

**KAY COUNTY, OKLAHOMA  
SPECIAL-PURPOSE FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2002**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

January 7, 2004

TO THE CITIZENS OF  
KAY COUNTY, OKLAHOMA

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

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

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

Sincerely,

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

JEFF A. McMAHAN  
State Auditor and Inspector

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

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

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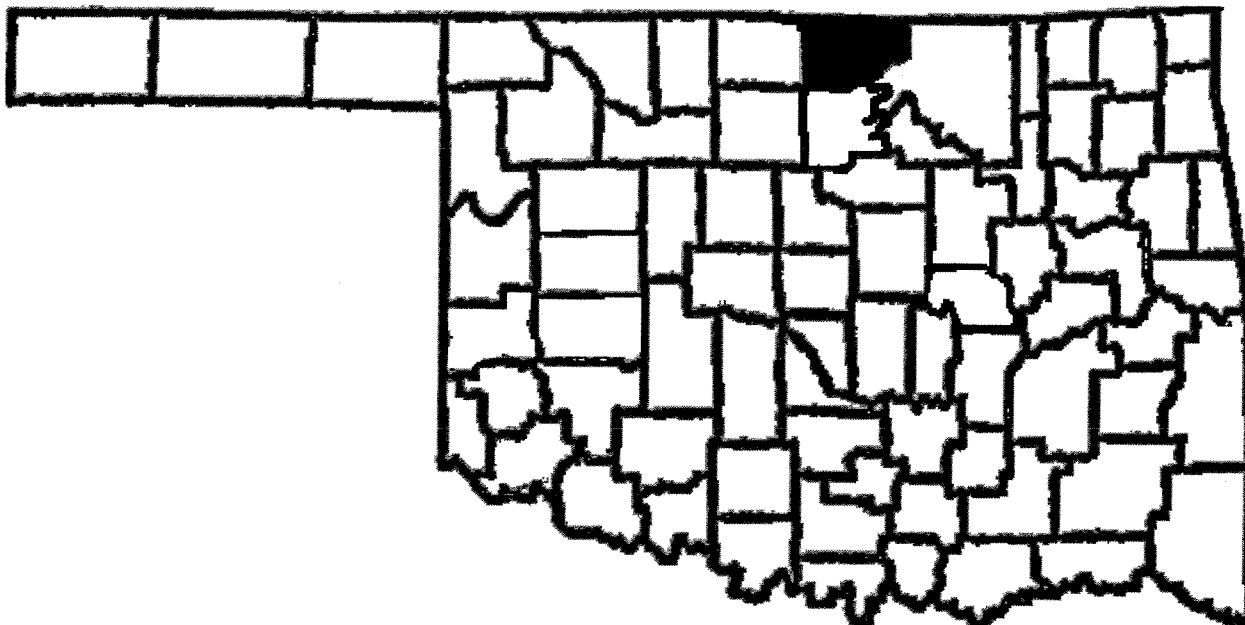
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REPORT TO THE CITIZENS  
OF  
KAY COUNTY, OKLAHOMA

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Kay County was designated as County “K”, its name means simply that. The economy of the County is based on petroleum wealth as well as productive agricultural land. Kay County was once home to Territorial Governor William M. Jenkins and infamous outlaw Belle Starr.

County Seat – Newkirk

Area – 918.8 Square Miles

County Population – 46,448  
(1999 est.)

Farms – 929

Land in Farms – 469,493 Acres

Source: Oklahoma Almanac 2001-2002

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY ASSESSOR**

Tresa Engle  
(D) Newkirk

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**

Pam Goodno  
(D) Blackwell

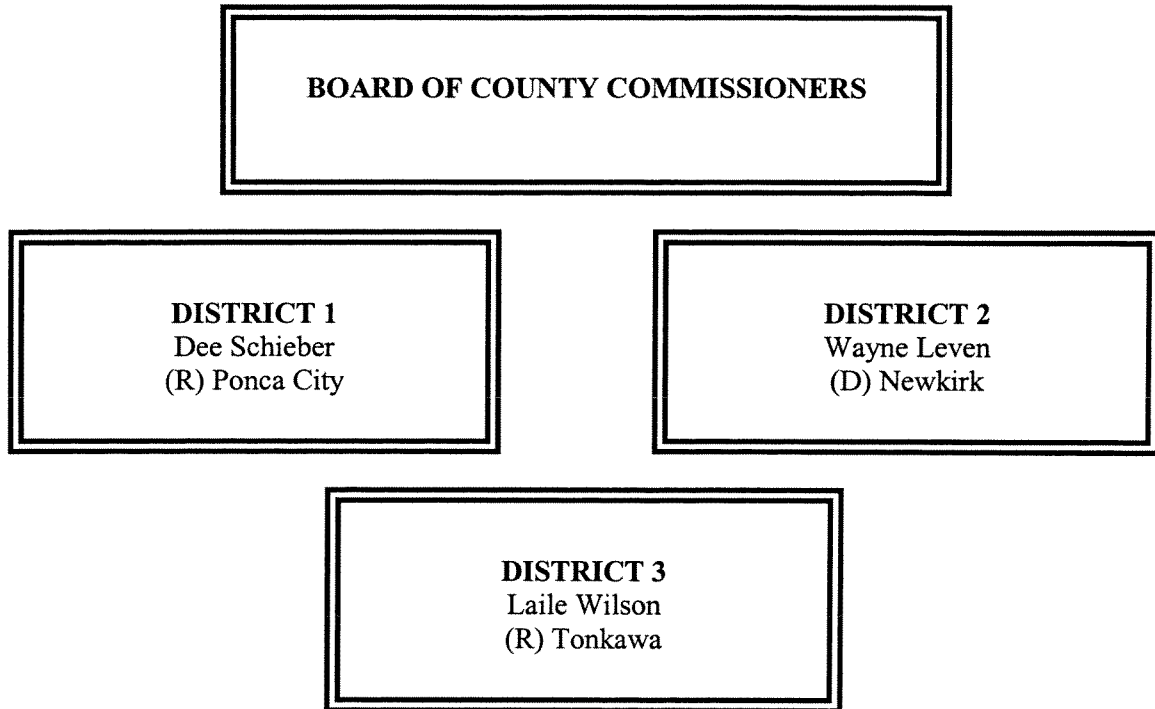
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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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.

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY SHERIFF**  
Craig Countryman  
(R) Ponca City

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**  
Pat Schieber  
(R) Newkirk

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.



**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COURT CLERK**  
Glenda Emerson  
(R) Blackwell

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**  
Mark Gibson  
(R) Perry

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.

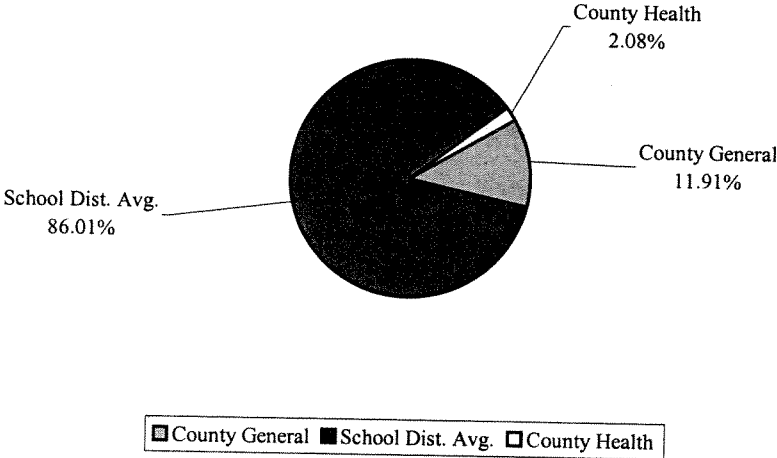
**ELECTION BOARD SECRETARY**  
Carol Stafford  
(D) Blackwell

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.

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

Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of 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	
Co. General	10.25
County Health	1.79

		School District Millages							Total
		Gen.	Bldg.	Skg.	Vo-Tech	Vo-Tech Bldg	Common		
Braman	18	36.04	5.15	8.91	10.23	5.00	4.10	69.43	
Peckham	27	35.95	5.14	14.97	10.23	5.00	4.10	75.39	
Newkirk	29	36.36	5.19	19.19	10.23	5.00	4.10	80.07	
Blackwell	45	36.10	5.16	25.94	10.23	5.00	4.10	86.53	
Kildare	50	36.48	5.21	10.58	10.23	5.00	4.10	71.60	
Ponca City	71	35.76	5.11	21.54	10.23	5.00	4.10	81.74	
Kaw City	84	36.32	5.19	11.54	10.23	5.00	4.10	72.38	
Tonkawa	87	36.11	5.16	16.05	10.23	5.00	4.10	76.65	
Noble-Joint	I-2	35.50	5.07	6.97	10.23	5.00	4.10	66.87	
Noble-Joint	I-4	36.22	5.17	9.68	10.23	5.00	4.10	70.40	
Osage-Joint	J11	37.67	5.38	9.83	10.23	5.00	4.10	72.21	
Grant-Joint	J95	35.67	5.10	5.14	10.23	5.00	4.10	65.24	

**Independent Auditor's Report**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Independent Auditor's Report**

TO THE OFFICERS OF  
KAY COUNTY, OKLAHOMA

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

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

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

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Kay County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, as of and for the year ended June 30, 2002, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2003, on our consideration of Kay County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

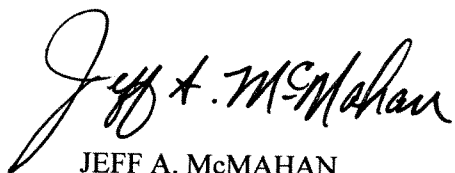
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Kay County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole. The other information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we express no opinion on such data.

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

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

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

Sincerely,



JEFF A. McMAHAN  
State Auditor and Inspector

September 4, 2003

**Special-Purpose Financial Statements**

**KAY COUNTY, OKLAHOMA  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - ALL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2002**

All County Funds	Beginning Cash Balances July 1, 2001	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2002
General Fund	\$ 903,792	\$ 6,461,445	\$ 6,333,796	\$	\$ 1,031,441
Highway Cash	547,908	4,293,839	4,035,077		806,670
County Health	278,809	805,631	788,568		295,872
Sheriff Grant		6,956			6,956
Assessor's Visual Inspection	65,859	13,627	14,761		64,725
Jail Cash		146,549	88,764		57,785
Resale Property	172,705	127,265	109,561		190,409
Sheriff Service Fee	56,906	143,039	127,200		72,745
County Clerk Lien Fee	17,184	17,315	9,350		25,149
Mortgage Cert Fees	35,863	14,360	11,030		39,193
Sheriff Training	8,188	1,531	1,566		8,153
Preservation Fees		52,996	14,170		38,826
CSSP	2,566	30,022	27,500		5,088
LEPC Grant	1,276	4,079			5,355
Juvenile Block Grant	10,001		10,001		
Trash Cop	13,692	11,370	22,562		2,500
County Cash Improvement	9,310	13,354	12,407		10,257
Schools	66,263	18,765,570	18,757,286		74,547
Cities and Towns	33,512	614,407	616,278		31,641
Court Clerk Investments	26,709				26,709
Official Depository	876,255	8,001,757	7,914,039	69,871	1,033,844
Payroll Taxes	55,119	642,348	642,702		54,765
Back Taxes	10,526	14,440	6,963		18,003
Commissary	4,204	5,377	245		9,336
Petty Cash	315				315
Child Abuse	3,220	523	2,675		1,068
Court Clerk Trust	74,000				74,000
Individual Redemption	2,346	22,247	21,737		2,856
Duck Creek		7,705	7,530		175
EMA (Civil Defense)	16,478	41,596	46,956		11,118
Law Library	4,573	30,883	28,980		6,476
PBA	54,782	16,906	10,870		60,818
Open Dumping	410	620			1,030
PBA - Health Land Purchase	307,494	1,307,117	1,233,230		381,381
Promoting Families	2,144	27,965	25,846		4,263
BIA-Ponca Road	654	11	56		609
Mt. Olive Investment	53,204		830		52,374
<b>Total County Funds</b>	<u>\$ 3,716,267</u>	<u>\$ 41,642,850</u>	<u>\$ 40,922,536</u>	<u>\$ 69,871</u>	<u>\$ 4,506,452</u>

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



**KAY COUNTY, OKLAHOMA  
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,  
AND CHANGES IN CASH BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2002**

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 903,792	\$ 903,792	\$ 903,792	\$ -
Less: Prior Year Outstanding Warrants	(140,401)	(140,401)	(140,401)	
Less: Prior Year Encumbrances	(44,720)	(44,720)	(37,965)	6,755
Beginning Cash Balances, Budgetary Basis	<u>718,671</u>	<u>718,671</u>	<u>725,426</u>	<u>6,755</u>
Receipts:				
Ad Valorem Taxes	2,119,835	2,119,835	2,337,154	217,319
Charges for Services	197,116	197,116	206,537	9,421
Intergovernmental Revenues	356,299	3,688,523	3,618,241	(70,282)
Miscellaneous Revenues	119,432	119,432	299,513	180,081
Total Receipts, Budgetary Basis	<u>2,792,682</u>	<u>6,124,906</u>	<u>6,461,445</u>	<u>336,539</u>
Expenditures:				
Total District Attorney	<u>68,000</u>	<u>68,000</u>	<u>64,495</u>	<u>3,505</u>
Total County Sheriff	<u>759,267</u>	<u>766,527</u>	<u>765,587</u>	<u>940</u>
County Treasurer	<u>148,995</u>	<u>148,995</u>	<u>142,974</u>	<u>6,021</u>
Capital Outlay	<u>5</u>	<u>5</u>		<u>5</u>
Total County Treasurer	<u>149,000</u>	<u>149,000</u>	<u>142,974</u>	<u>6,026</u>
County Commissioners	<u>153,500</u>	<u>153,500</u>	<u>153,000</u>	<u>500</u>
Capital Outlay	<u>5</u>	<u>5</u>		<u>5</u>
Total County Commissioners	<u>153,505</u>	<u>153,505</u>	<u>153,000</u>	<u>505</u>
OSU Extension	<u>71,995</u>	<u>71,995</u>	<u>71,995</u>	
Capital Outlay	<u>5</u>	<u>5</u>		<u>5</u>
Total OSU Extension	<u>72,000</u>	<u>72,000</u>	<u>71,995</u>	<u>5</u>
County Clerk	<u>160,892</u>	<u>160,892</u>	<u>160,054</u>	<u>838</u>
Capital Outlay	<u>5</u>	<u>5</u>		<u>5</u>
Total County Clerk	<u>160,897</u>	<u>160,897</u>	<u>160,054</u>	<u>843</u>

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

**KAY COUNTY, OKLAHOMA  
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,  
AND CHANGES IN CASH BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2002**

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	Original Budget	Final Budget	Actual	Variance
Total Court Clerk	222,726	222,726	221,753	973
County Assessor	139,500	139,500	139,387	113
Capital Outlay	5	5		5
Total County Assessor	139,505	139,505	139,387	118
Revaluation of Real Property	190,034	190,034	178,923	11,111
Capital Outlay	3,000	3,000	2,830	170
Total Revaluation of Real Property	193,034	193,034	181,753	11,281
Total District Court	40,200	40,200	40,200	-
General Government	455,349	393,801	331,327	62,474
Capital Outlay	5	2,955	2,763	192
Total General Government	455,354	396,756	334,090	62,666
Total Excise-Equalization Board	4,600	4,600	3,431	1,169
County Election Board	99,750	97,209	97,159	50
Capital Outlay	5	4,206	4,144	62
Total County Election Board	99,755	101,415	101,303	112
Total Insurance	849,000	1,019,535	718,227	301,308
County Purchasing Agent	44,200	44,200	43,712	488
Capital Outlay	5	5		5
Total County Purchasing Agent	44,205	44,205	43,712	493
Data Processing	55,300	55,300	54,961	339
Capital Outlay	5	5		5
Total Data Processing	55,305	55,305	54,961	344
Total Charity	5,000	5,000	1,256	3,744

continued on next page

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

**KAY COUNTY, OKLAHOMA  
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,  
AND CHANGES IN CASH BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2002**

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continued from previous page

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Total FEMA		3,170,282	3,103,653	66,629
Total Audit Budget	23,000	64,085	44,652	19,433
Total Free Fair	12,000	12,000	12,000	
 Provision for Interest on Warrants	 5,000	 5,000	 1,903	 3,097
 Total Expenditures, Budgetary Basis	 <u>3,511,353</u>	 <u>6,843,577</u>	 <u>6,360,386</u>	 <u>483,191</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 <u>\$ -</u>	 826,485	 <u>\$ 826,485</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			34,475	
Add: Current Year Outstanding Warrants			170,481	
 Ending Cash Balance			 <u>\$1,031,441</u>	

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

**KAY COUNTY, OKLAHOMA  
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,  
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL -  
COUNTY HEALTH DEPARTMENT  
FOR THE YEAR ENDED JUNE 30, 2002**

	County Health Department			
	Original	Final		Variance
	Budget	Budget	Actual	
Beginning Cash Balances	\$ 278,809	\$ 278,809	\$ 278,809	\$ -
Less: Prior Year Outstanding Warrants	(9,360)	(9,360)	(9,360)	
Less: Prior Year Encumbrances	(11,237)	(11,237)	(8,278)	2,959
<b>Beginning Cash Balances, Budgetary Basis</b>	<b>258,212</b>	<b>258,212</b>	<b>261,171</b>	<b>2,959</b>
Receipts:				
Ad Valorem Taxes	370,194	370,194	408,147	37,953
Charges		93,583	93,583	
Intergovernmental			1,443	1,443
Miscellaneous Revenues		238,985	302,458	63,473
<b>Total Receipts, Budgetary Basis</b>	<b>370,194</b>	<b>702,762</b>	<b>805,631</b>	<b>102,869</b>
Expenditures:				
Health and Welfare	515,000	668,982	627,452	41,530
Capital Outlay	113,406	291,992	266,630	25,362
<b>Total Expenditures, Budgetary Basis</b>	<b>628,406</b>	<b>960,974</b>	<b>894,082</b>	<b>66,892</b>
Excess of Receipts and Beginning Cash Balances Over Expenditures Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	172,720	<u>\$ 172,720</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			121,716	
Add: Current Year Outstanding Warrants			1,436	
<b>Ending Cash Balance</b>			<u><u>\$ 295,872</u></u>	

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

**KAY COUNTY, OKLAHOMA  
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2002**

Official Depository Accounts	Beginning Cash Balance July 1, 2001	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balance June 30, 2002
Court Clerk	\$ 391,043	\$ 1,868,460	\$ 1,876,206	\$ 60,750	\$ 444,047
Court Fund	83,239	927,258	929,855	431	81,073
District Attorney	282,999	1,274,110	1,124,954	5,483	437,638
County Clerk	59,339	376,299	387,282	317	48,673
County Sheriff	25,592	516,367	541,581	220	598
Treasurer	25,735	1,945,100	1,953,627	1,444	18,652
Treasurer EFTPS		642,348	642,348		
Election	5,278	38,507	43,836	1,226	1,175
County Health	2,530	403,415	404,518		1,427
County Assessor	500	9,893	9,832		561
<b>Total Official Depository Accounts</b>	<u>\$ 876,255</u>	<u>\$ 8,001,757</u>	<u>\$ 7,914,039</u>	<u>\$ 69,871</u>	<u>\$ 1,033,844</u>

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

**Notes to the Financial Statements**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

Summary of Significant Accounting Policies (continued)

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

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

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

E. Cash and Investments

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

F. Risk Management

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

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



Summary of Significant Accounting Policies (continued)

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

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating County will pay a deductible amount (\$1,000 to \$10,000; the County has a \$2,500 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

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

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

Summary of Significant Accounting Policies (continued)

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$4,506,452 and the bank balance was \$4,759,627. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

B. Description of Funds

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

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

Detailed Notes on Account Balances (continued)

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

Sheriff Grant – revenues are from a department of justice grant.

Assessor's Visual Inspection – revenues are from fees charged to all entities receiving ad valorem taxes. Disbursements are for the re-valuation of all county property for ad valorem purposes.

Jail Cash – revenues are from fees earned by the County for boarding other government's prisoners in the county jail. Disbursements are for the operation of the county jail.

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

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

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

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

Sheriff Training Fund - revenues are from the sale of property forfeited in drug cases. Disbursements are for officer training, equipment, and crime prevention.

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

CSSP – revenues are from state funds reimbursing the expenses of operating a community service sentencing program. Disbursements are for any activity or equipment needed for the people fulfilling community service sentences.

LEPC Grant – revenues are from a grant for the Local Emergency Planning Committee at Ponca City. Disbursements are for emergency planning.

Juvenile Block Grant – Department of Justice Grant revenue spent to decrease juvenile delinquency.

Trash Cop – revenues are from the Association of County Commissioners of Oklahoma. Disbursements are for the prevention of illegal dumps.

Detailed Notes on Account Balances (continued)

County Cash Improvement – revenues are from a county use tax. Disbursements are used to maintain the courthouse (pest control, heating and air, etc).

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

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

Court Clerk Investments – case balances invested per court orders.

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

Payroll Taxes – This account is used to deposit and transfer employee payroll taxes to the I.R.S.

Back Taxes – revenues are from prior years' ad valorem taxes. Disbursements are to various taxing entities monthly.

Commissary – revenues are from profits on commissary sales in the county jail. Disbursements are for jail improvements.

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

Child Abuse – revenues are from a federal grant. Disbursements are for child abuse prevention.

Court Clerk Trust – funds held by the County for the courts.

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

Duck Creek – revenues are from private donations. Disbursements are for road improvements to the Duck Creek area.

EMA (Civil Defense) – revenues are from state and local funds. Disbursements are for civil defense purposes.

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

Detailed Notes on Account Balances (continued)

PBA (Public Building Authority) – revenue is from the rent of buildings to DHS. Disbursements are to maintain PBA facilities.

Open Dumping – revenues are from fines for illegal dumps. Disbursements are to help prevent illegal dumping.

PBA – Health Land Purchase – revenue was from the sale of property in Ponca City. They built a new health department building at another location.

Promoting Families – revenues are from a federal grant. Disbursements are for the support of community based family support services.

BIA – Ponca Road – revenues are from the Bureau of Indian Affairs. Disbursements are for road improvements.

Mt. Olive Investment – This is an investment held by the County for a private trust.

The following narrative details the official depository accounts.

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

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

District Attorney – accounts for the collection of all District Attorney fees and the subsequent disbursement for remittance of these fees.

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

County Sheriff – accounts for the collection of cash bonds transferred to courts.

Treasurer - accounts for all collections of pre-paid ad valorem taxes, pre-paid mobile home taxes, and the sale of motor vehicle tax stamps. Disbursements are for the purpose of refunds, tax payments, Oklahoma Tax Commission, and Treasurer’s Mortgage Tax Certification Fees.

Treasurer EFTPS – Used for the transfer of payroll taxes monthly.

Election - accounts for reimbursements for election cost and is disbursed for election board operations.

Detailed Notes on Account Balances (continued)

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

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

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2001, was approximately \$227,484,492.

The County levied 10.25 mills (the legal maximum) for general fund operations and 1.79 mills for the county health department. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2002, were approximately 97.6 percent of the tax levy.

D. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that

Detailed Notes on Account Balances (continued)

includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

E. 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. 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 government expects such amounts, if any, to be immaterial.

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

5. Subsequent Events

The Oklahoma State Bureau of Investigation is conducting an investigation into the legality of certain travel claims paid to a county officer. The outcome of this investigation will not have a material effect on these financial statements.

**Schedule of Expenditures of Federal Awards**



**KAY COUNTY, OKLAHOMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2002**

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<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPT OF JUSTICE</u>		
Passed through State Department of Juvenile Justice:		
Juvenile Accountability Incentive Bock Grant	16.523	\$ 10,001
JAIBG Trash Cop	16.523	<u>22,562</u>
Total U.S. Department of Justice		<u>32,563</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>		
Passed through State Department of Civil Emergency Management:		
Public Assistance Grant	83.544	3,453,750
Hazard Mitigation Grant	83.548	4,000
Total Federal Emergency Management Agency		<u>3,457,750</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
Passed through Bureau of Indian Affairs:		
Ponca Road Project	20.205	56
Total U.S. Department of Transportation		<u>56</u>
Total Expenditures of Federal Awards		<u>\$ 3,490,369</u>

**KAY COUNTY, OKLAHOMA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2002**

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Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Kay County and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

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

TO THE OFFICERS OF  
KAY COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Kay County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 4, 2003. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Kay County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as items 02-1, 02-2, and 02-3.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kay County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 99-1.

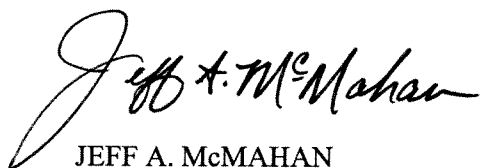
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 99-1 to be a material weakness.

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

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

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

Sincerely,



JEFF A. McMAHAN  
State Auditor and Inspector

September 4, 2003

**Report on Compliance With Requirements Applicable to Each Major Program  
and Internal Control Over Compliance in Accordance With  
OMB Circular A-133**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Report on Compliance With Requirements Applicable to Each Major Program  
and Internal Control Over Compliance in Accordance With  
OMB Circular A-133**

TO THE OFFICERS OF  
KAY COUNTY, OKLAHOMA

We have audited the compliance of Kay County, Oklahoma with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. Kay County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Kay County's management. Our responsibility is to express an opinion on Kay County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kay County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Kay County's compliance with those requirements.

In our opinion, Kay County complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Kay County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Kay County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

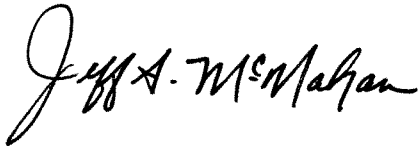
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

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

Sincerely,



JEFF A. McMAHAN  
State Auditor and Inspector

September 4, 2003



**Schedule of Findings and Questioned Costs**

**KAY COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNQUALIFIED

Internal control over financial reporting:

• Material weakness(es) identified? YES

• Reportable condition(s) identified that are not considered to be material weaknesses? NONE REPORTED

Noncompliance material to financial statements noted? YES

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? NO

• Reportable condition(s) identified that are not considered to be material weakness(es)? NONE REPORTED

Type of auditor's report issued on compliance for major programs: UNQUALIFIED

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? NO

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
83.544	Public Assistance Grant
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	NO

**KAY COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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SECTION 2 - Financial Statement Findings

Finding 99-1 – (Repeat Finding)

Criteria: Segregation of duties over asset custody, transaction, authorization, bookkeeping, and reconciliation are important elements of effective internal control over government assets and resources. The most effective controls lie in management's knowledge of the EMS operations and a periodic review of operations.

Condition: Based on inquiries of County personnel, it was noted that the duties of receipting, recording and depositing funds were not adequately segregated.

Cause: This lack of segregation of duties is caused by the limited number of employees.

Effect: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

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

Management's Corrective Action Plan:

Contact Person: Board of County Commissioners

Anticipated Completion Date: Not applicable.

Corrective Action Planned: We agree as to some offices may not have enough personnel allowing proper segregation of some duties, such as the Election Board or OSU. Yet, the field auditors have not disclosed which offices may not be in compliance, so our response is an assumption of this finding.

**KAY COUNTY, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2002**

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Finding 02-1 – Payroll

Criteria: Title 19 O.S. 2001, § 1301 allows a county to develop and maintain a formal plan for vacation and sick leave for all county employees. However, it also limits those benefits to the benefits available to regular state employees in the classified service.

Condition: Some county employees are being paid for unused vacation time.

Effect: This benefit exceeds benefits available to regular state employees thereby violating Oklahoma Statutes.

Recommendation: No county employees should receive benefits in excess of those allowed by statute.

Management's Corrective Action Plan:

Contact Person: Board of County Commissioners

Anticipated Completion Date: Not applicable.

Corrective Action Planned: We disagree with this finding. On 11-1-99, the Board of Commissioners discussed and approved paying for vacation time instead of the employee taking their vacation time earned, leaving it to the discretion of each officer, and as long as no extra monies were required to pay same.

**KAY COUNTY, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2002**

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Finding 02-2 – Disbursements

Criteria: Title 19 O.S. 2001, § 1505.C. requires purchases for supplies, materials, or equipment to be encumbered prior to ordering or receiving the goods or service.

Condition: Three of 60 purchase orders (#'s 1083, 2681, and 3914) had encumbrance dates after the date the goods and services were ordered or received.

Effect: The County is not in compliance with state statutes.

Recommendation: Management should take steps to ensure that purchasing laws are followed and that funds are encumbered prior to ordering or receiving goods and services.

Management Corrective Action Plan:

Contact Person: Board of County Commissioners

Date of Anticipated Completion: Immediately

Corrective Action Planned: Management will take better steps to ensure that purchasing laws are followed and send a memo to all officers to obtain a purchase order prior to goods being ordered or received. We believe the field auditor's finding needs to be on the requisitioning officer and not the encumbering officer because the encumbrance can not be done until the requisition is received.

**KAY COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2002**

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Finding 02-3 – Disbursements

Criteria: Title 19 O.S. 2001, § 1501.A.3.a. states, “The county purchasing agent shall make purchases and rental or lease-purchase agreements only after following the bidding procedures as provided by law except: “when the purchase does not exceed \$5,000.00...”

Condition: For one PO (#1083) we were unable to determine it was competitively bid. The amount of the PO was \$6,968.50. The PO stated that it was covered by a single source contract, however, no documentation was available to indicate the procedures include the requesting officer preparing written documentation justifying the single source vendor as well as sending the good/service out for competitive bidding and receiving no bids to verify the company is a single source.

Effect: The County is not in compliance with state statutes. In addition, this condition increases the risk of invoices being paid twice and the misappropriation of County funds.

Recommendation: The County should follow proper procedures when purchasing from a single source vendor.

Management Corrective Action Plan:

Contact Person: Board of County Commissioners

Date of Anticipated Completion: Immediately

Corrective Action Planned: Management will ensure telephone quote sheet or documentation is attached to purchase orders to show “single source” purchases.

SECTION 3 – Federal Award Findings and Questioned Costs

No matters were reported.

**Statistical Data  
(Unaudited)**

**KAY COUNTY, OKLAHOMA  
TOP TEN TAXPAYERS  
FOR THE YEAR ENDED JUNE 30, 2002  
(UNAUDITED)**

<u>TAXPAYER</u>	<u>JANUARY 1, 2001 NET ASSESSED VALUATION</u>	<u>% OF TOTAL NET VALUATION</u>
1. CONOCO	\$ 42,885,047	18.85%
2. ALBERTSONS	12,301,593	5.41
3. OKLAHOMA GAS & ELECTRIC	7,175,185	3.15
4. SMITH INTERNATIONAL	5,726,172	2.52
5. SOUTHWESTERN BELL TELEPHONE	5,090,778	2.24
6. ITC CORP OF IBP FOODS	4,521,542	1.99
7. WILLIAMS GAS/PIPELINE/OIL	4,052,199	1.78
8. CONTINENTAL CARBON	3,578,220	1.57
9. MODERN SUPPLY COMPANY	2,424,244	1.07
10. OKLAHOMA NATURAL GAS CO.	2,031,514	.89
TOTAL	<u>\$ 89,786,494</u>	<u>39.47 %</u>

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



**KAY COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE YEAR ENDED JUNE 30, 2002  
(UNAUDITED)**

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Total net assessed value as of January 1, 2001		<u>\$ 227,484,492</u>
Debt limit – 5 % of total assessed value		\$ 11,374,225
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	-
Legal debt margin		<u>\$ 11,374,225</u>

**KAY COUNTY, OKLAHOMA**  
**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED**  
**VALUE AND NET BONDED DEBT PER CAPITA**  
**FOR THE YEAR ENDED JUNE 30, 2002**  
**(UNAUDITED)**

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	2001
Estimated population	46,448
Net assessed value	\$ 227,484,492
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	-
Net bonded debt per capita	\$ -

**KAY COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE YEAR ENDED JUNE 30, 2002  
(UNAUDITED)**

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<u>Tax Year</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>
2001	\$66,428,249	\$27,339,519	\$145,743,499	\$12,026,775	\$227,484,492	\$239,511,267