionally, the following official depository accounts are described as follows:

District Court Clerk – the “court clerk” or “district court” trust account is for money received from attorneys, defendants, plaintiffs, estates, or others. These deposits are for court fees, cash bonds, judgments, fines, etc. The Court Clerk acts as custodian in a fiduciary capacity for these deposits until the court fees are assessed, fines imposed, judgments rendered, etc. Disbursements are made to transfer funds to the court fund, the court clerk revolving fund, the Oklahoma Supreme Court, other state agencies, for refunds of excess deposits, or for other distributions as ordered by the court.

Detailed Notes on Account Balances (continued)

District Court Fund – This account is established by 20 O.S. § 1301. Its purpose is for “defraying the expenses of holding court” and is the local operating fund for the court. Deposits made to the court fund are fees which have been charged to the various court cases, collected by the Court Clerk, then transferred from the court clerk (or district court) trust account.

Court Clerk Revolving – This account was established for the collection of administrative fees collected by the Court Clerk to be used to defray costs incurred for the operation of the Court Clerk’s office.

District Attorney Bogus Check – accounts for fees collected for bogus checks written and used to defray cost incurred in the District Attorney’s office.

Victim Restitution – administered by the District Attorney, accounts for the collection and disbursement of checks issued on bank accounts with insufficient funds. Bogus check writers make restitution to vendors and other victims through this program.

Victims Fee Restitution - accounts for fees received for the administration of victim restitution.

State Witness Fee – administered by the District Attorney’s office, these are state funds for the payment of trial witnesses.

County Sheriff – deposits are for cash bonds, service fees, tax warrants, collected copies, etc. Disbursements are made to transfer funds collected to the Court Clerk, the County Treasurer for apportionment to the general ledger and other county funds, the Oklahoma Tax Commission or other state agencies, as required.

Sheriff Drug Buy – accounts for the collection of money on drug forfeitures.

Sheriff Donation – accounts for donated monies.

Incarceration – accounts for fees collected by court order for incarceration in the County jail.

County Clerk – deposits include collections for recording fees, fax and copy fees, etc. Disbursements are made for transfers to the general fund and other county funds, to the Oklahoma Tax Commission, and for any refunds.

Trust Account – deposits are made by the Treasurer for advance payments on real and property taxes. Disbursements are made to transfer funds to the general fund.

Detailed Notes on Account Balances (continued)

EFTPS – accounts for employees and employers withholding taxes. Disbursements are made to IRS.

AFLAC Insurance - accounts for extra premiums paid and transferred to the insurance company on behalf of the County employees.

Vehicle Stamps – accounts for fees collected by the dealership on the sale of vehicles. Disbursed to the Oklahoma Tax Commission, schools and the County general fund.

Farm Stamps - accounts for fees collected by the dealership on the sale of farm machinery. Disbursed to the Oklahoma Tax Commission, schools and the County general fund.

County Election Board – deposits are from the State Election Board and from local government entities for the purpose of offsetting election costs. Disbursements are made for election workers, printing costs, and other operating expenses.

County Health Department – accounts for monies collected on behalf of the County Health Department for fees transferred to the County Health Department Cash Fund.

County Commissioners – accounts for monies received for road permits and is disbursed back upon commissioner approval.

County Assessor – deposits are from all collections for copies and proceeds from sale of ownership books to be disbursed at the end of the month and deposited in the Assessor Revolving Fund for operating expenses.

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 \$174,659,633.

Detailed Notes on Account Balances (continued)

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.00 mills (the legal maximum) for general fund operations and 2.50 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 94 percent of the tax levy.

D. Pension Plan

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

E. Capital Leases

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

F. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

Detailed Notes on Account Balances (continued)

G. Fuel Tax

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

4. Contingent Liabilities

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

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

5. 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 the 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 one 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 one 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 received 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.

**Supplementary Schedule Section**

STEPHENS COUNTY, OKLAHOMA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 JUNE 30, 2003

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>		
Passed through the District Attorneys Council:		
Victims of Crime Assistance	16.575	\$ 23,879
Total U.S. Department of Justice		<u>23,879</u>
<u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT AGENCY</u>		
Passed through the Oklahoma Department of Civil Emergency Management:		
Public Assistance Grant	83.544	\$ 492,651
Hazardous Materials Emergency Preparedness Emergency Management Preparedness Grant	20.703 83.552	1,678 8,666
Total U.S. Department of Federal Emergency Management Agency		<u>502,995</u>
Total Expenditures of Federal Awards		<u>\$ 526,874</u>

**STEPHENS COUNTY, OKLAHOMA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2003**

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Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Stephens County and is presented on the *cash basis of accounting*. Grant expenditures reported were paid or incurred as of June 30, 2003. The information in this schedule is presented in accordance with the contractual requirements of Stephens County.

**Compliance\Internal Control Section**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

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

TO THE OFFICERS OF  
STEPHENS COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Stephens County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 20, 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 Stephens County's special-purpose 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 special-purpose 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 2003-1.

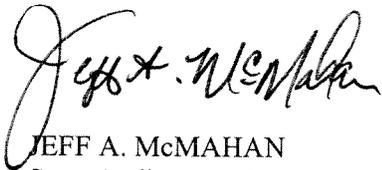
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected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

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

This report is intended solely for the information and use of the management of the County, 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

December 20, 2004



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

Compliance

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, 2003. The 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 the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 the 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 on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the 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 the 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.

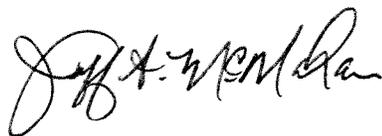
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively 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,



JEFF A. McMAHAN  
State Auditor and Inspector

December 20, 2004

STEPHENS COUNTY, OKLAHOMA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 JUNE 30, 2003

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**SECTION 1 - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:	Unqualified
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> 83.544	<u>Name of Federal Program or Cluster</u> FEMA Public Assistance Grant
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	No

**SECTION 2 - Findings related to the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

Criteria: Demonstration of accountability and stewardship are goals in the evaluation of 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: Due to the limited number of employees in the offices, there are individuals who are primarily responsible for all or most of the calculating, reviewing, approving, disbursing and reporting of disbursements from official depository accounts.

Recommendation: We recommend management be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. It is desirable to review transactions and cross train employees to perform various duties, and then periodically change the division of the duties. This would provide some level of segregation of duties and increase the possibility for the detection of irregularities.

Management Response: Management is aware of the situation, and will conduct periodic reviews of operations.

**SECTION 3 – Findings related to the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.**

No matters were reported.

**Statistical Section  
(Unaudited)**

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

<u>TAXPAYER NAME</u>	<u>JANUARY 1, 2002 NET ASSESSED VALUATION</u>	<u>% OF TOTAL NET VALUATION</u>
Halliburton Co.	\$ 10,836,442	6.20%
Family Dollar Service Inc.	6,437,552	3.69%
Southwestern Bell	6,380,664	3.65%
Spectrum Field Services	3,770,979	2.16%
Public Service Co.	1,976,128	1.13%
Duke Energy Field Service	1,893,419	1.08%
Wal-Mart Stores	1,660,488	0.95%
Teppco Crude Pipeline LLC	1,416,348	0.81%
Alltel Oklahoma Inc.	1,173,065	0.67%
Equilon Pipeline Co.	1,074,818	0.62%
Total	<u>\$ 36,619,903</u>	<u>20.96%</u>

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

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

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Total net assessed value as of January 1, 2002		<u>\$ 174,659,633</u>
Debt limit - 5% of total assessed value		\$ 8,732,982
Total bonds outstanding	0	
Total judgments outstanding	0	
Less cash in sinking fund	<u>0</u>	<u>-</u>
Legal debt margin		<u>\$ 8,732,982</u>

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

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	<u>2003</u>
Estimated population	<u>43,182</u>
Net assessed value as of January 1, 2002	<u>\$ 174,659,633</u>
Net bonded debt	<u>\$ -</u>
Ratio of net bonded debt to assessed value	<u>0%</u>
Net bonded debt per capita	<u>\$ -</u>

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

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Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2002	\$44,779,607	\$20,940,623	\$120,947,930	\$12,008,527	\$174,659,633	\$1,489,089,410