

**MAYES COUNTY, OKLAHOMA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2004**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

September 7, 2005

TO THE CITIZENS OF
MAYES COUNTY, OKLAHOMA

Transmitted herewith is the audit of Mayes County, Oklahoma, for the fiscal year ended June 30, 2004. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

MAYES COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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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 White
(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

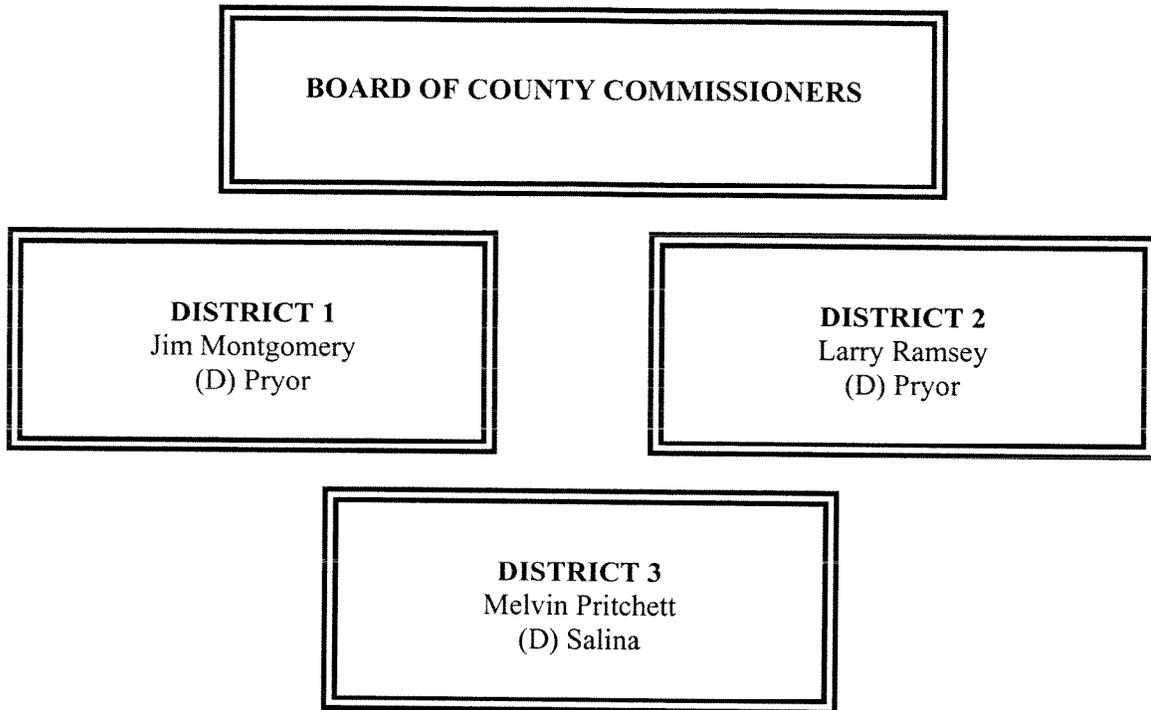
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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 (7-03 to 3-04)

(D) Pryor

Lori Parsons (4-04 to 6-04)

(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.

**MAYES COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

Jill McCullah

(D) Pryor

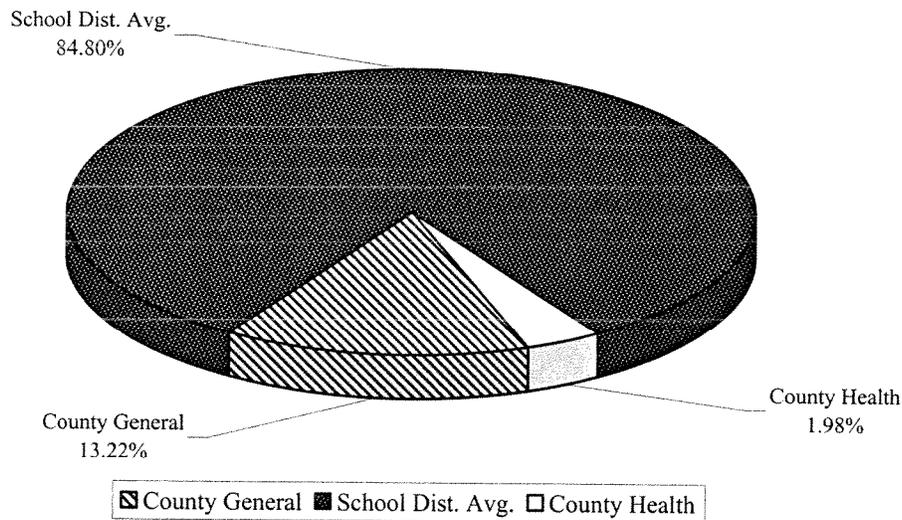
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

See independent auditor's report.

**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								
County Health	1.55								
		Pryor	I-01	35.79	5.11	13.28	10.33	4.13	68.64
		Adair	I-02	37.27	5.32	5.47	10.33	4.13	62.52
		Salina	I-16	36.18	5.17		10.33	4.13	55.81
		Locust Grove	I-17	36.47	5.21	17.85	10.33	4.13	73.99
		Chouteau-Mazie	I-32	36.07	5.15	10.50	10.33	4.13	66.18
		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	7.44	10.33	4.13	63.88
		Chelsea	R-3	37.00	5.29	23.11	10.33	4.13	79.86
		Inola	R-5	38.09	5.44	29.49	10.33	4.13	87.48
		Ketchum	C-6	36.15	5.16	5.73	10.33	4.13	61.50
		Big Cabin	C-65	37.40	5.34	15.27	10.33	4.13	72.47
		Disney	D-1	35.79	5.11	1.88	10.33	4.13	57.24

See independent auditor's report.

FINANCIAL SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
MAYES COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Mayes County, Oklahoma, as of and for the year ended June 30, 2004, 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. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

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 fund of the County, as of and for the year ended June 30, 2004, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2005, on our consideration of Mayes County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Mayes County, Oklahoma, taken as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the special-purpose financial statements. The information listed in the table of contents under *Introductory Section* and *Statistical Section* has not been audited by us, and accordingly, we express no opinion on it.

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

March 10, 2005

Special-Purpose Financial Statements

**MAYES COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2004**

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
General Fund	\$ 1,330,326	\$ 4,025,546	\$ 3,869,626	\$	\$ 1,486,246
Highway Cash	660,036	2,451,389	2,494,191		617,234
Sheriff Service Fee	166,453	240,087	228,915		177,625
Resale Property	160,027	161,355	98,720		222,662
Assessor's Revolving	22,726	7,232	1,534		28,424
CSSP	22,188	199,747	117,370		104,565
County Clerk Lien Fee	18,247	9,007	985		26,269
County Clerk Record's Preservation	78,729	51,136	50,295		79,570
Treasurer's Mortgage Cert. Fee	13,859	14,304	13,954		14,209
Sinking Fund	13,456	14,954	21,900		6,510
Schools	302,019	11,029,090	11,097,840		233,269
Official Depository	569,884	5,281,294	5,156,910	16,523	710,791
Unapportioned Taxes	400	2,393	2,264		529
County Health	232,069	268,179	307,216		193,032
Law Library	9,398	37,656	27,848		19,206
Individual Redemption	7,015	97,556	92,875		11,696
Sheriff Revolving	80,513	95,124	83,728		91,909
Sheriff Community Service	18,271	33,482	28,107		23,646
Flood Plain Board	502	50			552
Jail Sales Tax Revolving	276,570	297,615	359,329		214,856
County Drug Team	21,329	36,446	44,720		13,055
Cops Grant Fund	8,521	30,000	30,326		8,195
Sheriff's Commissary	29,558	81,958	66,990		44,526
Trash Cop Reward Fund	793				793
Court Cases	19,484	5,591			25,075
Firefighters Fund	160,875	585,767	241,315		505,327
Cities and Towns	13,823	198,263	195,583		16,503
Emergency 911	41,125	152,070	162,871		30,324
Public Facilities Authority	332,062	881,456	935,154		278,364
Cash in Office	495	180			675
Protest Taxes	93,961	217	94,178		
Excess Resale		3,714			3,714
Grant Fund		10,870	10,870		
Court Fund Payroll		294,177	218,177		76,000
Drug Court		700			700
Total County Funds	<u>\$ 4,704,714</u>	<u>\$ 26,598,605</u>	<u>\$ 26,053,791</u>	<u>\$ 16,523</u>	<u>\$ 5,266,051</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, 2004**

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 1,330,326	\$ 1,330,326	\$ 1,330,326	\$ -
Less: Prior Year Outstanding Warrants	(318,875)	(318,875)	(318,845)	30
Less: Prior Year Encumbrances	(67,296)	(67,296)	(52,182)	15,114
Beginning Cash Balances, Budgetary Basis	944,155	944,155	959,299	15,144
Receipts:				
Ad Valorem Taxes	1,534,338	1,534,338	1,664,915	130,577
Sales Tax	1,541,279	1,541,279	1,791,604	250,325
Charges for Services	176,077	176,077	214,639	38,562
Intergovernmental Revenues	115,436	338,127	277,573	(60,554)
Miscellaneous Revenues	99,352	99,352	76,815	(22,537)
Total Receipts, Budgetary Basis	3,466,482	3,689,173	4,025,546	336,373
Expenditures:				
Total County Sheriff	679,900	680,495	677,506	2,989
Total County Treasurer	127,192	127,192	127,192	-
Total County Commissioners	139,624	139,624	138,700	924
OSU Extension	31,369	29,520	29,515	5
Capital Outlay		1,849	1,849	
Total OSU Extension	31,369	31,369	31,364	5
County Clerk	157,388	156,228	152,630	3,598
Capital Outlay		510	509	1
Total County Clerk	157,388	156,738	153,139	3,599
Total Court Clerk	117,251	220,419	220,367	52
Total County Assessor	125,092	125,092	120,449	4,643
Revaluation of Real Property	138,798	145,527	143,790	1,737
Capital Outlay	30,000	23,271	5,196	18,075
Total Revaluation of Real Property	168,798	168,798	148,986	19,812
General Government	229,509	269,945	235,005	34,940
Capital Outlay	101,757	148,642	9,525	139,117
Total General Government	331,266	418,587	244,530	174,057
Total Excise-Equalization Board	3,500	3,500	2,332	1,168

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, 2004**

continued from previous page

	General Fund			
	Original Budget	Final Budget	Actual	Variance
County Election Board	63,925	61,021	61,004	17
Capital Outlay		3,916	3,916	
Total County Election Board	63,925	64,937	64,920	17
Total Insurance	467,759	498,354	472,962	25,392
Total County Purchasing Agent	23,696	23,696	23,534	162
Total County Audit Budget	16,274	16,274	16,274	-
Total Highway Account	1,383,223	1,383,223	836,299	546,924
Total Free Fair Budget	11,000	11,000	11,000	-
Total Charity	300	300		300
Total Recording Account	8,400	9,050	9,034	16
Total MESTA	554,680	554,680	554,680	-
Provision for Interest on Warrants				
Total Expenditures, Budgetary Basis	4,410,637	4,633,328	3,853,268	780,060
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	1,131,577	\$1,131,577
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			177,486	
Add: Current Year Outstanding Warrants			177,183	
Ending Cash Balance			1,486,246	

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 FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 232,069	\$ 232,069	\$ 232,069	\$ -
Less: Prior Year Outstanding Warrants	(2,276)	(2,276)	(2,276)	
Less: Prior Year Encumbrances	(52,139)	(52,139)	(50,326)	1,813
Beginning Cash Balances, Budgetary Basis	<u>177,654</u>	<u>177,654</u>	<u>179,467</u>	<u>1,813</u>
Receipts:				
Ad Valorem Taxes	230,225	230,225	249,805	19,580
Miscellaneous Revenues		14,600	18,374	3,774
Total Receipts, Budgetary Basis	<u>230,225</u>	<u>244,825</u>	<u>268,179</u>	<u>23,354</u>
Expenditures:				
Health and Welfare	407,879	352,479	210,598	141,881
Capital Outlay		70,000	67,793	2,207
Total Expenditures, Budgetary Basis	<u>407,879</u>	<u>422,479</u>	<u>278,391</u>	<u>144,088</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	169,255	<u>\$ 169,255</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			19,855	
Add: Current Year Outstanding Warrants			3,922	
Ending Cash Balance			<u>\$ 193,032</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 - SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2004**

Beginning Cash Balance	<u>\$ 13,456</u>
Receipts:	
Miscellaneous	<u>14,954</u>
Total Receipts	<u>14,954</u>
Disbursements:	
County Judgments	19,902
Interest Paid	<u>1,998</u>
Total Disbursements	<u>21,900</u>
Ending Cash Balance	<u><u>\$ 6,510</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, 2004**

Official Depository Accounts	Beginning Cash Balances July 1, 2003	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
District Attorney	\$ 56,615	\$ 141,890	\$ 115,507	\$ 2,128	\$ 85,126
County Sheriff	16,021	531,550	484,748	1,293	64,116
County Treasurer	44,326	114,922	145,670	3,170	16,748
County Clerk		321,726	321,762	36	
Court Clerk	275,316	2,904,744	2,874,842	5,836	311,054
Court Fund	168,278	1,090,680	1,050,990	3,290	211,258
County Assessor		7,232	7,232		
County Election Board	261	61,947	61,878	336	666
County Health		25,931	25,931		
County Clerk M&M		5,125	5,125		
C.A. Shippers Proceeds	8,902	2,700			11,602
Court Clerk's Revolving Cash	165	66,470	56,848	434	10,221
Community Sentencing		6,377	6,377		
Total Official Depository Accounts	\$ 569,884	\$ 5,281,294	\$ 5,156,910	\$ 16,523	\$ 710,791

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

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

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

E. Cash

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, 2004.

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

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Worker's Compensation - Employees' Injuries	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Employee - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of coverage.	None

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

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

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

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$5,266,051 and the bank balance was \$5,373,109. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

Detailed Notes on Funds and Account Balances (continued)

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

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

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 – revenues are from various fees collected by the Sheriff. Disbursements are for any legal expense of the Sheriff's office.

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.

Detailed Notes on Funds and Account Balances (continued)

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.

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 sales tax and 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.

Excess Resale – revenues are from amounts received above the amount of tax due when property is sold for taxes. Disbursements are to the original owner of the property.

Grant Fund – revenues are from a federal grant. Disbursements are for hazard mitigations.

Court Fund Payroll – revenues are from the district courts. Disbursements are for payroll expenses of the Court Clerk's office.

Drug Court – revenues are from drug court defendant user fees. Disbursements are for drug court expenses.

Detailed Notes on Funds and Account Balances (continued)

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.

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 collection 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.

Community Sentencing - accounts for state collections for community sentencing fees.

Detailed Notes on Funds and Account Balances (continued)

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, 2003, was approximately \$162,735,761.

Per Article 10, § 8A, the County voted to repeal the personal property tax. The initiative provided that real property tax levies would be increased to make up for the loss of taxable personal property; therefore, the levy is now 10.33 mills (the legal maximum) for general fund operations 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 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, 2004, 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.

Detailed Notes on Funds and 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. 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.

G. Judgments

During the year ended June 30, 2004, two pending cases (C92-115 and C99-397) were settled by the Courts. The County paid total principal of \$3,400 and interest of \$1,998 for case C92-115. The County also paid total principal of \$16,502 for case C99-367. No other money judgment was entered. These payments are reflected as "judgments paid" since it was directed by the District Court in a "Consent Order".

4. Contingent Liabilities

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

5. Sales Tax

An election was held on February 12, 2002. The citizens of Mayes County approved a three-eighths of one percent (0.375%) to replace the previous three-eighths of one percent 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.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

Sales Tax (continued)

On November 5, 2002, voters approved a one-quarter of one percent (0.25%) sales tax on a permanent basis to be divided equally among fourteen fire departments in Mayes County, Oklahoma.

INTERNAL CONTROL AND COMPLIANCE SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
MAYES COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Mayes County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated March 10, 2005. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 an opinion 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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.

Compliance and Other Matters

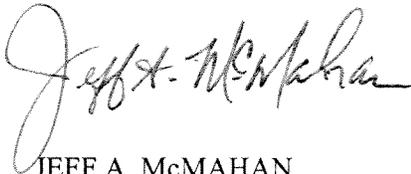
As part of obtaining reasonable assurance about whether Mayes County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

March 10, 2005

MAYES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

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

Finding 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 office operations and a periodic review of operations.

STATISTICAL SECTION
(Unaudited)

**MAYES COUNTY, OKLAHOMA
TOP TEN TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Protein Technologies Int, Inc.	\$ 9,462,028	5.81%
NGC Industries	4,045,570	2.49%
Public Service Co. of Oklahoma	3,519,230	2.16%
Explorer Pipeline Company	2,911,590	1.79%
Lonestar Industries	2,374,381	1.46%
Southwestern Bell	2,338,683	1.44%
Armin Plastics Okla. Tyco	2,226,592	1.37%
Norit Americas Inc.	1,926,761	1.18%
Labinal Aero Defense Systems	1,414,004	0.87%
Sygma Network	1,376,355	0.85%
Total	<u>\$ 31,595,194</u>	<u>19.42%</u>

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

**MAYES COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

Total net assessed value as of January 1, 2003		<u>\$ 162,735,761</u>
Debt limit - 5% of total assessed value		8,136,788
Total bonds outstanding	-	
Total judgments outstanding	-	
Cash in sinking fund	<u>\$ 6,510</u>	<u>-</u>
Legal debt margin		<u>\$8,136,788</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, 2004
(UNAUDITED)**

	2004
Estimated population	38,369
Net assessed value as of January 1, 2003	\$ 162,735,761
Gross bonded debt	-
Less available sinking fund cash balance	6,510
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

**MAYES COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 FOR THE YEAR ENDED JUNE 30, 2004
 (UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2003	\$34,133,702	\$17,235,076	\$120,765,034	\$9,398,051	\$162,735,761	\$1,452,997,866