

County Audit

**Major County,
Oklahoma**

**For The Fiscal Year Ended
June 30, 2006**



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

**MAJOR COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

August 29, 2007

TO THE CITIZENS OF
MAJOR COUNTY, OKLAHOMA

Transmitted herewith is the audit of Major County, Oklahoma, for the fiscal year ended June 30, 2006. 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

**MAJOR COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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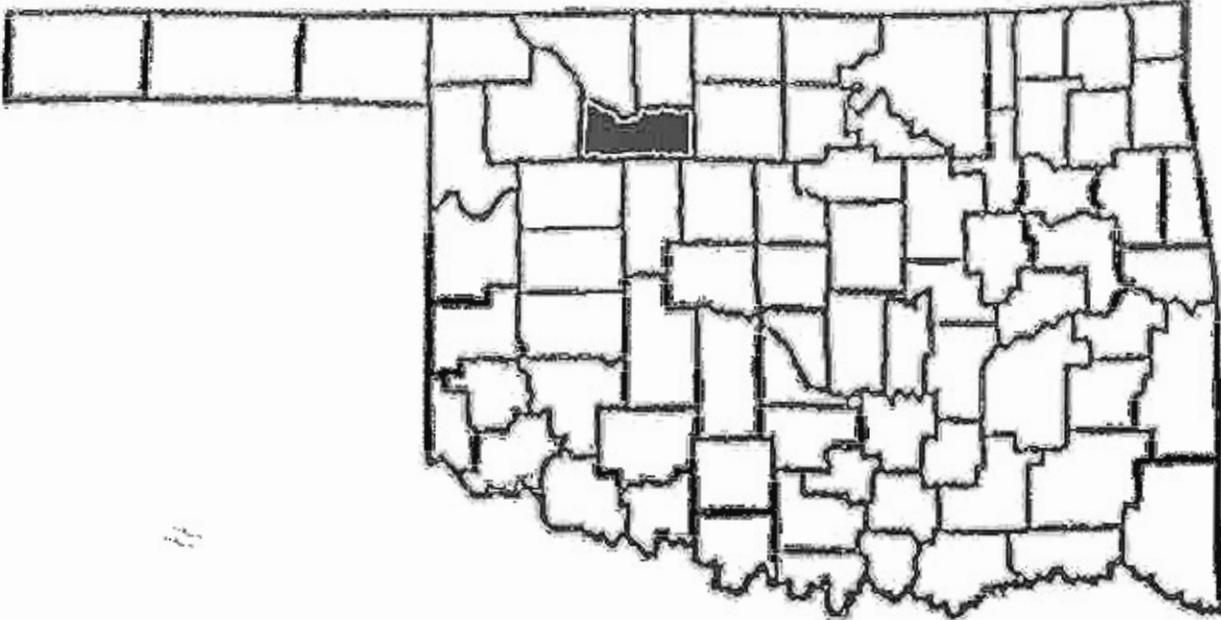
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**REPORT TO THE CITIZENS
OF
MAJOR COUNTY, OKLAHOMA**



Major County was created at statehood from the southern portion of Woods County, Oklahoma Territory, and named for John C. Major, a member of the Oklahoma Constitutional Convention.

Several companies manufacture products ranging from oil drilling equipment to industrial loaders and steel truck bodies.

Annual events of interest include Fairview Follies, Wranglers Rodeo, National John Deere Two Cylinder Show, Major County Fair, and an Old Time Threshing Bee.

County Seat - Fairview

Area – 580.13 Square Miles

County Population – 7,363
(2004 est.)

Farms - 879

Land in Farms - 508,689 acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

**MAJOR COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

COUNTY ASSESSOR
Ralph Wilson
(R) Fairview

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
Kathy McClure
(R) Fairview

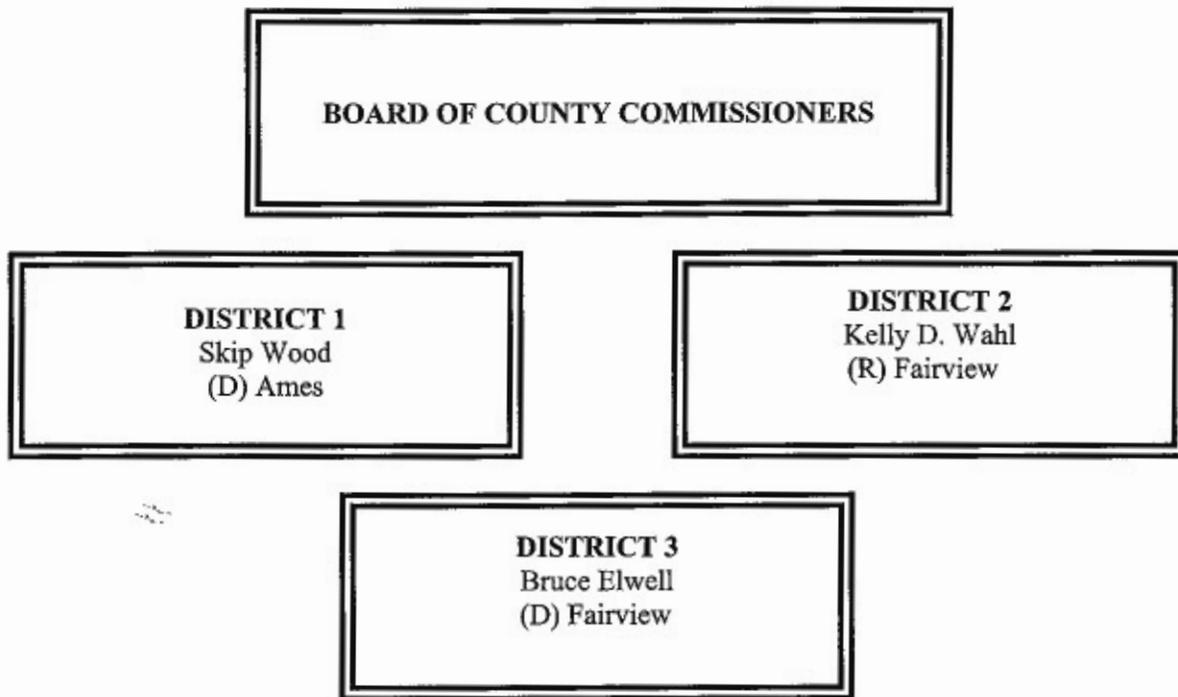
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**MAJOR COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**



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.

**MAJOR COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

COUNTY SHERIFF

Tom Shaffer
(R) Ringwood

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

Reba Hiebert
(R) Ringwood

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.

**MAJOR COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

COURT CLERK
Shauna Hoffman
(R) Fairview

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
Ray Don Jackson
(D) Woodward

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.

**MAJOR COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

ELECTION BOARD SECRETARY

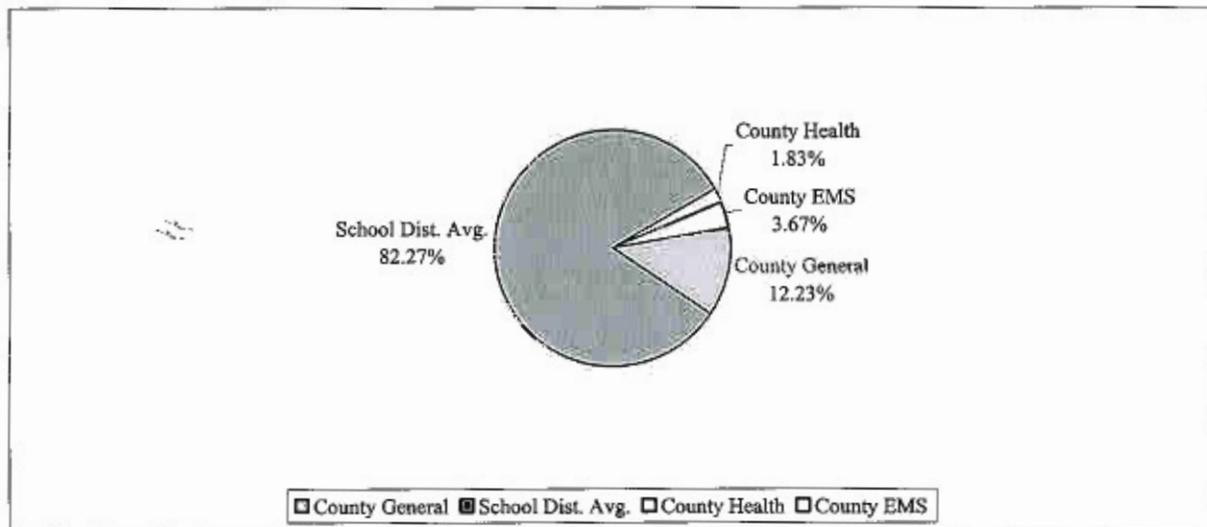
Mary Ann Lynch
(D) Fairview

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.

**MAJOR COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County Health	1.58	Ringwood	I-1	37.19	5.31	22.79	13.69	4.22	83.20
County EMS	3.16	Cimarron	I-92	37.16	5.31	9.20	15.93	4.22	71.82
		Aline-Cleo	I-4	37.33	5.33	4.21	13.69	4.22	64.78
		Fairview	I-84	36.79	5.26	8.91	13.69	4.22	68.87
		Mooreland	J-2W	35.15	5.02	13.32	13.69	4.22	71.40
		Waynoka	J-3W	36.40	5.20	5.93	13.69	4.22	65.44
		Seiling	J-8D	36.50	5.21	4.72	13.69	4.22	64.34
		Okeene	J-9B	37.35	5.34	19.43	13.69	4.22	80.03
		Hennessey	J-16K	35.62	5.09	11.01	13.69	4.22	69.63
		Chisholm	J-42G	39.92	5.70	5.00	15.93	4.22	70.77
		Drummond	J-85G	36.51	5.22	7.17	15.93	4.22	69.05
		Timberlake	J-93A	37.19	5.31	10.17	13.69	4.22	70.58
		Canton	J-105B	36.74	5.25	11.70	13.69	4.22	71.60

See independent auditor's report.

**MAJOR COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

Total net assessed value as of January 1, 2005		<u>\$ 62,792,064</u>
Debt limit - 5% of total assessed value		3,139,603
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	-
Legal debt margin		<u>\$ 3,139,603</u>

See independent auditor's report.

**MAJOR COUNTY, OKLAHOMA
 RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
 VALUE AND NET BONDED DEBT PER CAPITA
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006
 (UNAUDITED)**

	2006
Estimated population	7,363
Net assessed value as of January 1, 2005	\$ 62,792,064
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**MAJOR COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(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>
1/1/2005	\$23,901,497	\$7,221,260	\$33,865,685	\$2,196,378	\$62,792,064	\$556,759,088

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
MAJOR COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Major County, Oklahoma, as of and for the year ended June 30, 2006, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Major 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.

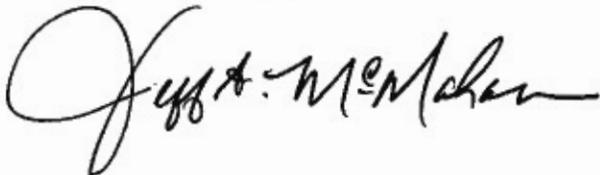
As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between 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 Major County as of June 30, 2006, 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 Major County, for the year ended June 30, 2006, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2007, on our consideration of Major 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. McMahen". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

August 6, 2007

Basic Financial Statement

**MAJOR COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Combining Information:	Beginning	Receipts		Ending
	Cash Balances July 1, 2005	Apportioned	Disbursements	Cash Balances June 30, 2006
County General Fund	\$ 263,881	\$ 1,135,089	\$ 1,042,274	\$ 356,696
County Highway Cash	1,557,164	4,665,840	4,863,366	1,359,638
County Health Department	184,135	101,406	107,088	178,453
Resale Property	76,415	13,351	26,672	63,094
Sheriff Service Fee	27,953	63,524	52,683	38,794
Community Service Sentencing Program	73			73
Contract Board of Prisoner Revolving	27,051	136,358	142,543	20,866
Sheriff Commissary		112		112
County Clerk Lien Fee	16,003	24,170	20,148	20,025
County Clerk Records Management Preservation Fee	31,969	21,021	20,473	32,517
Treasurer Mortgage Tax Certification Fee	3,390	1,815	2,479	2,726
Assessor Visual Inspection	3,440	22		3,462
Assessor Revolving Fee	5,889	1,444	6,197	1,136
Sales Tax Revolving		189,290	78,828	110,462
Rural Fire	31,433	13,972	21,008	24,397
Grants	2,000	11,402	11,752	1,650
Combined Total--All County Funds	\$ 2,230,796	\$ 6,378,816	\$ 6,395,511	\$ 2,214,101

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

**MAJOR COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 Major 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 - accounts for the general operations of the government.

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

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

Resale Property - accounts for the collection of interest and penalties on delinquent taxes and the disposition of same as restricted by statute.

Sheriff Service Fee - accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

Community Service Sentencing Program - accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

**MAJOR COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Contract Board of Prisoner Revolving - accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of maintaining the jail.

Sheriff Commissary - accounts for the profit received from inmates from the sale of commissary items and disbursement is for the purpose of operating and maintaining the jail.

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

County Clerk Records Management Preservation Fee - accounts for fees collected for instruments filed in the Registrar of Deeds as restricted by statute for preservation of records.

Treasurer Mortgage Tax Certification Fee - accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by statute.

Assessor Visual Inspection - accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

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

Sales Tax Revolving - accounts for the collection of a ¼ of one-cent county sales tax for subsidizing county financial support for OSU, 4-H program, fairgrounds and capital improvements to the County courthouse.

Rural Fire - accounts for monies collected on behalf of the fire district from ad valorem taxes and remitted to them monthly.

Grants - accounts for federal grants received and expended based on the agreement with the awarding agency.

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. 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

**MAJOR COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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:

- 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

**MAJOR COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

- 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

All full-time employees are entitled to vacation leave that is accrued on a monthly basis in accordance with the schedule outlined below:

Years of Service	Accrual Rate	Accrual Limits
1 Year	5 Days Vacation	Must be used before the next anniversary date.
2-9 Years	10 Days Vacation	
10-19 Years	15 Days Vacation	
20 or More	20 Days Vacation	

Vacation must be earned before it is taken.

Upon separation, an employee will be paid for the balance of accrued annual leave up to the accumulation limit.

All full-time employees shall be entitled to sick leave with pay that is accrued on a monthly basis. Sick leave shall accumulate at the rate of 10 hours for each full calendar month of service to the County. Sick leave may be accrued up to a maximum of 130 days.

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."

The assessed property value as of January 1, 2005, was approximately \$62,792,064.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.54 mills (the legal maximum) for general fund operations, 1.58 mills for county health department, and 3.16 mills for emergency medical service. In addition, the County collects

**MAJOR COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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, 2006, were approximately 98.01 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 		
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.

**MAJOR COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Types of Loss	Method of Management	Risk of Loss Retained
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 \$10,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible 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.

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

**MAJOR COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 6.5% and 11.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 11.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2006, 2005, and 2004 were \$182,245 \$150,426, and \$155,751, 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 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 January 11, 2005, the citizens of Major County approved a resolution levying a one-fourth of one-cent (.25%) county sales tax on the gross receipts of allowable sales for the purpose of subsidizing the financial support of the OSU Extension Office and 4-H program in Major County. Additionally, the sales tax is for the upgrade, upkeep, and maintenance of equipment and facilities of the fairgrounds of Major County Free Fair and Jr. Livestock Show; and to be used for capital improvements and capital upgrades of the county courthouse in Major County.

**MAJOR COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The county sales tax being effective April 1, 2005, with a duration of seven years or until March 31, 2012.

For the fiscal year ended, June 30, 2006, sales tax receipts apportioned to the County Sales Tax Revolving Fund was \$189,290.

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OTHER SUPPLEMENTARY INFORMATION

MAJOR 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, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 263,796	\$ 263,796	\$ 263,881	\$ -
Less: Prior Year Outstanding Warrants	(54,584)	(54,584)	(54,584)	
Less: Prior Year Encumbrances	(8,722)	(8,722)	(8,722)	
Beginning Cash Balances, Budgetary Basis	<u>200,490</u>	<u>200,490</u>	<u>200,575</u>	<u>85</u>
Receipts:				
Ad Valorem Taxes	601,662	601,662	653,760	52,098
Charges for Services	51,349	51,349	68,838	17,489
Intergovernmental Revenues	193,853	193,853	275,485	81,632
Miscellaneous Revenues	50,527	50,527	137,006	86,479
Total Receipts, Budgetary Basis	<u>897,391</u>	<u>897,391</u>	<u>1,135,089</u>	<u>237,698</u>
Expenditures:				
District Attorney	2,000	2,000	1,134	866
Total District Attorney	<u>2,000</u>	<u>2,000</u>	<u>1,134</u>	<u>866</u>
County Sheriff	161,710	161,710	161,682	28
Total County Sheriff	<u>161,710</u>	<u>161,710</u>	<u>161,682</u>	<u>28</u>
County Treasurer	66,000	66,000	65,916	84
Total County Treasurer	<u>66,000</u>	<u>66,000</u>	<u>65,916</u>	<u>84</u>
OSU Extension	18,000	5,601	4,955	646
Total OSU Extension	<u>18,000</u>	<u>5,601</u>	<u>4,955</u>	<u>646</u>
County Clerk	95,000	94,999	94,995	4
Total County Clerk	<u>95,000</u>	<u>94,999</u>	<u>94,995</u>	<u>4</u>
Court Clerk	59,316	96,516	96,516	
Total Court Clerk	<u>59,316</u>	<u>96,516</u>	<u>96,516</u>	<u>-</u>
County Assessor	60,534	60,534	60,519	15
Total County Assessor	<u>60,534</u>	<u>60,534</u>	<u>60,519</u>	<u>15</u>
Revaluation of Real Property	125,425	125,425	124,041	1,384
Total Revaluation of Real Property	<u>125,425</u>	<u>125,425</u>	<u>124,041</u>	<u>1,384</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.

MAJOR 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, 2006

continued from previous page

	Original Budget	Final Budget	Actual	Variance
General Government	188,307	145,314	120,805	24,509
Total General Government	188,307	145,314	120,805	24,509
Excise-Equalization Board	3,600	3,754	3,754	
Total Excise-Equalization Board	3,600	3,754	3,754	-
County Election Board	52,705	52,705	47,876	4,829
Total County Election Board	52,705	52,705	47,876	4,829
Insurance	176,000	201,207	186,428	14,779
Total Insurance	176,000	201,207		14,779
Early Settlement	66,005	66,005	59,241	6,764
Total Early Settlement	66,005	66,005	59,241	6,764
County Audit Budget Account	6,279	6,310	6,279	31
Total County Audit Budget Account	6,279	6,310	6,279	31
Free Fair Budget	12,000	4,801	489	4,312
Total Free Fair Budget	12,000	4,801	489	4,312
Provision for Interest on Warrants	5,000	5,000	918	4,082
Total Expenditures, Budgetary Basis	1,097,881	1,097,881	1,035,548	62,333
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	300,116	\$ 300,116
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			7,117	
Add: Current Year Outstanding Warrants			49,463	
Ending Cash Balance			<u>\$ 356,696</u>	

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

MAJOR 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, 2006

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 184,135	\$ 184,135	\$ 184,135	\$ -
Less: Prior Year Encumbrances	(1,752)	(1,752)	(1,752)	
Beginning Cash Balances, Budgetary Basis	<u>182,383</u>	<u>182,383</u>	<u>182,383</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	90,192	90,192	98,004	7,812
Miscellaneous Revenues		15,980	3,402	(12,578)
Total Receipts, Budgetary Basis	<u>90,192</u>	<u>106,172</u>	<u>101,406</u>	<u>(4,766)</u>
Expenditures:				
Health and Welfare	272,076	288,056	114,237	173,819
Total Expenditures, Budgetary Basis	<u>272,076</u>	<u>288,056</u>	<u>114,237</u>	<u>173,819</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ 499</u>	<u>\$ 499</u>	169,552	<u>\$ 169,053</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Outstanding Warrants			8,901	
Ending Cash Balance			<u>\$ 178,453</u>	

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

**MAJOR COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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.

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
MAJOR COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Major County, Oklahoma, as of and for the year ended June 30, 2006, which comprises Major County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 6, 2007. 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 Major 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 Major 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 2006-1.

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 Major 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*.

However, we noted a certain matter that we reported to the management of Major County, which is included in Section 2 of the schedule of findings and responses contained in this report.

This report is intended solely for the information and use of the management of Major 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.



JEFF A. McMAHAN
State Auditor and Inspector

August 6, 2007

**MAJOR COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

Finding 2006-1 - Segregation of Duties

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: Due to the limited number of persons in some county offices, there are individuals who are primarily responsible for all or most of the collection, receipting, balancing, depositing, and reporting of collections and/or who are primarily responsible for all or most of the calculating, reviewing, approving, disbursing, and reporting of disbursements from official depository accounts.

Effect: Internal controls are weaker and more easily circumvented when there is an inadequate segregation of duties.

Recommendation: We recommend management be aware of this condition and the possibility of weakened internal controls when all collection and disbursement activity are the responsibility of one or two officers/employees. Although it may not be feasible to divide these duties, it is desirable to review transactions and cross-train employees to perform various duties and then periodically change the division of the duties. This would provide some level of segregation of duties and increase the possibility for the detection of irregularities.

Views of responsible officials and planned corrective actions: A lack of funds requires that the duties of the office be shared by all employees. At this time, measures have been taken to ensure proper accounting of funds by segregating the duties of receiving, receipting, recording, and depositing cash and checks.

SECTION 2 – This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2006-2 – Financial Reporting

Criteria: Effective internal controls provide reasonable assurance regarding reliability of financial reporting.

**MAJOR COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Condition: The following conditions regarding accurateness and completeness were revealed that effected the budgetary financial reporting for the County, the related County Health Department, and Cash Highway Funds.

1. The reconciliation of disbursements to warrants issued revealed that Schedule 8 of the County's Estimate of Needs and Financial Statement (or its equivalent) was not completed by the budget maker.
2. The expenditure activity for the Cash Highway Fund as reported on Exhibit "D", Schedule 8(b), did not reflect 2005-2006 budgeted appropriations, warrants issued and reserves, documenting \$4,863,366 in highway disbursements.
3. A variance of \$11,307.69 as reported by the budget maker could not be identified when reconciling disbursements to warrants issued for the Cash Highway Fund.
4. The County Treasurer's warrant register listing for the Cash Highway Fund totaled \$4,667,109, while the County Clerk's accounts summary of Cash Highway Fund warrants issued totaled \$4,633,670. The difference of \$33,439 could not be determined.
5. The Resale Property financial activity reported for outstanding vouchers totaled \$2,373.32; however, the report reflected \$59 posted in error.

Effect: Information detailing warrant activity for all appropriated funds was not included in the County's financial statements, making it difficult to determine if the information is accurate.

Recommendation: We recommend the Board of County Commissioners and County Clerk require the budget maker to prepare the financial reporting information in a manner that provides complete and accurate budgetary information.

Views of responsible officials and planned corrective actions: The County has contracted with a new budget maker to provide complete and accurate financial reporting information over accounting activity.