

**MAJOR COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

March 3, 2006

TO THE CITIZENS OF  
MAJOR COUNTY, OKLAHOMA

Transmitted herewith is the audit of Major County, Oklahoma, for the fiscal year ended June 30, 2005. 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 serving the public interest by providing independent oversight and by issuing 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

MAJOR COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED 2005

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TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Major County .....	ii
County Officials and Responsibilities .....	iii
Ad Valorem Tax Distribution.....	viii
Computation of Legal Debt Margin .....	ix
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita .....	x
Assessed Value of Property.....	xi

FINANCIAL SECTION

Report of State Auditor and Inspector.....	1
Basic Financial Statement:	
Combined Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information).....	3
Notes to the Financial Statement .....	4

OTHER SUPPLEMENTARY INFORMATION

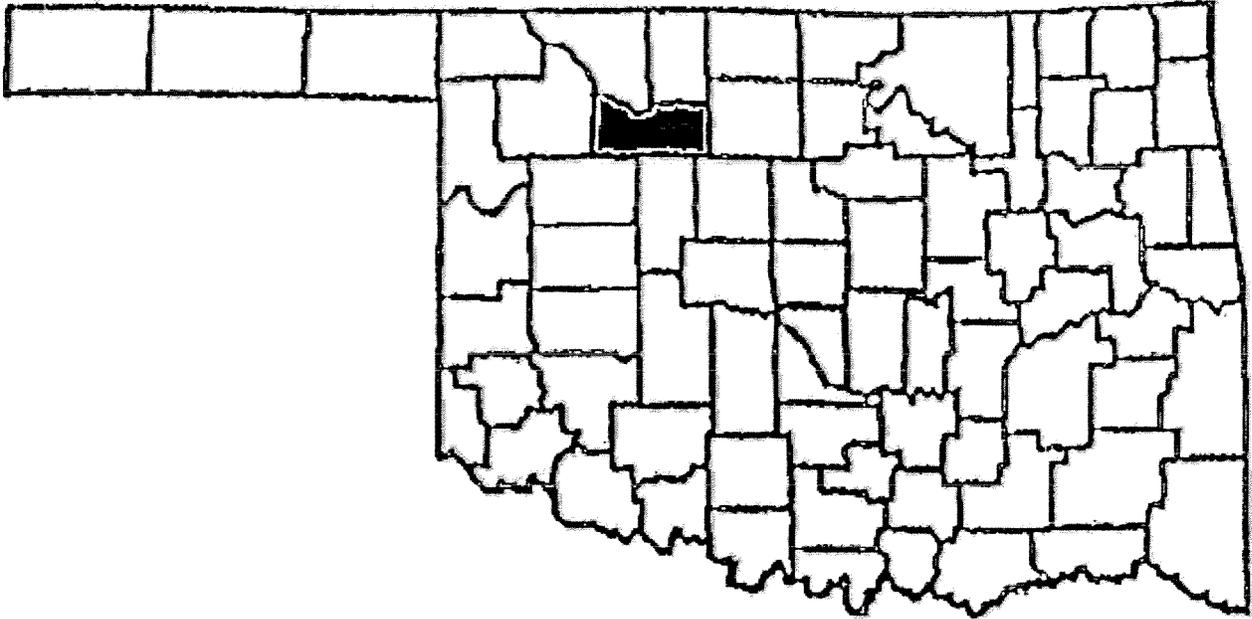
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund .....	11
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund.....	13
Notes to Other Supplementary Information.....	14

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	15
Schedule of Findings and Responses.....	17

REPORT TO THE CITIZENS  
OF  
MAJOR COUNTY, OKLAHOMA

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Major County was created at statehood from the southern portion of Woods County, Oklahoma Territory, and named for John C. Major, a member of the Oklahoma Constitutional Convention.

Several companies manufacture products ranging from oil drilling equipment to industrial loaders and steel truck bodies.

Annual events of interest include Fairview Follies, Wranglers Rodeo, National John Deere Two Cylinder Show, Major County Fair, and an Old Time Threshing Bee.

County Seat - Fairview

Area – 580.13 Square Miles

County Population – 7,363  
(2004 est.)

Farms - 879

Land in Farms - 508,689 acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

**MAJOR COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**COUNTY ASSESSOR**  
Ralph Wilson  
(R) Fairview

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**  
Kathy McClure  
(R) Fairview

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.

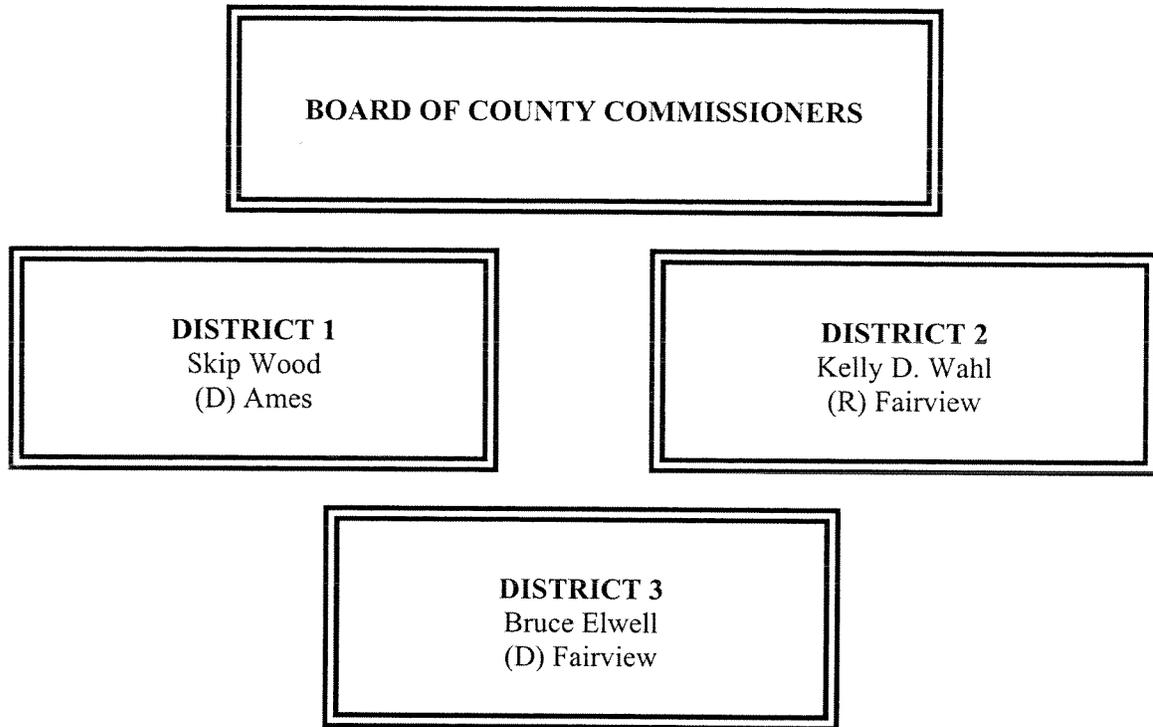
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county.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

**MAJOR COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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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.

**MAJOR COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**COUNTY SHERIFF**  
Tom Shaffer  
(R) Ringwood

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**  
Reba Hiebert  
(R) Ringwood

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.

**MAJOR COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**COURT CLERK**  
Shauna Hoffman  
(R) Fairview

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**  
Ray Don Jackson  
(D) Woodward

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.

**MAJOR COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**ELECTION BOARD SECRETARY**

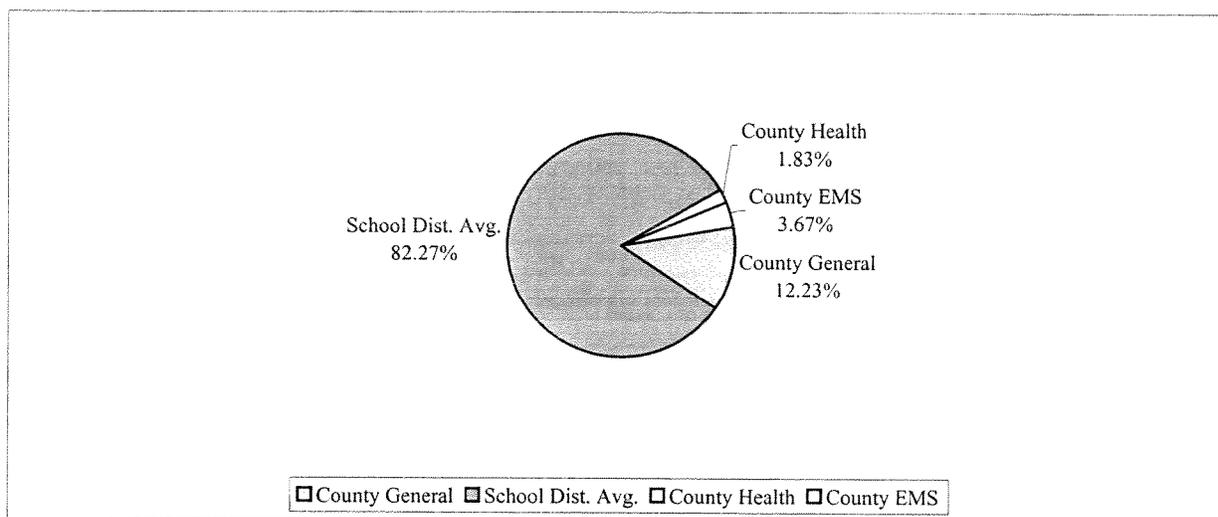
Mary Ann Lynch  
(D) Fairview

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.

**MAJOR COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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							
Co. General				Gen.	Bldg.	Skg.	Career Tech	Common	Total
Co. General	10.00								
County Health	1.50	Ringwood	I-1	35.00	5.00	23.00	13.00	4.00	80.00
County EMS	3.00	Cimarron	I-92	35.00	5.00	10.41	15.00	4.00	69.41
		Aline-Cleo	I-4	35.00	5.00	3.98	13.00	4.00	60.98
		Fairview	I-84	35.00	5.00	10.43	13.00	4.00	67.43
		Mooreland	J-2W	35.00	5.00	6.26	13.00	4.00	63.26
		Waynoka	J-3W	35.00	5.00	9.75	13.00	4.00	66.75
		Seiling	J-8D	35.00	5.00	4.77	13.00	4.00	61.77
		Okeene	J-9B	35.00	5.00	13.84	13.00	4.00	70.84
		Hennessey	J-16K	35.00	5.00	11.97	13.00	4.00	68.97
		Chisholm	J-42G	35.00	5.00	5.99	15.00	4.00	64.99
		Drummond	J-85G	35.00	5.00	8.70	15.00	4.00	67.70
		Timberlake	J-93A	35.00	5.00	4.94	13.00	4.00	61.94
		Canton	J-105B	35.00	5.00	13.57	13.00	4.00	70.57

See independent auditor's report.

**MAJOR COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(UNAUDITED)**

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Total net assessed value as of January 1, 2004		<u>\$ 63,101,579</u>
Debt limit - 5% of total assessed value		3,155,079
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	-
Legal debt margin		<u>\$ 3,155,079</u>

See independent auditor's report.

**MAJOR COUNTY, OKLAHOMA  
 RATIO OF NET GENERAL BONDED DEBT TO ASSESSED  
 VALUE AND NET BONDED DEBT PER CAPITA  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
 (UNAUDITED)**

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	2005
Estimated population	7,363
Net assessed value as of January 1, 2004	\$ 63,101,579
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**MAJOR COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(UNAUDITED)**

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<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2004	\$25,518,517	\$6,823,903	\$32,955,495	\$2,196,336	\$63,101,579	\$561,445,835

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  
MAJOR COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Major County, Oklahoma, as of and for the year ended June 30, 2005, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Major County's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

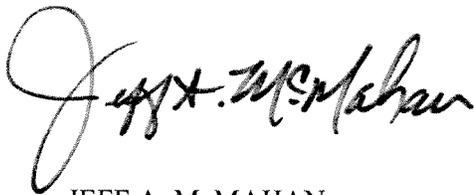
As described in Note 1, this financial statement was prepared using accounting practices prescribed by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Major County as of June 30, 2005, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Major County, for the year ended June 30, 2005, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2006, on our consideration of Major County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in black ink, reading "Jeff A. McMAHAN". The signature is written in a cursive style with a large initial "J" and "M".

JEFF A. McMAHAN  
State Auditor and Inspector

February 21, 2006

## **Basic Financial Statement**

**MAJOR COUNTY, OKLAHOMA  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
(WITH COMBINING INFORMATION)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Combining Information	Beginning Cash Balances July 1, 2004	Receipts Apportioned	Disbursements	Transfers In/Out	Ending Cash Balances June 30, 2005
County General Fund	\$ 149,119	\$ 1,111,102	\$ 996,340		\$ 263,881
County Highway Cash	1,249,764	4,064,373	3,732,980	(23,993)	1,557,164
County Health Department	118,602	106,687	41,154		184,135
Resale Property	41,970	53,561	19,116		76,415
Sheriff Service Fee	12,695	84,273	69,015		27,953
Community Service Sentencing Program	73				73
Contract Board of Prisoner Revolving	12,726	111,693	97,368		27,051
County Clerk Lien Fee	19,091	14,828	17,916		16,003
County Clerk Records Management Preservation Fee	42,837	18,126	28,994		31,969
Treasurer Mortgage Tax Certification Fee	2,951	1,875	1,436		3,390
Assessor Visual Inspection	3,416	24			3,440
Assessor Revolving Fee	5,390	1,084	585		5,889
Rural Fire	37,093	11,605	41,258	23,993	31,433
Grants	6,290	27,066	31,356		2,000
<b>Combined Total--All County Funds</b>	<u>\$ 1,702,017</u>	<u>\$ 5,606,297</u>	<u>\$ 5,077,518</u>	<u>\$ -</u>	<u>\$ 2,230,796</u>

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

**MAJOR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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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 basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Major County, Oklahoma. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

**B. Fund Accounting**

The County 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.

Following are descriptions of the funds included as supplementary information within the financial statement:

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

County 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.

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

**MAJOR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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Contract Board of Prisoner Revolving - accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of maintaining the jail.

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

County Clerk Records Management Preservation Fee - accounts for fees collected for instruments filed in the Registrar of Deeds as restricted by statute for preservation of records.

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

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

Rural Fire - accounts for monies collected on behalf of the fire district from ad valorem taxes and remitted to them monthly.

Grants - accounts for federal grants received and expended based on the agreement with the awarding agency.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, school districts and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement, those funds play no part in the County's operations.

**C. Basis of Accounting**

The basic financial statement is 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. This cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

**MAJOR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**D. Budget**

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. 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.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

**E. Cash**

The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

**F. Investments**

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

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

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured.

**MAJOR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**G. Compensated Absences**

Vacation benefits are earned by the employee during the year and may not be accumulated. Employees with service years up to 1 year earn 5 days and 2 thru 9 service years earn 10 days per year. Employees with service years 10 to 19 earn 15 days and service years exceeding 19 years earn 20 days per year. Vacation leave is accrued monthly and must be used before the next anniversary date.

Sick leave benefits are accrued at the rate of 10 hours per month and employees may accumulate up to 130 days. Sick leave is not paid upon termination.

**2. 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, 2004, was approximately \$63,101,579.

The County levied 10.00 mills for general fund operations, 1.5 mills for the county health department, and 3.0 mills for the emergency medical service. In addition, the County 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, 2005, were approximately 97.2 percent of the tax levy.

**MAJOR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**3. 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. Risk Management**

The County is exposed to the various risks of loss shown in the following table:

<b>Types of Loss</b>	<b>Method of Management</b>	<b>Risk of Loss Retained</b>
General Liability <ul style="list-style-type: none"> <li>• Torts</li> <li>• Errors and Omissions</li> <li>• Law Enforcement Officers Liability</li> <li>• Vehicle</li> </ul>	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant <ul style="list-style-type: none"> <li>• Theft</li> <li>• Damage to Assets</li> <li>• Natural Disasters</li> </ul>		
Worker's Compensation <ul style="list-style-type: none"> <li>• Employees' Injuries</li> </ul>	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee <ul style="list-style-type: none"> <li>• Medical</li> <li>• Disability</li> <li>• Dental</li> <li>• Life</li> </ul>	The County carries commercial insurance.	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 \$10,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance

**MAJOR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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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.

**5. Long-term Obligations**

**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 pieces of machinery subsequently acquired.

**6. 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, 2005, 2004, and 2003 were \$150,426, \$155,751, and \$147,166, respectively, equal to the required contributions for each year.

**MAJOR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**7. Other Post Employment Benefits (OPEB)**

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

**8. 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 County expects such amounts, if any, to be immaterial.

The County 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 County.

**OTHER SUPPLEMENTARY INFORMATION**

**MAJOR COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 149,034	\$ 149,034	\$ 149,119	\$ 85
Less: Prior Year Outstanding Warrants	(40,654)	(40,654)	(40,653)	1
Less: Prior Year Encumbrances	(9,890)	(9,890)	(9,890)	
Beginning Cash Balances, Budgetary Basis	<u>98,490</u>	<u>98,490</u>	<u>98,576</u>	<u>86</u>
Receipts:				
Ad Valorem Taxes	573,651	573,651	696,943	123,292
Charges for Services	50,345	50,345	57,055	6,710
Intergovernmental Revenues	186,521	229,890	227,247	(2,643)
Miscellaneous Revenues	75,030	137,842	129,857	(7,985)
Total Receipts, Budgetary Basis	<u>885,547</u>	<u>991,728</u>	<u>1,111,102</u>	<u>119,374</u>
Expenditures:				
District Attorney	6,300	6,300	5,134	1 166
Total District Attorney	<u>6,300</u>	<u>6,300</u>	<u>5,134</u>	<u>1,166</u>
County Sheriff	151,709	151,709	151,341	368
Total County Sheriff	<u>151,709</u>	<u>151,709</u>	<u>151,341</u>	<u>368</u>
County Treasurer	61,625	61,625	61,612	13
Total County Treasurer	<u>61,625</u>	<u>61,625</u>	<u>61,612</u>	<u>13</u>
OSU Extension	13,999	13,695	13,623	72
Capital Outlay	1	305	305	
Total OSU Extension	<u>14,000</u>	<u>14,000</u>	<u>13,928</u>	<u>72</u>
County Clerk	69,316	70,129	70,041	88
Total County Clerk	<u>69,316</u>	<u>70,129</u>	<u>70,041</u>	<u>88</u>
Court Clerk	59,316	94,716	94,716	
Total Court Clerk	<u>59,316</u>	<u>94,716</u>	<u>94,716</u>	<u>-</u>
County Assessor	60,033	60,033	59,949	84
Total County Assessor	<u>60,033</u>	<u>60,033</u>	<u>59,949</u>	<u>84</u>
Revaluation of Real Property	124,925	124,925	122,555	2,370
Total Revaluation of Real Property	<u>124,925</u>	<u>124,925</u>	<u>122,555</u>	<u>2,370</u>

continued on next page

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.

**MAJOR COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
General Government	68,935	139,477	106,787	32,690
Capital Outlay	61,550	53,820	40,103	13,717
Total General Government	<u>130,485</u>	<u>193,297</u>	<u>146,890</u>	<u>46,407</u>
Excise-Equalization Board	3,600	3,600	2,349	1,251
Total Excise-Equalization Board	<u>3,600</u>	<u>3,600</u>	<u>2,349</u>	<u>1,251</u>
County Election Board	49,058	48,245	47,986	259
Capital Outlay	5	5		5
Total County Election Board	<u>49,063</u>	<u>48,250</u>	<u>47,986</u>	<u>264</u>
Insurance	168,000	175,969	158,511	17,458
Total Insurance	<u>168,000</u>	<u>175,969</u>	<u>158,511</u>	<u>17,458</u>
Early Settlement	62,355	57,067	50,232	6,835
Capital Outlay		5,288	4,771	517
Total Early Settlement	<u>62,355</u>	<u>62,355</u>	<u>55,003</u>	<u>7,352</u>
County Audit Budget	6,310	6,310	6,310	
Total County Audit Budget	<u>6,310</u>	<u>6,310</u>	<u>6,310</u>	<u>-</u>
Free Fair Budget	11,998	10,682	9,789	893
Capital Outlay	2	1,318	1,318	
Total Free Fair Budget	<u>11,998</u>	<u>10,682</u>	<u>9,789</u>	<u>893</u>
Provision for Interest on Warrants	5,000	5,000	1,671	3,329
Total Expenditures, Budgetary Basis	<u>984,037</u>	<u>1,090,218</u>	<u>1,009,103</u>	<u>81,115</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	200,575	<u>\$ 200,575</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			8,722	
Add: Current Year Outstanding Warrants			54,584	
Ending Cash Balance			<u>\$ 263,881</u>	

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.

**MAJOR COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 118,602	\$ 118,602	\$ 118,602	\$ -
Less: Prior Year Outstanding Warrants	(301)	(301)	(301)	
Less: Prior Year Encumbrances	(4,978)	(4,978)	(4,978)	
Beginning Cash Balances, Budgetary Basis	<u>113,323</u>	<u>113,323</u>	<u>113,323</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	86,048	86,048	104,541	18,493
Miscellaneous Revenues			2,146	2,146
Total Receipts, Budgetary Basis	<u>86,048</u>	<u>86,048</u>	<u>106,687</u>	<u>20,639</u>
Expenditures:				
Health and Welfare	199,371	199,371	37,627	161,744
Total Expenditures, Budgetary Basis	<u>199,371</u>	<u>199,371</u>	<u>37,627</u>	<u>161,744</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	182,383	<u>\$ 182,383</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			<u>1,752</u>	
Ending Cash Balance			<u>\$ 184,135</u>	

The accompanying notes to the other supplementary information are an integral part of this schedule. See independent auditor's report.

**MAJOR COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**1. Budgetary Schedules**

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

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 these funds. At the end of the year, unencumbered appropriations lapse.

See independent auditor's report.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

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

TO THE OFFICERS OF  
MAJOR COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Major County, Oklahoma, as of and for the year ended June 30, 2005, which comprises Major County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated February 21, 2006. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Major County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters that we reported to the management of Major County, which are included in the schedule of findings and responses contained in this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Major County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to the management of Major County, which are included in the schedule of findings and responses contained in this report.

This report is intended solely for the information and use of the management of Major County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in black ink, appearing to read "Jeff A. McMahhan". The signature is written in a cursive style with a large initial "J" and "M".

JEFF A. McMAHAN  
State Auditor and Inspector

February 21, 2006

**MAJOR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**This schedule contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2005-1 – Sheriff Depository Accounts – Cash Bonds and Miscellaneous Fees**

Criteria: Effective internal controls include the issuance of receipts in sequential order and the daily deposits of all monies received. Title 19 O.S. § 682 states, "It shall be the duty of each and every county officer... to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, property, fees, fines, forfeitures, and public charges of every kind received or collected by virtue or under color of office..."

Condition: While performing cash compositions for the Sheriff's Official Depository Account, the following was noted:

- 1.) Drug Test receipt #3181 in the amount of \$10.00 could not be traced to a deposit.
- 2.) Cash bond receipt #3184 in the amount of \$566.70 could not be traced to a deposit.
- 3.) Cash bond receipts were not deposited in a timely manner. Some deposits were held by the Sheriff for up to ten days.

Recommendation: We recommend the Major County Sheriff issue duplicate, pre-numbered receipts for all monies received under color of office. Receipts should be issued in sequential order, indicate mode of payment, and be deposited daily.

Views of responsible officials and planned corrective actions: We have implemented on the policies and procedures that each cash bond that is taken after 5:00 p.m. will be deposited the next day in the Court Clerk's office. Also, on the instances that several days were being passed on the receiving/receipting of cash and or checks, the money will be deposited the next day by the Sheriff's secretary, not 5-10 days later. On the two instances where it appears funds were not deposited but receipted in the Sheriff's depository account on #3181, we have both the receipt and depository. On the #3184, we have the receipt showing that we took the money, but the Court Clerk has a different receipt. Our officers have written statements on when they took the money and put in the lock box and when it was taken upstairs it was short when the Court Clerk received it. Also, the deposit tickets are in sequential order.

**Finding 2005-2 – Sheriff Inmate Trust Account**

Criteria: Title 19 O.S. § 682 requires all monies received be issued a receipt and those funds received be deposited daily in the official depository under color of office. In addition, Title 19 §531.A. states, "Notwithstanding any other provisions of law, the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account", to be managed by the county sheriff and maintained separately from regular county funds. The checking account shall be subject to audit by the

**MAJOR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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State Auditor and Inspector. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Condition: While performing the audit procedures for the Official Depository Accounts, it was determined that the County Sheriff collects money for inmates incarcerated in the county jail. The money collected is kept in the inmates' personal lockers. There are two sets of keys to the lockers. One set of keys to the inmates' personal lockers is kept in the dispatch/control room, where all County Sheriff employees have access to the keys, and the other set is kept in the safe in the Sheriff's office.

Recommendation: We recommend the Major County Sheriff implement policies and procedures to comply with 19 O.S. § 682, and deposit daily all monies received under color of office. We further recommend the Sheriff establish an "Inmate Trust Fund Checking Account" as provided in 19 O.S. §531.A. and maintain individual ledgers on each inmate's money received and expended.

Views of responsible officials and planned corrective actions: The Under Sheriff stated that the Sheriff's office is in the process of contracting with a service to provide an accounting package and software to track inmate funds. The Sheriff's office will deposit inmate funds in a local bank account.