



MAYES COUNTY

Financial Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**MAYES COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



January 22, 2024

TO THE CITIZENS OF
MAYES COUNTY, OKLAHOMA

Transmitted herewith is the audit of Mayes County, Oklahoma for the fiscal year ended June 30, 2020. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.) and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**MAYES COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Board of County Commissioners

District 1 – Matt Swift
District 2 – Meredith Frailey
District 3 – Ryan Ball

County Assessor

Lisa Melchior

County Clerk

Brittany True-Howard

County Sheriff

Mike Reed

County Treasurer

Bobbie Martin

Court Clerk

Laura Wade

District Attorney

Matt Ballard

**MAYES COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
MAYES COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Mayes County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statement is prepared by Mayes County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Mayes County as of June 30, 2020, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the total receipts, disbursements, and changes in cash balances for all county funds of Mayes County, as of and for the year ended June 30, 2020, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2024, on our consideration of Mayes 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 solely 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 effectiveness of the County’s internal control over financial reporting or on compliance. That report is an integral part

of an audit performed in accordance with *Government Auditing Standards* in considering Mayes County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

January 8, 2024

REGULATORY BASIS FINANCIAL STATEMENT

MAYES COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Beginning Cash Balances July 1, 2019	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
County Funds:						
County General	\$ 8,747,957	\$ 13,561,246	\$ 149,370	\$ -	\$ 10,757,727	\$ 11,700,846
County Highway Unrestricted	1,465,671	2,819,233	-	-	2,655,196	1,629,708
Sheriff Commissary	31,948	81,564	-	-	50,093	63,419
Health	1,625,403	1,113,249	-	-	754,836	1,983,816
Resale Property	787,354	278,950	8,695	-	256,613	818,386
Sheriff Service Fee	358,415	381,969	5,027	-	360,174	385,237
Sheriff Board of Prisoners	10,791	-	-	-	10,791	-
Treasurer Mortgage Certification	20,596	10,110	-	-	2,173	28,533
Community Service Program	6,524	-	-	-	-	6,524
County Clerk Records Management and Preservation	104,404	61,355	-	-	46,257	119,502
County Clerk Lien Fee	171,411	18,249	-	-	1,231	188,429
Assessor Revolving Fee	19,908	2,856	-	-	724	22,040
911 Phone Fees	270,795	416,438	-	-	369,437	317,796
Rural Fire - ST	2,199,584	1,258,791	-	-	808,184	2,650,191
Jail - ST	68,819	628,085	-	-	586,350	110,554
Sheriff Community Service Sentencing Program	5,027	-	-	5,027	-	-
Flood Plain	1,659	1,225	-	-	1,655	1,229
Courthouse Maintenance - ST	35,045	313,661	-	-	320,591	28,115
Court Clerk Payroll	39,002	265,078	-	-	248,087	55,993
County Bridge and Road Improvement	833,284	452,007	-	-	156,713	1,128,578
Sheriff - ST	365,013	630,484	-	-	610,330	385,167
Sheriff Forfeiture	14,630	26,531	-	-	-	41,161
County Donations	21,756	80,207	-	-	69,057	32,906
Fair Improvement - ST	77,487	940,870	-	-	934,013	84,344
Community Development Block Grant - RWD 5	149,370	12,312	-	149,370	12,312	-
Rental of County Property	9,381	46,777	-	-	-	56,158
Total - All County Funds - As Restated	\$ 17,441,234	\$ 23,401,247	\$ 163,092	\$ 154,397	\$ 19,012,544	\$ 21,838,632

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

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Mayes County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. 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, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including 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. Any trust or agency funds maintained by the County are not included in this presentation.

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 county funds included within the financial statement:

County General – accounts for the general operations of the government.

County Highway Unrestricted – accounts for state, local, and miscellaneous receipts and disbursements are for the purpose of constructing and maintaining county roads and bridges.

Sheriff Commissary – accounts for profits on commissary sales in the County jail. Disbursements are for jail operations as defined by state statute.

Health – accounts for ad valorem tax collections and fees for services collected and disbursements are made to operate the County Health Department.

Resale Property – accounts for the collection of interest and penalties on delinquent ad valorem taxes to be disbursed as restricted by state statute.

Sheriff Service Fee – accounts for the collection of fees and reimbursements for revenues such as: process fees, courthouse security, contracts for housing and feeding prisoners, and disbursements as restricted by state statute.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Sheriff Board of Prisoners – accounts for the monies received from federal, state, and local municipalities for the boarding and feeding of prisoners as restricted by state statute.

Treasurer Mortgage Certification – accounts for the collection of fees by the County Treasurer for mortgage tax certificates and disbursement of funds as restricted by state statute.

Community Service Program – accounts for the collections from a defendant pay program for participant collections. Disbursements are for expenses to operate the program.

County Clerk Records Management and Preservation – accounts for fees collected for instruments collected with the County Clerk and disbursements as restricted by state statute for the preservation of records.

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

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

911 Phone Fees – accounts for the collection of landline and wireless fees and disbursed for operations of emergency 911 services.

Rural Fire - ST – accounts for the collection of sales tax monies to be disbursed for the maintenance and operations of rural fire departments as restricted by the sales tax ballot.

Jail - ST – accounts for the collection of sales tax monies to be disbursed as restricted by the sales tax ballot.

Sheriff Community Service Sentencing Program – accounts for collections reimbursed to the county from the State of Oklahoma for the cost incurred to supervise individuals sentenced to community service.

Flood Plain – accounts for the receipt of fees from flood plain permits. Disbursements are for lawful expenses of the flood plain office.

Courthouse Maintenance - ST – accounts for the collection of sales tax monies to be disbursed as restricted by the sales tax ballot.

Court Clerk Payroll – accounts for funds collected by the Court Clerk and disbursements for payroll of Court Fund employees.

County Bridge and Road Improvement – accounts for state receipts and disbursements for the improvement of county bridges and roads.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Sheriff -ST – accounts for the collection of sales tax monies to be disbursed as restricted by the sales tax ballot.

Sheriff Forfeiture – accounts for funds received from forfeitures and disbursed for Drug Task Force training, equipment, and criminal intervention.

County Donations – accounts for donations to the County for specified projects as restricted by resolution approved by the Board of County Commissioners (BOCC).

Fair Improvement - ST – accounts for the collection of sales tax monies to be disbursed as restricted by the sales tax ballot.

Community Development Block Grant - RWD 5 – accounts for federal grant monies used for the installation of a new water line for Rural Water District 5.

Rental of County Property – accounts for collections from rentals of County facilities. Disbursements are for expenses related to the Free Fair.

C. Basis of Accounting

The 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 regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 allows Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171, which specifies the format and presentation of such regulatory basis financial statements: county governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

D. Budget

Under current Oklahoma Statutes, a general fund and a 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 for the respective fund by office, or department and object. The County Board of

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

E. Cash and Investments

For the purposes of financial reporting, "Ending Cash Balances, June 30" includes cash and cash equivalents and investments as allowed by statutes. 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).

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

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. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

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."

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. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Unpaid delinquent personal property taxes are usually published in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

3. Other Information

A. 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.

B. 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.

C. 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; however, the County expects such amounts, if any, to be immaterial.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

D. Sales Tax

Sales Tax of December 3, 1985

On December 3, 1985, voters of Mayes County approved a permanent one-quarter of one percent (1/4%) sales tax. The revenue from the sales tax is designated in trust for the establishment and operation of an ambulance service for the people of Mayes County. These funds are accounted for within the County General fund.

In addition, on December 3, 1985, voters of Mayes County approved a permanent three-eighths of one percent (3/8%) sales tax specifically for the construction, operation, and maintenance of the County Road System of Mayes County. These funds are accounted for within the County General fund.

Sales Tax of October 14, 1997

On October 14, 1997, voters of Mayes County approved a permanent one-eighth of one percent (1/8%) sales tax to be used for the maintenance and operation expenses of the jail facility. These funds are accounted for within the Jail - ST fund.

Sales Tax of November 5, 2002

On November 5, 2002, voters of Mayes County approved a permanent one-quarter of one percent (1/4%) sales tax for the purpose of construction or improving fire stations, purchase of equipment, training, education, general maintenance and operations and for paying existing debt. This sales tax is to be divided equally between the following fourteen fire departments in Mayes County, Oklahoma: Adair Fire Department, Cabin Creek Fire Department, Chimney Rock Fire Department, Chouteau Fire Department, Diamond-Head Lone Chapel Fire Department, Disney Fire Department, Langley Fire Department, Locust Grove Fire Department, Osage-Pleasant View Fire Department, Pryor Fire Department, Salina Fire Department, Spavinaw Fire Department, Sportsman Acres Fire Department, and Strang Fire Department. However, Sportsman Acres Fire Department was never established and has never received any sales tax proceeds. These funds are accounted for within the Rural Fire - ST fund.

Sales Tax of August 26, 2014

On August 26, 2014, voters of Mayes County approved a one-eighths of one percent (1/8%) sales tax to be designated solely for the maintenance, operation, equipment, furnishing, and improvement or construction of facilities of the Mayes County Jail. Also, to the extent available, revenues generated by said sales tax may be used for the operation and maintenance for other county facilities. These funds are accounted for within the Sheriff - ST fund.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Sales Tax of January 12, 2016

On January 12, 2016, voters of Mayes County approved a three-sixteenths of one percent (3/16%) sales tax to pay debt service on bonds or notes issued by the Mayes County Public Facilities Authority, the proceeds of which are to be used to acquire, construct, equip and remodel the county fairgrounds facilities. The sales tax terminates at the earliest possible date that revenues are sufficient to retire said bonds or notes. These funds are accounted for within the Fair Improvement - ST fund.

In addition, on January 12, 2016, voters of Mayes County approved a permanent one-sixteenth of one percent (1/16%) sales tax to be used to pay operation and maintenance on all county buildings. These funds are accounted for within the Courthouse Maintenance - ST fund.

E. Tax Abatements

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$5,625,313 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2020.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

F. Interfund Transfers

During the fiscal year, the County made the following transfers between cash funds:

- \$149,370 was transferred to the County General fund from the Community Development Block Grant – RWD 5 fund for the purpose of reimbursement of prior year temporary loan as allowed by 68 O.S. § 3021.
- \$8,695 was transferred to the Resale Property fund from the Excess Resale fund (a trust and agency fund) in accordance with 68 O.S § 3131C.
- \$5,027 was transferred to the Sheriff Service Fee fund from the Sheriff Community Service Sentencing Program fund, by BOCC Resolution, for the purpose of closing the fund.

G. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds.

Prior year ending balance, as reported	\$17,573,953
Funds reclassified as Trust and Agency Funds:	
Mental Health Court Program reclassified from a County Fund to a Trust and Agency fund	(79,785)
Drug Court reclassified from a County Fund to a Trust and Agency fund	<u>(52,934)</u>
Prior year ending balance, as restated	<u>\$17,441,234</u>

SUPPLEMENTARY INFORMATION

MAYES COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund		
	Budget	Actual	Variance
County Sheriff	\$ 1,621,456	\$ 1,617,615	\$ 3,841
County Treasurer	173,112	162,541	10,571
County Commissioners	1,267,470	1,162,119	105,351
OSU Extension	144,064	77,228	66,836
County Clerk	331,937	308,804	23,133
County Court Clerk	494,816	462,454	32,362
County Assessor	279,676	261,434	18,242
Visual Inspection	331,010	308,084	22,926
General Government	8,118,285	1,152,131	6,966,154
Excise Equalization	3,500	1,896	1,604
Election Board	115,300	105,470	9,830
Insurance - Benefits	2,409,779	2,298,516	111,263
Purchasing Agent	42,824	42,324	500
Emergency Management	120,433	27,113	93,320
Charity	800	400	400
Economic Development	8,000	8,000	-
Courthouse Security	172,152	171,552	600
E-911	201,540	200,716	824
County Audit Budget	182,315	182,315	-
Free Fair	105,504	105,504	-
Highway Sales Tax	2,775,171	1,552,265	1,222,906
MESTA - Sales Tax	1,325,984	1,325,984	-
Total Expenditures, Budgetary Basis	\$ 20,225,128	\$ 11,534,465	\$ 8,690,663

MAYES COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 2,527,290	\$ 922,073	\$ 1,605,217
Total Expenditures, Budgetary Basis	\$ 2,527,290	\$ 922,073	\$ 1,605,217

**MAYES COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances 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.

INTERNAL CONTROL AND COMPLIANCE SECTION



Independent Auditor’s 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
MAYES COUNTY, OKLAHOMA

We have audited, 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, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Mayes County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprise Mayes County’s basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 8, 2024.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County as of and for the year ended June 30, 2020, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Mayes County’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Mayes County’s internal control. Accordingly, we do not express an opinion on the effectiveness of Mayes County’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2020-001 and 2020-009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mayes County's financial statement is free from 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 financial statement. 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*.

We noted certain matters regarding statutory compliance that we reported to the management of Mayes County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Mayes County's Response to Findings

Mayes County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Mayes County's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

January 8, 2024

**MAYES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2020-001 – Lack of County-Wide Internal Controls (Repeat Finding – 2008-001, 2009-001, 2010-001, 2011-012, 2012-012, 2013-012, 2018-001, 2019-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide internal controls regarding Risk Assessment and Monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed and implemented to address Risk Assessment and Monitoring of the County.

Effect of Condition: Without an adequate system of county-wide internal controls, there is a greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners started holding quarterly meetings in the 2023 fiscal year to work towards assessing and identifying risks to the County.

Criteria: The United States Government Accountability Office’s (*Standards for Internal Control in the Federal Government*) (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 states in part:

Definition of Internal Control

Internal control is a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

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Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

Components, Principles, and Attributes

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Finding 2020-009 – Lack of Internal Controls and Noncompliance Over Payroll Process (Repeat Finding – 2008-009, 2009-009, 2010-007, 2011-002, 2012-002, 2013-002, 2018-009, 2019-009)

Condition: Upon inquiry and observation, and testing of the County’s payroll process, we noted the following:

- The County does not have an adequate segregation of duties over payroll to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.
- The BOCC is signing the payroll affidavits, thereby approving payroll; however, this approval is not done in an open meeting and is not recorded in the minutes of the BOCC.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregation of duties and/or compensating controls over the payroll process and to ensure compliance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the County design and implement a system of internal controls over the payroll process. Such controls should include ensuring payroll is approved by the BOCC in an open meeting as required by 19 O.S. § 3, 62 O.S. § 304.1, and 62 O.S. § 471. Additionally, OSAI recommends management determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions.

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Management Response:

Chairman of the Board of County Commissioners: The BOCC will approve payroll in open meeting and such action will be recorded in the Board minutes.

County Clerk: I will work to segregate duties over the payroll process and present payroll to the BOCC for approval in open meeting.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Title 19 O.S. § 3 specifies that no one commissioner may enter into a contract or agreement or transact any business of county. Any contact or business transaction “done or attempted to be done, by an individual

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commissioner or commissioners, when not acting as a board shall ever be subject to ratification by the board of county commissioners, but shall be illegal, unlawful and wholly void.”

Title 62 O.S. § 304.1 and 62 O.S. § 471, which provide guidance for the disbursement of public funds and the payment of personnel, require the board of county commissioners to approve the expenditure of all public funds.

SECTION 2—This section 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 2020-011 – Lack of Internal Controls Over the Court Clerk Collections and Disbursement Processes (Repeat Finding – 2018-011, 2019-011)

Condition: Upon inquiry of Court Clerk employees, we noted the Court Fund and the Court Clerk Revolving Fund does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate internal controls and segregation of duties over collections and disbursement processes for the Court Fund and Court Clerk Revolving Fund processes.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, undetected errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions.

The following key accounting functions should be adequately segregated:

- Balancing cash drawers to receipts.
- Recounting the cash balances the following morning.
- Preparing the deposit slip.
- Preparation of claims.
- Initiation of payment and printing the voucher.
- Signing the vouchers.
- Taking the voucher to be registered.

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- Distribution of the vouchers.

Management Response:

Court Clerk: I will implement segregation of duties throughout the collections and disbursement processes, whereas one individual will not be solely responsible for each process.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Finding 2020-012 – Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account (Repeat Finding – 2019-012)

Condition: Upon inquiry and observation of the Inmate Trust Fund Checking Account, the following exceptions were noted:

- The County Sheriff’s office does not have adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.

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- Audit evidence does not exist to support that bank reconciliations are prepared and reviewed by separate individuals.
- Deposits are not made daily.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that controls are in place regarding the Inmate Trust Fund Checking Account.

Effect of Condition: This condition resulted in noncompliance with state statute. Further, a single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of this condition and realize that a concentration of duties and responsibilities is not desired from a control point of view. Management should provide segregation of duties so that no employee is able to perform all accounting functions. We further recommend that deposits be made on a daily basis in accordance with state statute.

Management Response:

County Sheriff: We will work towards implementing review processes and ensure that deposits are made on a daily basis.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 - Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 - Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

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10.14 - If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Title 19 O.S. § 682 states in part, “It shall be the duty of each and every county officer...to deposit daily...all monies...of every kind received or collected by virtue or under color of office...”

O·K·L·A·H·O·M·A
SAI
STATE AUDITOR & INSPECTOR



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