

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

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

July 15, 2003

TO THE CITIZENS OF  
MAYES COUNTY, OKLAHOMA

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

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

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

Sincerely,

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

JEFF A. McMAHAN  
State Auditor and Inspector

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

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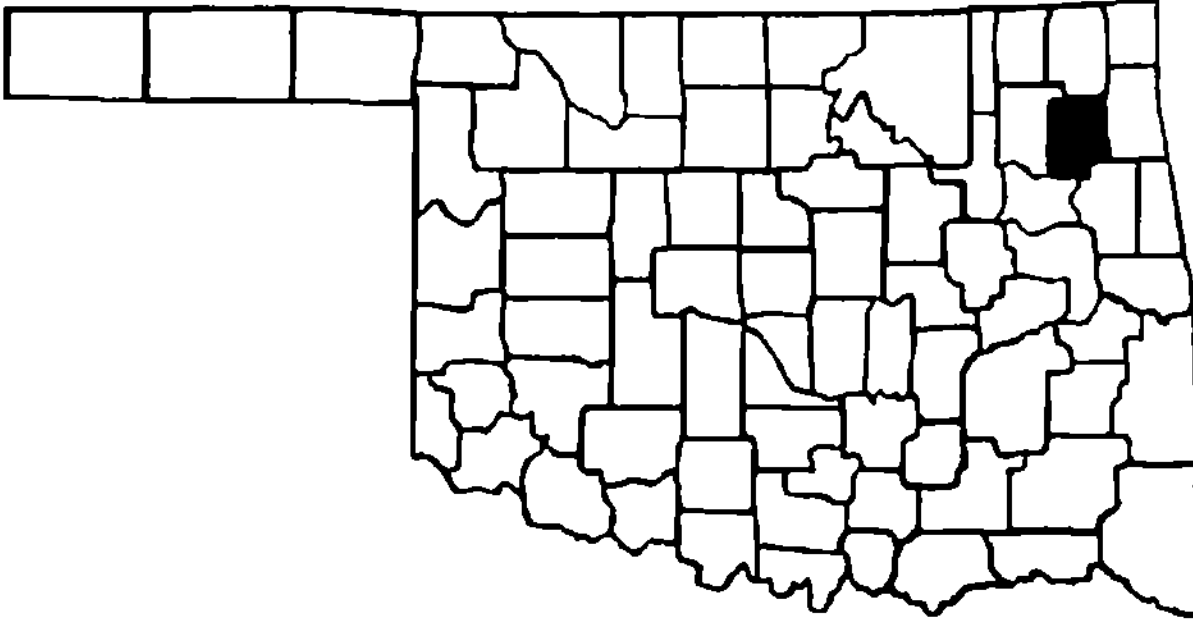
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**REPORT TO THE CITIZENS  
OF  
MAYES COUNTY, OKLAHOMA**

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Created at statehood from lands lying within the Cherokee Nation, Indian Territory, the county was named for Samuel H. Mayes, Cherokee Chief.

The first permanent white settlement in Oklahoma was at Salina where the French established a trading post in 1769. Near Mazie is the site of Union Mission, established in 1820 by a Presbyterian missionary to the Osages. The important Texas Trail followed the Grand River through the county, entering the state at the northeast corner and continuing south to the Red River.

Pryor, the county seat, was named for Nathaniel Pryor, a scout with the Lewis and Clark expedition who settled at Pryor's Creek, an Osage trading post a few miles southeast of the present town. Located 44 miles from Tulsa, Pryor is on U.S. 69 and S.H. 20, and is 20 miles from the Arkansas River Navigation Channel. Mid-America Industrial Park, the largest in the state, has more than 7,000 acres of industrial real estate. Industry consists of beef production which ranks number one in the county and dairying which ranks third in the state. Major crops are soybeans, hay, sorghum, wheat, and corn.

County Seat – Pryor

Area – 656.2 Square Miles

County Population – 38,270  
(1999 est.)

Farms – 1,406

Land in Farms – 283,651 Acres

Source: Oklahoma Almanac 2001-2002

See independent auditor's report.

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY ASSESSOR**  
Saundra Proctor  
(D) Pryor

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**  
Laurel Rabon  
(D) Pryor

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

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

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

See independent auditor's report.

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**BOARD OF COUNTY COMMISSIONERS**

**DISTRICT #1**  
Jim Montgomery  
(D) Pryor

**DISTRICT #2**  
Larry Ramsey  
(D) Pryor

**DISTRICT #3**  
Melvin Pritchett  
(D) Salina

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

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

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

See independent auditor's report.

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY SHERIFF**  
Frank Cantey  
(D) Pryor

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**  
Martha Carmen  
(D) Pryor

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

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

See independent auditor's report.

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COURT CLERK**  
Karin Garland  
(D) Pryor

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government. Court Clerks use forms and follow procedures prescribed by the Court Administrator's Office, the Oklahoma Supreme Court, and the State Auditor and Inspector.

**DISTRICT ATTORNEY**  
Gene Haynes  
(D) Claremore

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

See independent auditor's report.



**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**ELECTION BOARD SECRETARY**

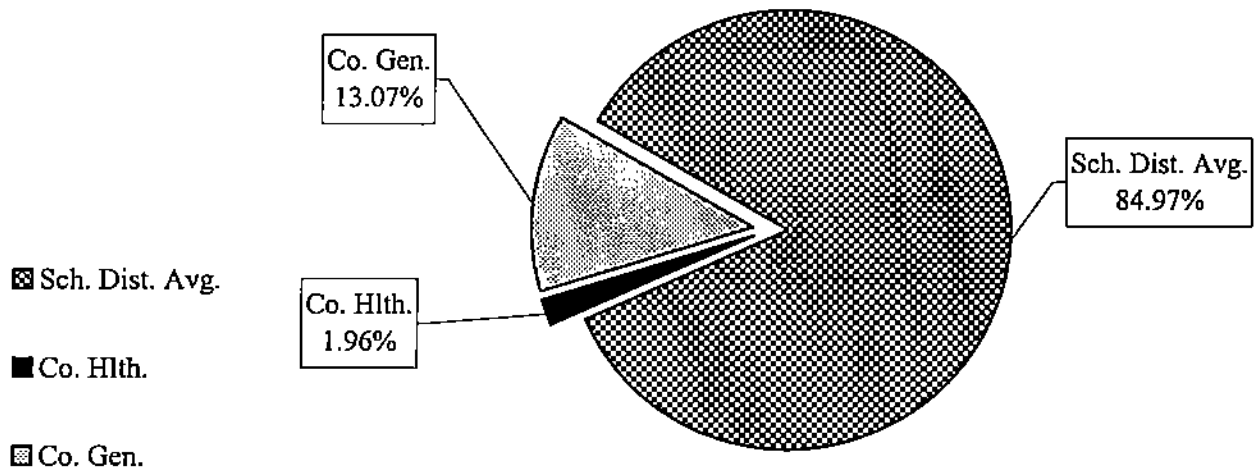
Jill West  
(D) Pryor

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

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

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

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



County-Wide Millages:

Co. General Fund	10.33
Co. Health	1.55
Co. Sinking	0.02

School District Millages:

	<u>Gen.</u>	<u>Bldg.</u>	<u>Skg.</u>	<u>Vo-Tech</u>	<u>Common</u>	<u>Total</u>
Pryor I-01	35.79	5.11	12.58	10.33	4.13	67.94
Adair I-02	37.27	5.32	8.88	10.33	4.13	65.93
Salina I-16	36.18	5.17		10.33	4.13	55.81
Locust Grove I-17	36.47	5.21	17.62	10.33	4.13	73.76
Chouteau-Mazie I-32	36.07	5.15	9.62	10.33	4.13	65.30
Spavinaw D-21	35.99	5.14		10.33	4.13	55.59
Wickliffe D-35	36.46	5.21		10.33	4.13	56.13
Osage D-43	36.73	5.25	11.32	10.33	4.13	67.76
Chelsea R-3	37.00	5.29	23.56	10.33	4.13	80.31
Inola R-5	38.09	5.44	32.03	10.33	4.13	90.02
Ketchum C-6	36.15	5.16	7.59	10.33	4.13	63.36
Big Cabin C-65	37.40	5.34	16.45	10.33	4.13	73.65
Disney D-1	35.79	5.11	2.10	10.33	4.13	57.46

See independent auditor's report.

**Independent Auditor's Report**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Independent Auditor's Report**

TO THE OFFICERS OF  
MAYES COUNTY, OKLAHOMA

We have audited the accompanying primary government financial statements of Mayes County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of Mayes County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1(A), the financial statements of the Mayes County Criminal Justice Authority (MCCJA) are not presented with the primary government of Mayes County. Those financial statements, which are prepared by others, were not prepared on a compatible basis of accounting for inclusion with the primary government financial statements of Mayes County.

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

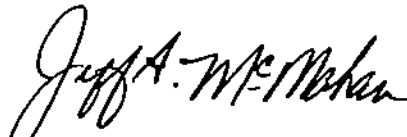
A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, except for the effect on the financial statements of the omission of the general fixed assets account group as described in the preceding paragraph, the primary government financial statements present fairly, in all material respects, the financial position of the primary government of Mayes County, Oklahoma, as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements, because they do not include the financial data of component units of Mayes County, Oklahoma, do not purport to, and do not present fairly the financial position of Mayes County, Oklahoma as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2002, 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, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the primary government financial statements of Mayes County, Oklahoma, taken as a whole. The other information listed in the table of contents under *Introductory Section* has not been audited by us, and accordingly, we express no opinion on such data.

Sincerely,

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

JEFF A. McMAHAN  
State Auditor and Inspector

December 18, 2002

**Primary Government Financial Statements**

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

	Governmental Fund Types			Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Trust and Agency	General Long-Term Debt	
<b>ASSETS</b>						
Cash	\$ 1,246,972	\$ 2,982,263	\$ 12,457	\$ 943,978	\$	\$ 5,185,670
Ad valorem taxes receivable	18,922	2,839	33	122,125		143,919
Sales tax receivable	133,082	26,616				159,698
Accrued interest receivable	4,151	10,867				15,018
Due from other governments	6,059	170,748		14,302		191,109
Amount available in debt service fund					3,400	3,400
Amount to be provided for capitalized lease agreements					676,965	676,965
<b>Total assets</b>	<b>\$ 1,409,186</b>	<b>\$ 3,193,333</b>	<b>\$ 12,490</b>	<b>\$ 1,080,405</b>	<b>\$ 680,365</b>	<b>\$ 6,375,779</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Warrants payable	\$ 135,455	\$ 98,322	\$	\$	\$	\$ 233,777
Accounts payable	152,103	146,638				298,741
Due to other taxing units				273,342		273,342
Due to others				807,063		807,063
Judgments payable					3,400	3,400
Capitalized lease obligations payable					676,965	676,965
<b>Total liabilities</b>	<b>287,558</b>	<b>244,960</b>	<b>-</b>	<b>1,080,405</b>	<b>680,365</b>	<b>2,293,288</b>
<b>Fund balances:</b>						
Reserved for encumbrances	895	14,847				15,742
Reserved for debt service			3,400			3,400
<b>Unreserved:</b>						
Undesignated	1,120,733	2,933,526	9,090			4,063,349
<b>Total fund balances</b>	<b>1,121,628</b>	<b>2,948,373</b>	<b>12,490</b>	<b>-</b>	<b>-</b>	<b>4,082,491</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,409,186</b>	<b>\$ 3,193,333</b>	<b>\$ 12,490</b>	<b>\$ 1,080,405</b>	<b>\$ 680,365</b>	<b>\$ 6,375,779</b>

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

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

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,582,929	\$ 395,673	\$ 2,912	\$ 1,981,514
Sales tax	1,455,826	1,136,783		2,592,609
Charges for services	184,835	249,292		434,127
Intergovernmental revenues	393,704	2,701,840	12,276	3,107,820
Miscellaneous revenues	142,069	102,968		245,037
<b>Total revenues</b>	<u>3,759,363</u>	<u>4,586,556</u>	<u>15,188</u>	<u>8,361,107</u>
<b>Expenditures:</b>				
<b>Current operating:</b>				
General government	1,422,964	75,627		1,498,591
Public safety	630,230	1,504,166		2,134,396
Culture and recreation	10,000			10,000
Education	37,946			37,946
Health and welfare	566,976	190,610		757,586
Roads and highways	759,440	2,843,471		3,602,911
<b>Debt service</b>				
Principal retirement			1,700	1,700
Interest and fiscal agent charges			1,129	1,129
<b>Total expenditures</b>	<u>3,427,556</u>	<u>4,613,874</u>	<u>2,829</u>	<u>8,044,259</u>
<b>Excess of revenues over (under) expenditures</b>	<u>331,807</u>	<u>(27,318)</u>	<u>12,359</u>	<u>316,848</u>
<b>Other financing sources (uses):</b>				
Capitalized lease agreements		244,757		244,757
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>244,757</u>	<u>-</u>	<u>244,757</u>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<u>331,807</u>	<u>217,439</u>	<u>12,359</u>	<u>561,605</u>
<b>Beginning fund balances</b>	<u>789,821</u>	<u>2,730,934</u>	<u>131</u>	<u>3,520,886</u>
<b>Ending fund balances</b>	<u>\$ 1,121,628</u>	<u>\$ 2,948,373</u>	<u>\$ 12,490</u>	<u>\$ 4,082,491</u>

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



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

	General			Special Revenue Funds		
	Budget	Actual	Variance	County Health Department		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 590,246	\$ 610,999	\$ 20,753	\$ 387,908	\$ 389,258	\$ 1,350
Revenues:						
Ad valorem taxes	1,430,306	1,583,968	153,662	214,615	237,672	23,057
Sales tax	1,351,096	1,459,685	108,589			
Charges for services	155,829	184,835	29,006	15,263	15,263	
Intergovernmental revenues	313,594	394,156	80,562	6,924	8,295	1,371
Miscellaneous revenues	155,219	145,319	(9,900)			
Total revenues, budgetary basis	<u>3,406,044</u>	<u>3,767,963</u>	<u>361,919</u>	<u>236,802</u>	<u>261,230</u>	<u>24,428</u>
Expenditures:						
Current operating:						
General government	1,440,225	1,394,318	45,907			
Public safety	630,671	630,236	435			
Education	37,946	37,946				
Culture and recreation	10,000	10,000				
Health and welfare	567,236	566,976	260	624,710	191,439	433,271
Roads and highways	1,310,212	780,967	529,245			
Total expenditures, budgetary basis	<u>3,996,290</u>	<u>3,420,443</u>	<u>575,847</u>	<u>624,710</u>	<u>191,439</u>	<u>433,271</u>
Excess of revenues and beginning fund balances over expenditures	<u>\$ -</u>	958,519	<u>\$ 958,519</u>	<u>\$ -</u>	459,049	<u>\$ 459,049</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem taxes receivable		18,922			2,839	
Sales tax receivable		133,082				
Accrued interest receivable		4,151				
Due from other governments		6,059				
Reserved for encumbrances		<u>895</u>				
Ending fund balances		<u>\$ 1,121,628</u>			<u>\$ 461,888</u>	

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

**Notes to the Financial Statements**

1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

In accordance with accounting principles generally accepted in the United States of America, the financial statements of the reporting entity are required to include those of Mayes County (the primary government) and its legally separate component units. The County had one component unit in the fiscal year 2002.

Excluded Component Unit

On November 24, 1997, the Mayes County Criminal Justice Authority (MCCJA), a component unit of the County under the provisions of Governmental Accounting Standards Board Statements No. 14, was created by trust indenture. The MCCJA was created to acquire, construct, equip, and maintain the county jail facility.

The Mayes County Criminal Justice Authority is a component unit because the primary government is able to impose its will on the component unit. The MCCJA Trustees are made up of the governing board of Mayes County, the Mayes County Sheriff, and a citizen of Mayes County appointed by the governing board of Mayes County. Copies of MCCJA Financial Statements may be obtained from the Mayes County Clerk. These financial statements were prepared on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and are therefore not included in the County's financial statements.

Related Organizations Excluded from the Reporting Entity

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

Summary of Significant Accounting Policies (continued)

The following organizations are not included in the financial statements.

Mayes County Hospital Authority  
Mayes County Public Facility Authority  
Mayes County Emergency Services Trust Authority  
South Grand Lake Industrial Trust Authority

B. Fund Accounting

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

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

Funds are classified into two major categories: governmental and fiduciary. Each category in turn is divided into separate fund types.

Governmental Funds

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

Fiduciary Funds

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

Account Groups

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

Summary of Significant Accounting Policies (continued)

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgetary Policies and Procedures

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

Summary of Significant Accounting Policies (continued)

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

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

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

E. Cash

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2002.

F. Receivables

All receivables are reported at their gross value.

G. Interest Receivable

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

H. Fixed Assets

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

Summary of Significant Accounting Policies (continued)

I. Risk Management

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

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

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

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

Summary of Significant Accounting Policies (continued)

The County continues to carry commercial insurance for employees' health and life insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2002 fiscal year.

J. Compensated Absences

The County does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and may be accumulated.

Vacation benefits are earned at the following rates:

<u>Years of Service</u>	<u>Amount of Leave</u>
1-5 Years	10 Days
5-15 Years	15 Days
15 Years & Over	20 Days

This amount of accumulated unpaid vacation benefits is not material to the financial statements for the year ended June 30, 2002.

The County does not accrue any liability for sick leave. Employees are not paid for accumulated sick leave at termination. All benefits for sick leave are based on occurrences outside the County's or employee's control which have not yet occurred; hence, no liability exists at June 30, 2002.

K. Long-Term Obligations

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

L. Memorandum Only - Total Columns

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

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office or department, and



Stewardship, Compliance, and Accountability (continued)

object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

3. Detailed Notes on Account Balances

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

- U.S. government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities, or school districts
- Money judgments against county, 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 acceptances 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

A. Deposits

At year-end, the carrying amount of the County's deposits was \$ 5,185,670 and the bank balance was \$ 5,476,482. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

B. Receivables

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

The net assessed property value as of January 1, 2001, was \$ 152,307,535.

The County levied 10.33 mills for general fund operations, .02 mills for debt service, and 1.55 mills for the County Health Department. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and apportions the ad valorem taxes collected to the appropriate taxing units.

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

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Detailed Notes on Account Balances (continued)

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

Current year tax collections for the year ended June 30, 2002, were approximately 94 percent of the tax levy.

C. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2002, 2001, and 2000, were \$269,242, \$249,089, and \$226,785, respectively, equal to the required contributions for each year.

D. Operating Leases

The government is committed under various operating leases for road machinery and equipment. Lease expenditures for the year ended June 30, 2002, amounted to \$119,382. Future minimum lease payments for these leases are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2003	\$ 97,807
2004	<u>81,000</u>
Total	<u>\$178,807</u>

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

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Detailed Notes on Account Balances (continued)

E. Capital Leases

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

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

Year Ending June 30,	Principal
2003	\$ 198,672
2004	177,292
2005	134,864
2006	82,086
2007	52,983
Thereafter	31,068
Total	<u>\$ 676,965</u>

During the year, the County capitalized leases totaling \$244,757 and paid \$224,726 on the outstanding balances of lease-purchase agreements.

F. Judgment

The County has a judgment which is being retired by flood control funds received from the State Treasurer per 62 O.S. § 204. The County levied .02 mills for the 2001 tax rolls prior to the collection of flood control funds. The undesignated balance in debt service will eventually be transferred to the county general fund.

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

Detailed Notes on Account Balances (continued)

G. Long-Term Debt

Changes in Long-Term Debt

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

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002
Judgments Payable	\$ 5,100	\$ -	\$ 1,700	\$ 3,400
Capital Leases	656,934	244,757	224,726	676,965
Total	\$ 662,034	\$ 244,757	\$ 226,426	\$ 680,365

H. Fund Equity

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

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

Reserved for Debt Service – The reserve for debt service was established to indicate that the fund balance or portion thereof is required by law to be used for the payment of any outstanding bonds, interest, or judgments against the County.

I. Sales Tax

On December 3, 1985, the County voted in a permanent sales tax of five-eighths of one percent (.625%) designating 40% for the establishment and operation of an ambulance service for the people of the County and 60% for the construction, maintenance, and improvement of the road system of the County. The effective date for the sales tax was January 1, 1986.

Detailed Notes on Account Balances (continued)

J. Fuel Taxes

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

4. Contingent Liabilities

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

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



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

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

TO THE OFFICERS OF  
MAYES COUNTY, OKLAHOMA

We have audited the primary government financial statements of Mayes County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated December 18, 2002. We qualified our opinion because the general fixed assets account group was not included in the primary government financial statements. Our report also included an explanatory paragraph addressing the exclusion of component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Mayes County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed a certain instance of noncompliance that is required to be reported under *Government Auditing Standards*.

Finding 01-1 (Repeat Finding)

Criteria: GASB 14, *The Financial Reporting Entity*, requires that a component unit's financial position and activity be included with the financial statements of the reporting entity.

Condition: The Mayes County Criminal Justice Authority, a component unit of Mayes County, Oklahoma, reported their financial statements on the modified cash basis of accounting. The basis of accounting is not compatible with the County's basis of accounting.

Effect: The condition has resulted in the County's financial statements being misstated for the reporting entity.

Recommendation: If it is the intent of Mayes County's management to report financial statements that comply with accounting principles generally accepted in the United States of America, we recommend that Mayes County provide audited financial statements from all component units in a proper basis of accounting.

Management's Corrective Action Plan-

Contact Person: Laurel Rabon

Anticipated Completion Date: None

Corrective Action Planned: The County does not intend to report financial statements in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

Finding 98-1 (Repeat Finding)

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

Condition: Information is not available for reporting general fixed assets in accordance with accounting principles generally accepted in the United States of America for a government entity. The County does not maintain a summary listing with the required information for land, buildings, and improvements. The general fixed assets control account is not accurate.

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

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

Management's Corrective Action Plan-

Contact Person: Laurel Rabon

Anticipated Completion Date: None

Corrective Action Planned: No planned corrective action is anticipated to obtain fixed assets records in such a manner that general fixed assets could be reported in accordance with accounting principles generally accepted in the United States of America.



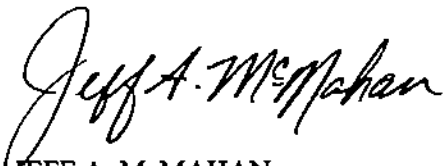
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 98-1 to be a material weakness.

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

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

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

Sincerely,



JEFF A. McMAHAN  
State Auditor and Inspector

December 18, 2002