

**MAYES COUNTY, OKLAHOMA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2003**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

August 25, 2004

TO THE CITIZENS OF
MAYES COUNTY, OKLAHOMA

Transmitted herewith is the audit of Mayes County, Oklahoma, for the fiscal year ended June 30, 2003. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

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

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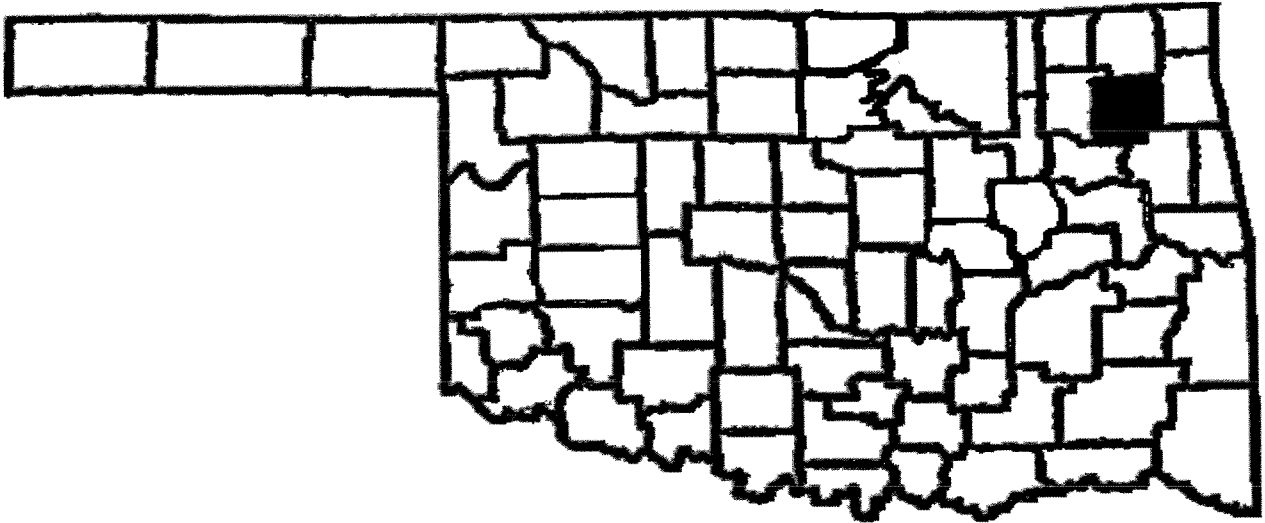
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**MAYES COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

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



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 – 38,369
(2000 est.)

Farms – 1,406

Land in Farms – 283,651 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**MAYES COUNTY OFFICIALS
AND RESPONSIBILITIES**

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

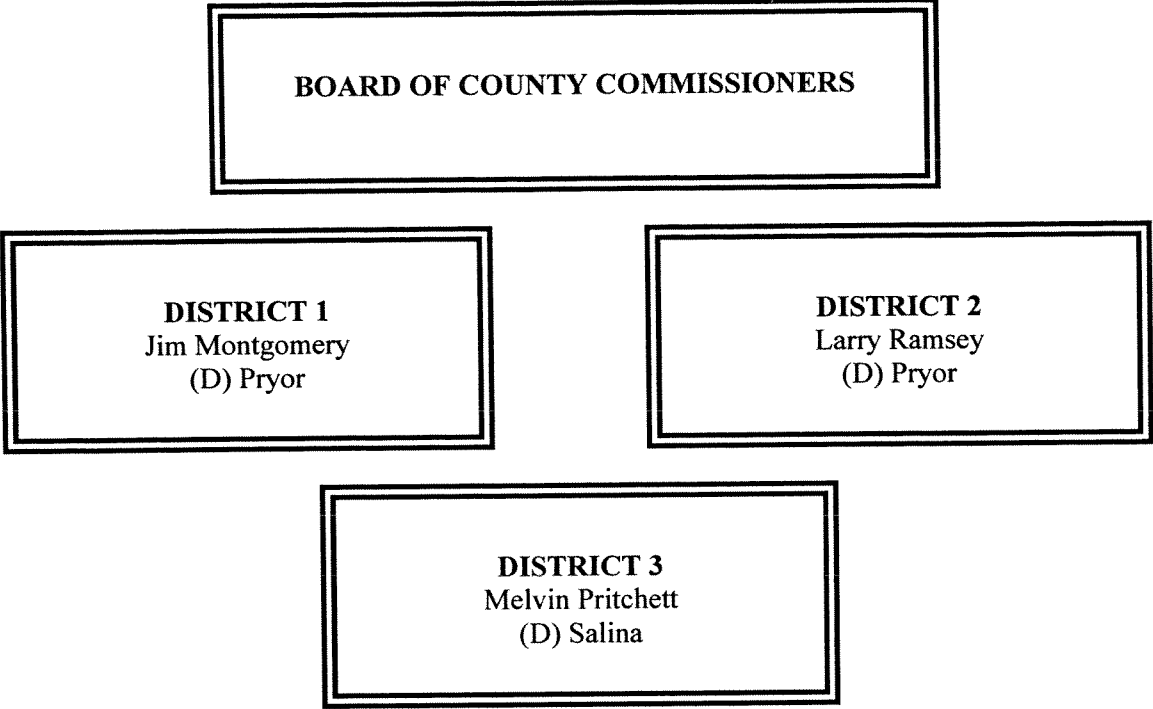
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**MAYES COUNTY OFFICIALS
AND RESPONSIBILITIES**



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.

**MAYES COUNTY OFFICIALS
AND RESPONSIBILITIES**

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

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

See independent auditor's report.

**MAYES COUNTY OFFICIALS
AND RESPONSIBILITIES**

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.

ELECTION BOARD SECRETARY

Jill McCullah

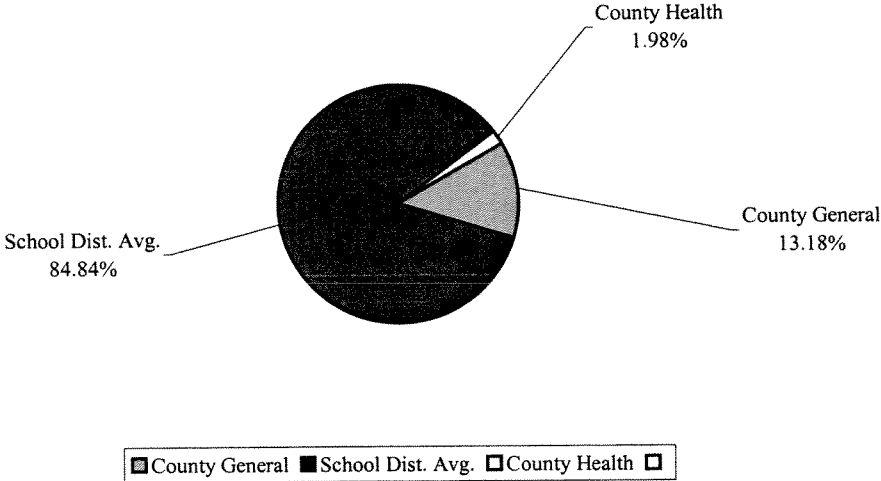
(D) Pryor

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

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

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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career-Tech	Common	Total
Co. General	10.33	Pryor	I-01	35.79	5.11	11.20	10.33	4.13	66.56
County Health	1.55	Adair	I-02	37.27	5.32	7.80	10.33	4.13	64.85
		Salina	I-16	36.18	5.17		10.33	4.13	55.81
		Locust Grove	I-17	36.47	5.21	20.93	10.33	4.13	77.07
		Chouteau-Mazie	I-32	36.07	5.15	9.94	10.33	4.13	65.62
		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	8.98	10.33	4.13	65.42
		Chelsea	R-3	37.00	5.29	20.48	10.33	4.13	77.23
		Inola	R-5	38.09	5.44	31.91	10.33	4.13	89.90
		Ketchum	C-6	36.15	5.16	8.44	10.33	4.13	64.21
		Big Cabin	C-65	37.40	5.34	11.86	10.33	4.13	69.06
		Disney	D-1	35.79	5.11	1.93	10.33	4.13	57.29

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 special-purpose financial statements of Mayes County, Oklahoma, as of and for the year ended June 30, 2003, as listed in the table of contents. These special-purpose financial statements are the responsibility of 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.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Mayes County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Mayes County in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Mayes County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and the county health department of the County, as of and for the year ended June 30, 2003, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2003, 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.

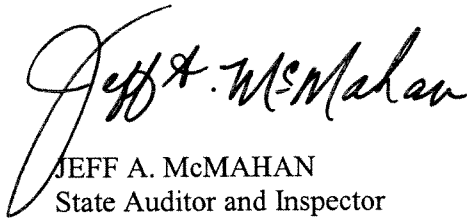
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Mayes County, Oklahoma, taken as a whole. The other information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly,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

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

December 11, 2003

Special-Purpose Financial Statements

**MAYES COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003**

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2003
General Fund	\$ 1,246,972	\$ 3,760,001	\$ 3,676,647	\$ 1,330,326
Highway Cash	719,674	2,775,962	2,835,600	660,036
Sheriff Service Fees	139,851	195,887	169,285	166,453
Resale Property	156,425	124,363	120,761	160,027
Assessor's Revolving	15,788	10,231	3,293	22,726
CSSP	38,723	105,443	121,978	22,188
County Clerk Lien Fee	27,252	8,696	17,701	18,247
County Clerk Record's Preservation	43,463	50,248	14,982	78,729
Treasurer's Mortgage Cert. Fees	9,107	14,049	9,297	13,859
Sinking Fund	12,457	12,999	12,000	13,456
Schools	122,248	10,411,595	10,231,824	302,019
Official Depository	624,561	3,890,186	3,944,863	569,884
Unapportioned Taxes	400	2,227	2,227	400
County Health	466,752	312,034	546,717	232,069
Law Library	10,924	28,290	29,816	9,398
Individual Redemption	1,563	100,917	95,465	7,015
Sheriff Revolving	21,095	164,760	105,342	80,513
Sheriff Community Service	10,736	38,819	31,284	18,271
Flood Plain Board	377	125		502
Jail Sales Tax Revolving	1,270,770	305,511	1,299,711	276,570
County Drug Team	15,920	37,106	31,697	21,329
Cops Grant Fund		76,213	67,692	8,521
Sheriff's Commissary	19,866	84,835	75,143	29,558
Trash Cop Reward Fund	793			793
Court Cases	47,447	20,719	48,682	19,484
Firefighters Fund		178,132	17,257	160,875
Cities and Towns	14,667	194,466	195,310	13,823
Emergency 911 Funds	121,673	99,993	180,541	41,125
Public Facilities Authority	25,673	858,470	552,081	332,062
Cash in Office	495			495
Protest Taxes		93,961		93,961
Total County Funds	<u>\$ 5,185,672</u>	<u>\$ 23,956,238</u>	<u>\$ 24,437,196</u>	<u>\$ 4,704,714</u>

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

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

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 1,246,972	\$1,246,972	\$1,246,972	\$ -
Less: Prior Year Outstanding Warrants	(135,355)	(135,355)	(135,455)	(100)
Less: Prior Year Encumbrances	(151,598)	(151,598)	(141,213)	10,385
Beginning Cash Balances, Budgetary Basis	<u>960,019</u>	<u>960,019</u>	<u>970,304</u>	<u>10,285</u>
Receipts:				
Ad Valorem Taxes	1,501,798	1,501,798	1,559,728	57,930
Sales Tax	1,386,701	1,386,701	1,424,378	37,667
Charges for Services	164,684	164,684	197,611	32,927
Intergovernmental Revenues	251,530	376,050	453,459	77,409
Miscellaneous Revenues	124,377	124,986	124,825	(161)
Total Receipts, Budgetary Basis	<u>3,429,090</u>	<u>3,554,219</u>	<u>3,760,001</u>	<u>205,782</u>
Expenditures:				
Total County Sheriff	<u>648,210</u>	<u>653,411</u>	<u>647,905</u>	<u>5,506</u>
Total County Treasurer	<u>112,224</u>	<u>112,224</u>	<u>112,224</u>	<u>-</u>
County Commissioners	<u>134,612</u>	<u>134,612</u>	<u>130,065</u>	<u>4,547</u>
Capital Outlay	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total County Commissioners	<u>135,612</u>	<u>135,612</u>	<u>130,065</u>	<u>5,547</u>
OSU Extension	<u>29,745</u>	<u>26,516</u>	<u>14,160</u>	<u>12,356</u>
Capital Outlay	<u>-</u>	<u>3,229</u>	<u>3,229</u>	<u>-</u>
Total OSU Extension	<u>29,745</u>	<u>29,745</u>	<u>17,389</u>	<u>12,356</u>
County Clerk	<u>152,248</u>	<u>152,248</u>	<u>142,632</u>	<u>9,616</u>
Capital Outlay	<u>5,000</u>	<u>5,000</u>	<u>3,952</u>	<u>1,048</u>
Total County Clerk	<u>157,248</u>	<u>157,248</u>	<u>146,584</u>	<u>10,664</u>

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

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

continued from previous page

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Total Court Clerk	\$ 112,224	\$ 146,333	\$ 146,274	\$ 59
Total County Assessor	121,124	121,124	118,934	2,190
Revaluation of Real Property	133,511	133,511	112,568	20,943
Capital Outlay	30,000	30,000	5,442	24,558
Total Revaluation of Real Property	163,511	163,511	118,010	45,501
General Government	221,896	234,398	227,206	7,192
Capital Outlay	97,323	162,745	91,847	70,898
Total General Government	319,219	397,143	319,053	78,090
Total Excise-Equalization Board	6,000	6,000	2,794	3,206
County Election Board	70,264	66,666	59,730	6,936
Capital Outlay	500	5,500	2,112	3,388
Total County Election Board	70,764	72,166	61,842	10,324
Total Insurance	399,978	406,471	391,354	15,117
Total County Purchasing Agent	23,024	23,024	23,013	11
Total Charity	300	300		300
Total Recording Account	8,400	8,400	8,400	-
Total MESTA	598,116	598,116	598,116	-
Total Highway Budget	1,447,621	1,447,621	908,404	539,217
Total Audit Budget	23,289	23,289	23,289	-
Total Free Fair Budget	12,500	12,500	12,500	-

continued on next page

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

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

continued from previous page

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Total Expenditures, Budgetary Basis	\$ 4,389,109	\$4,514,238	\$3,786,150	\$ 728,088
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	944,155	\$ 944,155
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			67,296	
Add: Current Year Outstanding Warrants			318,875	
Ending Cash Balance			\$1,330,326	

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

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

	County Health Department			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 466,752	\$ 466,752	\$ 466,752	\$ -
Less: Prior Year Outstanding Warrants	(2,058)	(2,058)	(2,058)	
Less: Prior Year Encumbrances	(5,646)	(5,646)	(5,033)	613
Beginning Cash Balances, Budgetary Basis	459,048	459,048	459,661	613
Receipts:				
Ad Valorem Taxes	225,342	225,342	234,034	8,692
Intergovernmental		14,859	16,211	1,352
Miscellaneous Revenue		61,789	61,789	
Total Receipts, Budgetary Basis	225,342	301,990	312,034	10,044
Expenditures:				
Health and Welfare	261,537	268,185	166,614	101,571
Capital Outlay	422,853	492,853	427,427	65,426
Total Expenditures, Budgetary Basis	684,390	761,038	594,041	166,997
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	177,654	<u>\$ 177,654</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			52,139	
Add: Current Year Outstanding Warrants			2,276	
Ending Cash Balance			<u><u>\$ 232,069</u></u>	

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

**MAYES COUNTY, OKLAHOMA
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2003**

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Ending Cash Balances June 30, 2003
District Attorney	\$ 28,583	\$ 118,017	\$ 89,985	\$ 56,615
County Sheriff	14,658	434,339	432,976	16,021
County Treasurer	43,527	155,749	154,950	44,326
County Clerk		301,425	301,425	
Court Clerk	230,597	1,673,891	1,629,172	275,316
Court Fund	282,065	1,014,381	1,128,168	168,278
County Assessor		10,241	10,241	
County Election Board	261	61,213	61,213	261
County Health		88,536	88,536	
County Clerk M&M		3,250	3,250	
C.A. Shippers Proceeds	5,272	3,630		8,902
Court Clerk's Revolving Cash	19,598	25,514	44,947	165
Total Official Depository Accounts	\$ 624,561	\$ 3,890,186	\$ 3,944,863	\$ 569,884

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of Mayes County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County. The funds presented are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

Summary of Significant Accounting Policies (continued)

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

The Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund and County Health Department 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 - All Funds because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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

E. Cash

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. All funds were deposited in interest-bearing demand accounts at June 30, 2003.

F. Risk Management

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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability	The County participates	If claims exceed authorized
- Torts	in a public entity risk pool;	deductibles, the County would
- Errors and Omissions	Association of County	have to pay its share of the pool
- Law Enforcement	Commissioners of	deficit.
Officers Liability	Oklahoma-Self-Insurance	
- Vehicle	Group. (See ACCO-SIG.)	

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool. (See ACCO-SIG.)	If claims exceed authorized deductibles, 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-Insurance 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; the County has a \$2,500 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

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

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 2003 fiscal year.

Summary of Significant Accounting Policies (continued)

G. 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, 2003.

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, 2003.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$4,704,714 and the bank balance was \$4,892,261. 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.

Detailed Notes on Account Balances (continued)

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

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

B. Description of Funds

General Fund – revenues are from ad valorem taxes, sales tax, officers' fees, interest earnings and miscellaneous collections of the County. Disbursements are for the general operations of the County.

Highway Cash – revenues are from state imposed fuel taxes and disbursements are for the maintenance and construction of county roads and bridges.

Sheriff Service Fee – revenues are from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

Resale Property – revenues are from interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Assessor's Revolving – revenues are from fees charged by the County Assessor (copies, etc.). Disbursements are for any legal expenses of the Assessor's office.

CSSP - (Community Service Sentencing Program) – revenues are from state funds reimbursing the administrative expenses of people sentenced to community service.

County Clerk Lien Fee – revenues are from a fee charged by the Clerk for filing liens. Disbursements are for any lawful expense of the Clerk's office.

County Clerk Record's Preservation – revenues are from a fee charged by the Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Account Balances (continued)

Treasurer's Mortgage Certification Fee – revenues are from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's office.

Sinking Fund – Revenues are from flood control funds from the state. Disbursements are for the payment of principal and interest on judgments against the County.

Schools – All funds collected on behalf of the county schools are recorded in this fund and remitted to the individual schools monthly.

Official Depository – All officers and agencies collecting fees deposit those fees to this account daily. At the end of each month the fees are distributed to the appropriate fund or agency.

Unapportioned Taxes – account for taxes collected and being held for apportionment to the proper taxing units.

County Health – revenues are from ad valorem taxes, miscellaneous fees charged by the health department and state and federal funds. Disbursements are for the operation of the county health department.

Law Library – revenues are from an annual payment from the courts. Disbursements are for the operation of the county law library.

Individual Redemption – revenues are from taxpayers who redeem tax certificates previously sold on their property. Disbursements are to reimburse the certificate holders for taxes paid, interest, penalties, and cost.

Sheriff Revolving – accounts for various fees collected by the Sheriff.

Sheriff Community Service – revenues are from state funds reimbursing the supervision expense of people sentenced to community service.

Flood Plain Board – revenues are from fees charged by the Flood Plain Board.

Jail Sales Tax Revolving – revenues are from a county sales tax. Disbursements are for the construction of a new jail and courthouse facility.

County Drug Team - revenues are from the sale of property forfeited in drug cases. Disbursements are for officer training, equipment, and crime prevention.

Cops Grant Fund – revenues are from a federal grant. Disbursements are for the County Sheriff's office.

Detailed Notes on Account Balances (continued)

Sheriff's Commissary – revenues are from profits derived from the sale of commissary items to jail inmates. Disbursements are for the operation and improvement of jail facilities.

Trash Cop Reward Fund – revenues are from a State grant.

Court Cases – investments made for specific court case balances at the direction of the District Court.

Firefighters Fund – revenues are from various fees charged by local volunteer fire departments. Disbursements are at the direction of those departments.

Cities and Towns – All funds collected on behalf of cities and towns are recorded in this fund and remitted to the individual cities and towns monthly.

Emergency 911 – revenues are from a telephone tariff charged for implementing 911 service in Mayes County. Disbursements are for the engineering, installation, administration, and other recurring costs necessary to implement, administer, operate, and maintain the emergency 911 county system.

Public Facilities Authority – revenues are from a county sales tax. Disbursements are for payments on revenue bonds.

Cash in Office – accounts for change funds held by various county offices.

Protest Taxes – Ad valorem taxes paid under protest are held in this account until a court order is issued for their dispersal.

The following narrative details the official depository accounts.

District Attorney – accounts for the collection of controlled substance forfeitures, restitution, witness fees, and miscellaneous collections of the District Attorney's office. Disbursements are for the transfer of funds to the proper fund or recipient.

County Sheriff – accounts for cash bonds, tax warrants, drug forfeiture, reserve officer donations, reimbursements, and inmate commissary funds. Disbursements are made to the proper recipient or fund monthly.

County Treasurer – accounts for all collections of pre-paid ad valorem taxes, pre-paid mobile home taxes, and the sale of motor vehicle tax stamps. Disbursements are to the proper recipient monthly.

Detailed Notes on Account Balances (continued)

County Clerk – accounts for the collection of filing fees and is transferred to the appropriate entity monthly.

Court Clerk – accounts for the collection of bonds, fines, and fees. Money is disbursed for fees and restitution.

Court Fund – accounts for fees transferred from the Court Clerk account and interest earnings. Disbursements are for operating expense of the District Court.

County Assessor – accounts for fees charged by the County Assessor and remitted to the Assessor's Revolving Fund monthly.

County Election Board – accounts for reimbursements for election cost and is disbursed for election board operations.

County Health – accounts for fees charged by the county health department. Disbursements are to the county health department budget account monthly.

County Clerk M&M – accounts for the collections and transfer of materialmen and mechanics liens.

C.A. Shippers Proceeds – restitution received and held by the District Attorney's office for case CRF-95-199.

Court Clerk's Revolving Cash – accounts for a \$5 fee charged on warrants. Disbursements are in the same manner as the Court Fund.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2002, was approximately \$159,920,367.

Per Article 10, § 8A, with the repeal of personal property tax, the millage with the adjustment factor is 10.33 mills (the legal maximum) for general fund operations and 1.55 mills for the

Detailed Notes on Account Balances (continued)

county health department. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

Taxes are due on November 1 following the levy date, although, they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

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

Current year tax collections for the year ended June 30, 2003, were approximately 94 percent of the tax levy.

D. Pension Plan

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

E. Capital Leases

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

F. Fuel Tax

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

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

Detailed Notes on Account Balances (continued)

G. Judgments

The County has a judgment. The County is obligated to pay this judgment over a three-year period. The County has adequate funds in the debt service fund to liquidate the judgment and no levy is necessary.

<u>Case Number</u>	<u>Original Judgment</u>
C92-115	\$5,100

Future principal and interest payments that will become due on the existing judgment are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	<u>\$ 3,400</u>	<u>\$ 1,998</u>	<u>\$ 5,398</u>
Totals	<u>\$ 3,400</u>	<u>\$ 1,988</u>	<u>\$ 5,398</u>

During the year ended June 30, 2003, a pending case (96-CV-91-k {m}) was settled by the Courts. The County paid the plaintiffs' attorney fees of \$12,000. No other money judgment was entered. This payment is reflected as "judgments paid" since it was directed by the District Court in a "Consent Order".

4. Sales Tax

An election was held on February 12, 2002. The citizens of Mayes County approved a 3/8 of one percent sales tax to replace the previous 3/8% sales tax used to pay the indebtedness incurred to construct and equip the jail facility. The new sales tax begins when the previous indebtedness is paid in full. The proceeds will be used to pay the debt service on bonds or notes issued by the Mayes County Public Facilities Authority to acquire, construct, and equip the county courthouse facility. The sales tax terminates at the earliest possible date that revenues are sufficient to retire said bonds or notes.

On November 5, 2002, voters approved a one-quarter percent sales tax on a permanent basis to be divided equally between fourteen fire departments in Mayes County, Oklahoma.

**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 special-purpose financial statements of Mayes County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 11, 2003. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Mayes County's special-purpose 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mayes County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-1.

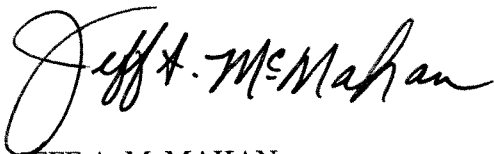
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2002-1 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 the 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 11, 2003

**MAYES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003**

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

Finding 2002-1 – Segregation of Duties (Repeat Finding)

Criteria: Management's accounting for funds should demonstrate accountability and stewardship. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

Condition: The limited number of office personnel within several county offices prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control structure.

Recommendation: We recommend management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of County operations and a periodic review of operations.

**Statistical Data
(Unaudited)**

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

<u>Taxpayer</u>	<u>January 1, 2002 Net Assessed Valuation</u>	<u>% of Total Net Valuation</u>
1. Protein Technologies	\$ 7,431,495	4.65%
2. NGC Industries Inc.	4,940,475	3.09
3. Public Service Co. of Oklahoma	3,135,786	1.96
4. Southwestern Bell	2,791,678	1.74
5. Lone Star Industries	2,400,785	1.50
6. Norit Americas Inc.	2,224,071	1.39
7. Labinal Aero Defense	1,091,610	.68
8. Grede-Pryor Inc.	1,036,737	.65
9. MCI Telecommunication	1,019,825	.64
10. Chouteau Telephone Co.	<u>842,394</u>	<u>.53</u>
Total	<u>\$26,914,856</u>	<u>16.83%</u>

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

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

Total net assessed value as of January 1, 2002		<u>\$ 159,920,367</u>
Debt limit – 5 % of total assessed value		\$ 7,996,018
Total bonds outstanding	0	
Total judgments outstanding	3,400	
Less cash in sinking fund	<u>13,456</u>	<u>-</u>
Legal debt margin		<u>\$ 7,996,018</u>

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

	2003
Estimated population	38,369
Net assessed value as of January 1, 2002	\$ 159,920,367
Gross bonded debt	-
Less available sinking fund cash balance	13,456
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0
Net bonded debt per capita	\$ -

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

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1-1-02	\$39,909,342	\$15,432,647	\$113,938,852	\$9,360,474	\$159,920,367	\$1,452,997,866