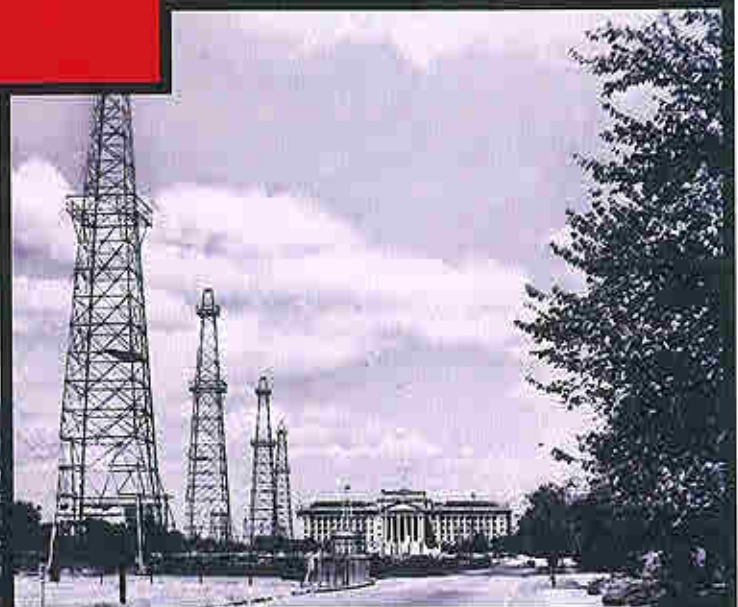


County Audit

**Mayes County,
Oklahoma**

**For The Fiscal Year Ended
June 30, 2005**



**Office of the Oklahoma State Auditor and Inspector
Jeff A. McMahan, CFE**

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

This publication is printed and issued by the State Auditor and Inspector as authorized by 19 O.S. § 171. Pursuant to 74 O.S. § 3105.B, thirty-five (35) copies have been prepared and distributed at a cost of \$92.36. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

August 13, 2007

TO THE CITIZENS OF
MAYES COUNTY, OKLAHOMA

Transmitted herewith is the audit of Mayes County, Oklahoma, for the fiscal year ended June 30, 2005. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

**MAYES COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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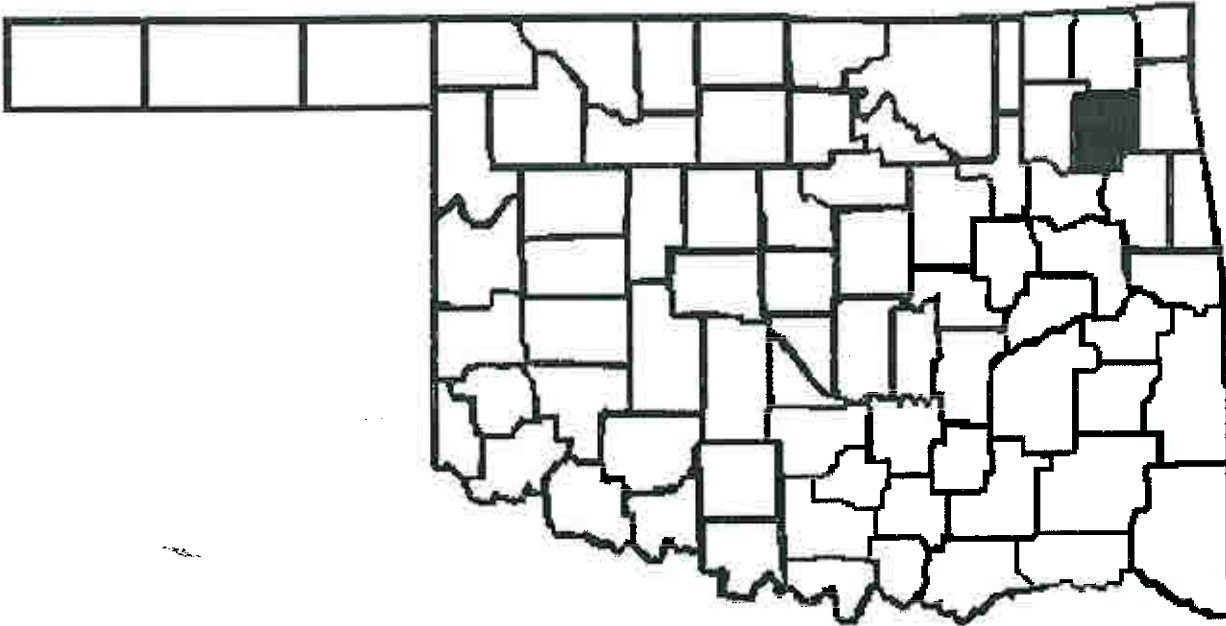
**MAYES COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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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 – 683.51 Square Miles

County Population – 39,274
(2004 est.)

Farms – 1,552

Land in Farms – 302,172 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

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

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
Until 12/2004

Rita Littlefield
(D) Pryor
Began 1/2005

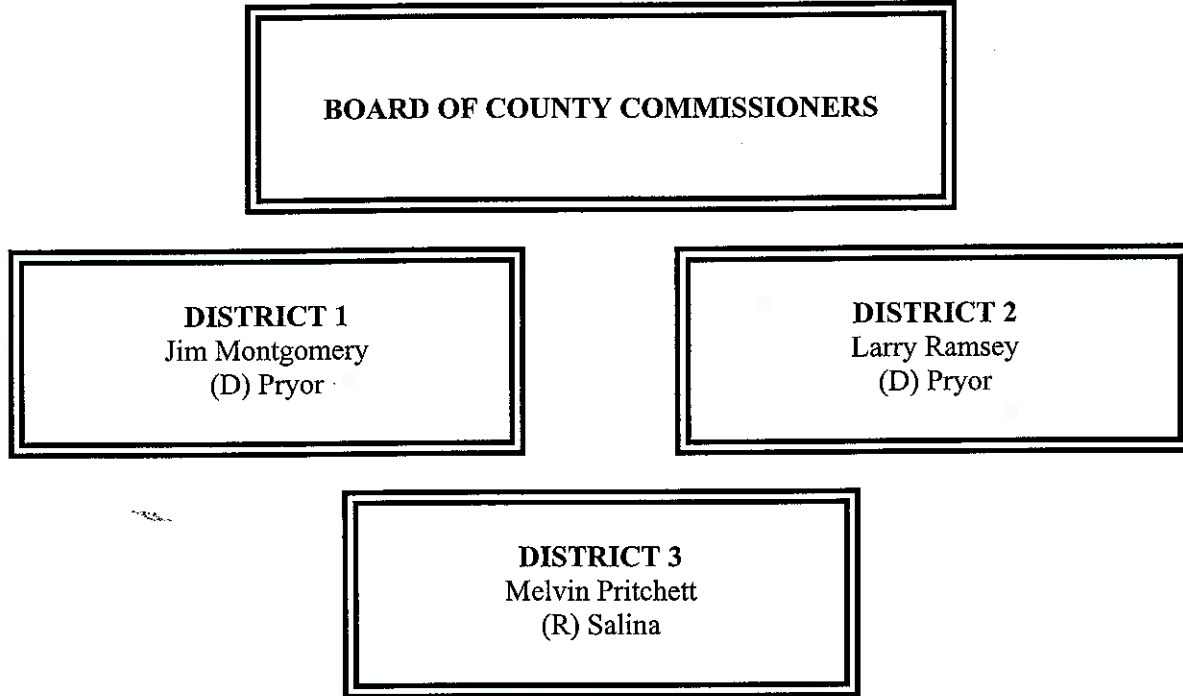
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**



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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 Carman
(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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

COURT CLERK
Lori Parsons
(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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

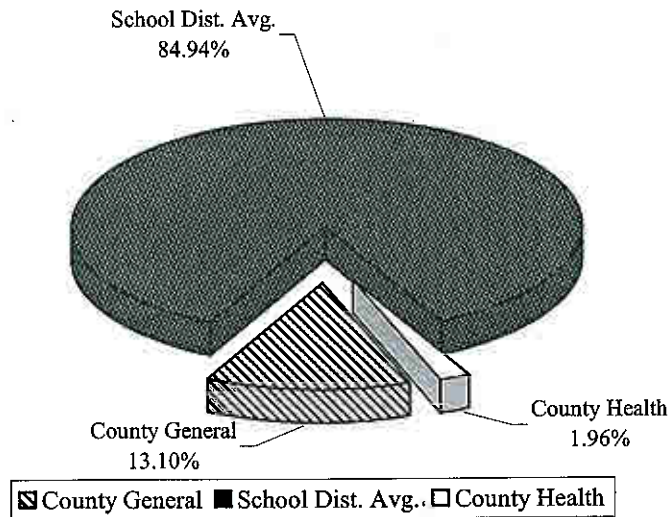
ELECTION BOARD SECRETARY
Jill McCullah
(D) Pryor

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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



County-Wide Millages		School District Millages							
Co. General	10.33			Gen.	Bldg.	Skg.	Career		Total
County Health	1.55						Tech	Common	
		Pryor	I-01	35.79	5.11	14.46	11.33	4.13	70.82
		Adair	I-02	37.27	5.32	8.27	11.33	4.13	66.32
		Salina	I-16	36.18	5.17		11.33	4.13	56.81
		Locust Grove	I-17	36.47	5.21	22.96	11.33	4.13	80.10
		Chouteau Mazie	I-32	36.07	5.15	5.88	11.33	4.13	62.56
		Spavinaw	D-21	35.99	5.14		11.33	4.13	56.59
		Wickliffe	D-35	36.46	5.21		11.33	4.13	57.13
		Osage	D-43	36.73	5.25	5.57	11.33	4.13	63.01
		Chelsea	R-3	37.00	5.29	21.48	11.33	4.13	79.23
		Inola	R-5	38.09	5.44	27.04	11.33	4.13	86.03
		Ketchum	C-6	36.15	5.16	4.68	11.33	4.13	61.45
		Big Cabin	C-65	37.40	5.34	14.73	11.33	4.13	72.93
		Disney	D-1	35.79	5.11	1.56	11.33	4.13	57.92

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

Total net assessed value as of January 1, 2004		<u>\$ 170,453,948</u>
Debt limit - 5% of total assessed value		8,522,697
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>2,940</u>	<u>-</u>
Legal debt margin		<u>\$ 8,522,697</u>

See independent auditor's report.

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

	2005
Estimated population	39,274
Net assessed value as of January 1, 2004	\$ 170,453,948
Gross bonded debt	-
Less available sinking fund cash balance	2,940
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**MAYES COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(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>
1/1/2004	\$35,456,785	\$17,618,066	\$126,838,929	\$9,459,832	\$170,453,948	\$1,420,449,567

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 combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Mayes County, Oklahoma, as of and for the year ended June 30, 2005, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Mayes County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

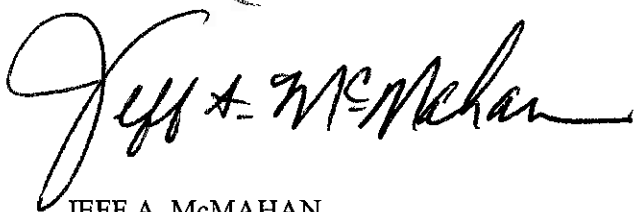
As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2006, 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 conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in black ink, reading "Jeff A. McMahhan". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

July 25, 2006

Basic Financial Statement

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

	Beginning	Receipts	Transfers	Transfers	Disbursements	Ending
	Cash Balances					Cash Balances
	July 1, 2004	Apportioned	In	Out		June 30, 2005
Combining Information:						
County General Fund	\$ 1,486,246	\$ 4,348,347	\$ 6,511	\$	\$ 4,104,096	\$ 1,737,008
Highway Cash	617,234	2,491,480			2,565,696	543,018
Firefighter Fund Sales Tax	505,327	635,504			436,743	704,088
County Health	193,033	292,880			230,005	255,908
Resale	222,662	115,688			127,323	211,027
Sheriff Service Fees	177,625	267,758			210,719	234,664
Sheriff Revolving	91,908	109,030			50,675	150,263
Treasurer Mortgage Certification Fee	14,209	12,645			14,809	12,045
Sheriff Community Service Sentencing Program	23,646	25,455			27,921	21,180
County Clerk Record Management and Preservation Fee	79,570	47,955			38,107	89,418
County Clerk Lien Fee	26,268	9,157			3,460	31,965
Mayes County Community Sentencing Program	104,565	114,682			45,766	173,481
County Jail Sales Tax Revolving	214,856	320,623			374,879	160,600
Grant Fund		2,666			2,666	
COPS Grant	8,195	16,079			21,268	3,006
County Sinking	6,510	2,941		6,511		2,940
Assessor Revolving Fund	28,424	6,961			2,809	32,576
Public Facilities Authority Sales Tax	278,364	957,518			711,114	524,768
Sheriff Commissary Fund	44,526	80,109			67,049	57,586
Sheriff Trash Cops Fund	792					792
Combined Total--All County Funds	\$ 4,123,960	\$ 9,857,478	\$ 6,511	\$ 6,511	\$ 9,035,105	\$ 4,946,333

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

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

County General Fund – revenues are from ad valorem taxes, officer's fees, sales tax, 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.

Firefighter Fund Sales Tax - revenues are from sales tax and various fees charged by local volunteer fire departments. Disbursements are at the direction of those departments.

County Health – accounts for monies collected on behalf of the County Health Department from ad valorem taxes and state and local revenues.

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

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

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

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

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

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

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

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 Clerk's office.

Mayes County Community Sentencing Program – revenues are from state funds reimbursing the administrative expenses of people sentenced to community service.

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

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

COPS Grant – revenues are from a federal grant. Disbursements are for payroll of sheriff's officers.

County Sinking – debt service receipts are derived generally from a special ad valorem tax levy.

Assessor Revolving Fund – revenues are from any and all fees collected by the County Assessor. Disbursements are to maintain electronic databases and geographic information systems in the Assessor's office.

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

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

Sheriff Trash Cops Fund – accounts for grant collections and court clerk may also collect monies as ordered by the judge in court cases. Disbursements are for enforcing trash dumping laws.

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

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

C. Basis of Accounting

The basic financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

D. Budget

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

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

E. Cash

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

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

F. Investments

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

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

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

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

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may not be accumulated unless approved by the individual officer. Employees, upon completion of working one year for the County, shall receive ten (10) days vacation per calendar year. Upon completion of five (5) years of service with the County, employees will receive fifteen (15) days per calendar year and after completion of fifteen (15) years will receive twenty (20) days per calendar year.

Employees are given ten (10) days sick leave per calendar year. Employees shall be allowed to accumulate up to sixty (60) days sick leave. Sick leave is not a paid benefit and is not payable upon cessation of employment with the County.

Employees will be allowed to donate accrued leave at their discretion to other employees requiring serious medical attention resulting in loss of income. Donation and receipt of time must receive prior approval of all officers involved.

2. Ad Valorem Tax

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

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

The assessed property value as of January 1, 2004, was approximately \$170,453,948.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.33 mills (the legal maximum) for general fund operations and 1.55 mills for county health department. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2005, were approximately 93.88 percent of the tax levy.

3. Fuel Tax

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

4. Risk Management

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

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers Liability • Vehicle 	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 		

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

Types of Loss	Method of Management	Risk of Loss Retained
Workers' Compensation <ul style="list-style-type: none"> • Employees' Injuries 	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee <ul style="list-style-type: none"> • Medical • Disability • Dental • Life 	The County carries commercial insurance.	None

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$25,000 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 workers' compensation claims and employees' insurance. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

5. Long-term Obligations

Capital Leases

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

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

Revenue Bonds

Mayes County Public Facilities Authority (MCPFA), a component unit of Mayes County, has issued revenue bonds to construct and equip the new jail and courthouse facility. The bonds are paid from sales tax revenues. The County has no liability for the revenue bonds issued by MCPFA.

6. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the plan for the years ending June 30, 2005, 2004, and 2003 were \$287,133, \$295,871, and \$289,400, respectively, equal to the required contributions for each year.

7. Other Post Employment Benefits (OPEB)

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

8. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of

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

expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

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

9. Sales Tax

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

In addition, on December 3, 1985, a sales tax of three-eighths of one percent (3/8%) was approved on a permanent basis for allocation specifically for the construction, maintenance and improvement of the road system of Mayes County.

On November 5, 2002, voters approved a one-quarter of one percent (1/4%) sales tax on a permanent basis to be divided equally between fourteen fire departments in Mayes County, Oklahoma.

The citizens of Mayes County approved a three-eighths of one percent (3/8%) sales tax on February 12, 2002, to replace the previous 3/8% sales tax used to pay the indebtedness incurred to construct and equip the jail facility, previously approved by voters on October 14, 1997. The proceeds are used to pay the debt service on bonds or notes issued by the Mayes County Public Facilities Authority to acquire, construct, and equip the new county courthouse facility. The sales tax terminates at the earliest possible date that revenues are sufficient to retire said bonds or notes.

10. Residual Equity Transfer

The County transferred \$6,511 from the County Sinking fund to the General Fund as authorized by 62 O.S. § 445.

OTHER SUPPLEMENTARY INFORMATION

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 1,486,246	\$ 1,486,246	\$ 1,486,246	\$ -
Less: Prior Year Outstanding Warrants	(177,183)	(177,183)	(177,183)	
Less: Prior Year Encumbrances	(177,486)	(177,486)	(149,830)	27,656
Add: Estopped Warrants			50	50
Beginning Cash Balances, Budgetary Basis	<u>1,131,577</u>	<u>1,131,577</u>	<u>1,159,283</u>	<u>27,706</u>
Residual Equity Transfer In	-	6,511	6,511	-
Total Residual Equity Transfer In	<u>-</u>	<u>6,511</u>	<u>6,511</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	1,600,718	1,600,718	1,703,926	103,208
Sales Tax	1,394,415	1,394,415	1,587,887	193,472
Charges for Services	184,040	184,040	394,120	210,080
Intergovernmental Revenues	298,263	521,002	570,044	49,042
Miscellaneous Revenues	60,278	60,278	92,370	32,092
Total Receipts, Budgetary Basis	<u>3,537,714</u>	<u>3,760,453</u>	<u>4,348,347</u>	<u>587,894</u>
Expenditures:				
County Sheriff	686,314	687,877	687,589	288
Total County Sheriff	<u>686,314</u>	<u>687,877</u>	<u>687,589</u>	<u>288</u>
County Treasurer	118,551	118,551	118,551	
Total County Treasurer	<u>118,551</u>	<u>118,551</u>	<u>118,551</u>	<u>-</u>
County Commissioners	139,891	139,891	138,558	1,333
Total County Commissioners	<u>139,891</u>	<u>139,891</u>	<u>138,558</u>	<u>1,333</u>
OSU Extension	25,135	14,706	14,272	434
Capital Outlay		10,429	10,429	
Total OSU Extension	<u>25,135</u>	<u>25,135</u>	<u>24,701</u>	<u>434</u>
County Clerk	152,797	161,850	154,537	7,313
Total County Clerk	<u>152,797</u>	<u>161,850</u>	<u>154,537</u>	<u>7,313</u>
Court Clerk	118,551	118,551	118,550	1
Total Court Clerk	<u>118,551</u>	<u>118,551</u>	<u>118,550</u>	<u>1</u>

continued on next page

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	122,751	122,751	122,432	319
Total County Assessor	122,751	122,751	122,432	319
Revaluation of Real Property	171,161	171,161	167,880	3,281
Capital Outlay	30,000	30,000		30,000
Total Revaluation of Real Property	201,161	201,161	167,880	33,281
General Government	242,707	278,493	271,021	7,472
Capital Outlay	148,299	178,585	42,305	136,280
Total General Government	391,006	457,078	313,326	143,752
Excise-Equalization Board	2,800	2,800	2,637	163
Total Excise-Equalization Board	2,800	2,800	2,637	163
County Election Board	65,425	63,658	63,456	202
Capital Outlay		2,713	2,693	20
Total County Election Board	65,425	66,371	66,149	222
Insurance	511,668	506,620	488,435	18,185
Total Insurance	511,668	506,620	488,435	18,185
Purchasing Agent	24,176	24,138	24,138	
Total Purchasing Agent	24,176	24,138	24,138	-
Charity	300	300		300
Total Charity	300	300	-	300
Recording Account	8,400	8,485	8,480	5
Total Recording Account	8,400	8,485	8,480	5
MESTA	605,279	605,279	605,279	
Total MESTA	605,279	605,279	605,279	-
Highway Budget Account	1,465,382	1,465,382	937,469	527,913
Total Highway Budget Account	1,465,382	1,465,382	937,469	527,913
County Audit Budget Account	17,045	17,045	17,045	
Total County Audit Budget Account	17,045	17,045	17,045	-

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Free Fair Budget	12,659	169,276	150,017	19,259
Total Free Fair Budget	<u>12,659</u>	<u>169,276</u>	<u>150,017</u>	<u>19,259</u>
Provision for Interest on Warrants	-	-	-	-
Total Expenditures, Budgetary Basis	<u>4,669,291</u>	<u>4,898,541</u>	<u>4,145,773</u>	<u>752,768</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	1,368,368	<u>\$ 1,368,368</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			220,159	
Add: Current Year Outstanding Warrants			148,481	
Ending Cash Balance			<u>\$ 1,737,008</u>	

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

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

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 193,033	\$ 193,033	\$ 193,033	\$ -
Less: Prior Year Outstanding Warrants	(3,923)	(3,923)	(3,923)	
Less: Prior Year Encumbrances	(19,856)	(19,856)	(18,825)	1,031
Beginning Cash Balances, Budgetary Basis	<u>169,254</u>	<u>169,254</u>	<u>170,285</u>	<u>1,031</u>
Receipts:				
Ad Valorem Taxes	240,185	240,185	253,099	12,914
Charges for Services		36,513	36,581	68
Intergovernmental Revenue			3,200	3,200
Total Receipts, Budgetary Basis	<u>240,185</u>	<u>276,698</u>	<u>292,880</u>	<u>16,182</u>
Expenditures:				
Health and Welfare	359,439	395,952	268,727	127,225
Capital Outlay	50,000	50,000	5,320	44,680
Total Expenditures, Budgetary Basis	<u>409,439</u>	<u>445,952</u>	<u>274,047</u>	<u>171,905</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	189,118	<u>\$ 189,118</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			22,904	
Add: Current Year Outstanding Warrants			43,886	
Ending Cash Balance			<u>\$ 255,908</u>	

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

**MAYES COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Beginning Cash Balance	<u>\$ 6,510</u>
Receipts:	
Ad Valorem Tax	<u>2,941</u>
Total Receipts	<u>2,941</u>
Disbursements:	
Residual Equity Transfer	<u>6,511</u>
Total Disbursements	<u>6,511</u>
Ending Cash Balance	<u>\$ 2,940</u>

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

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

1. Budgetary Schedules

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year, unencumbered appropriations lapse.

2. Sinking Fund Schedule

Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

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 combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Mayes County, Oklahoma, as of and for the year ended June 30, 2005, which comprises Mayes County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated July 25, 2006. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

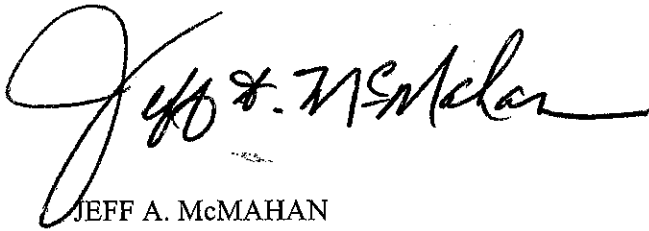
In planning and performing our audit, we considered Mayes County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. 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 Mayes County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying schedule of findings and responses 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 statement 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 the reportable condition described above to be a material weakness.

Compliance and Other Matters

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

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

A handwritten signature in black ink, appearing to read "Jeff A. McMahon". The signature is fluid and cursive, with a large initial "J" and a long horizontal stroke at the end.

JEFF A. McMAHAN
State Auditor and Inspector

July 25, 2006

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

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: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation is an important element of effective internal control over government assets and resources.

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 that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's knowledge of office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. Management does have knowledge of office operations and will perform a periodic review of these operations.