



# KAY COUNTY

## Financial Report

For the fiscal year ended June 30, 2021

**Cindy Byrd, CPA**  
State Auditor & Inspector

**KAY COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**OKLAHOMA**  
Office of the State Auditor & Inspector

**Cindy Byrd, CPA | State Auditor & Inspector**

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October 9, 2024

TO THE CITIZENS OF  
KAY COUNTY, OKLAHOMA

Transmitted herewith is the audit of Kay County, Oklahoma for the fiscal year ended June 30, 2021. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.) and shall be open to any person for inspection and copying.

Sincerely,

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

**KAY COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Board of County Commissioners**

District 1 – Jack Godberson  
District 2 – Jason Shanks  
District 3 – John A Wilson

**County Assessor**

Susan Keen

**County Clerk**

Tammy Reese

**County Sheriff**

Steve Kelley

**County Treasurer**

Christy Kennedy

**Court Clerk**

Marilee Thornton

**District Attorney**

Brian Hermanson

**KAY COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**KAY COUNTY, OKLAHOMA**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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## **FINANCIAL SECTION**



## **Independent Auditor's Report**

TO THE OFFICERS OF  
KAY COUNTY, OKLAHOMA

### ***Report on the Financial Statement***

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Kay County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1, the financial statement is prepared by Kay County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Kay County as of June 30, 2021, or changes in financial position for the year then ended.

### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the total receipts, disbursements, and changes in cash balances for all county funds of Kay County, as of and for the year ended June 30, 2021, in accordance with the basis of accounting described in Note 1.

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the total of all county funds on the financial statement. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the remaining supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the financial statement.

The schedule of expenditures of federal awards and the remaining supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the remaining supplementary information is fairly stated, in all material respects, in relation to the financial statement.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2024, 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 grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the County’s internal control over financial reporting or on compliance. That report is an integral part

of an audit performed in accordance with *Government Auditing Standards* in considering Kay County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

October 7, 2024

## **REGULATORY BASIS FINANCIAL STATEMENT**

**KAY COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Beginning Cash Balances July 1, 2020	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2021
County Funds:						
County General	\$ 4,489,171	\$ 6,988,239	\$ 15,000	\$ -	\$ 5,961,310	\$ 5,531,100
County Highway Unrestricted	2,617,884	5,913,181	460,496	-	4,676,750	4,314,811
County Bridge and Road Improvement	844,513	296,514	-	-	157,143	983,884
Assessor Revolving Fee	78,711	18,068	-	-	17,015	79,764
County Clerk Lien Fee	157,735	12,802	-	-	4,097	166,440
County Clerk Records Management and Preservation	156,469	98,608	-	-	54,163	200,914
Health	2,165,375	1,021,712	-	-	664,098	2,522,989
Local Emergency Planning Committee	5,640	-	-	-	-	5,640
Resale Property	629,069	295,268	-	-	136,828	787,509
Reward Fund	6,288	198	-	-	-	6,486
Sheriff Community Service Sentencing Program	1,231	-	-	-	-	1,231
Sheriff Service Fee	298,195	332,784	-	-	237,688	393,291
Sheriff Training	838	-	-	-	-	838
Trash Cop	3,015	-	-	-	-	3,015
Treasurer Mortgage Certification	70,261	7,400	-	-	6,221	71,440
County Donations	74,171	-	-	-	6,032	68,139
Use Tax-ST	3,148,955	938,887	-	-	41,666	4,046,176
Jail-ST	309,780	4,311,584	-	-	4,208,417	412,947
Bond-ST	-	491,301	-	-	336,232	155,069
JAG Grant	12,210	7,432	-	-	3,972	15,670
COVID Aid and Relief	-	506,218	-	475,496	30,722	-
American Rescue Plan Act 2021	-	4,228,373	-	-	-	4,228,373
<b>Total - All County Funds</b>	<b>\$ 15,069,511</b>	<b>\$ 25,468,569</b>	<b>\$ 475,496</b>	<b>\$ 475,496</b>	<b>\$ 16,542,354</b>	<b>\$ 23,995,726</b>

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

**KAY COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Kay County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. 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, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including 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. Any trust or agency funds maintained by the County are not included in this presentation.

**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 county funds included within the financial statement:

County General – accounts for the general operations of the government.

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

County Bridge and Road Improvement – accounts for state receipts and disbursements for the improvement of county bridges and roads.

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

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

County Clerk Records Management and Preservation – accounts for fees collected for instruments filed in the County Clerk's office and disbursements as restricted by state statute for the preservation of records.

**KAY COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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Health – accounts for ad valorem tax collections and fees for services collected, disbursements are made to operate the County Health Department.

Local Emergency Planning Committee – accounts for grant monies received for the Local Emergency Planning Committee at Ponca City and disbursements are for emergency planning.

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

Reward Fund – accounts for the monies collected from fines imposed for littering and disbursed to citizens involved in reporting of littering offenses.

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

Sheriff Service Fee – accounts for the collection of fees and reimbursements for revenues such as process fees, courthouse security, contracts for housing and feeding prisoners, and disbursements as restricted by state statute.

Sheriff Training – accounts for collections from the sale of property forfeited in drug cases and disbursements are for the enforcement of controlled dangerous substance laws.

Trash Cop – accounts for grants and/or fines assessed upon convicted individuals to be used for the investigation and mitigation of illegal dumping.

Treasurer Mortgage Certification – accounts for the collection of fees by the County Treasurer for mortgage tax certificates and disbursements of funds as restricted by state statute.

County Donations – accounts for donations to the county from private donors to be disbursed for a specified purpose and approved by Board of County Commissioners' resolution.

Use Tax-ST – accounts for revenues from sales tax charged to out-of-county vendors on in-county sales. Disbursements are for legal expenses of the County.

Jail-ST – accounts for the collection of sales tax monies to be disbursed as restricted by the sales tax ballot.

Bond-ST – accounts for the collection of sales tax monies to be disbursed as restricted by the sales tax ballot.

JAG Grant – accounts for the receipt and disbursement of funds from the U.S. Department of Justice for the purchase of equipment for law enforcement.

**KAY COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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COVID Aid and Relief – accounts for federal grant monies received from the Coronavirus Relief Fund for the reimbursement of COVID related expenditures. Disbursements are for any lawful purpose of the County as directed by the Board of County Commissioners’ resolution.

American Rescue Plan Act 2021 – accounts for State and Local Fiscal Recovery Funds monies received from the United States Department of Treasury and disbursed for responding to the COVID-19 public health emergency and its negative economic impact, premium pay to eligible workers, the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, and investments in water, sewer, and broadband infrastructure as restricted by federal requirements.

**C. Basis of Accounting**

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

Title 19 O.S. § 171 allows Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171, which specifies the format and presentation of such regulatory basis financial statements: county governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

**D. Budget**

Under current Oklahoma Statutes, a general fund and a 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 for the respective fund by 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.

**KAY COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**E. Cash and Investments**

For the purposes of financial reporting, "Ending Cash Balances, June 30" includes cash and cash equivalents and investments as allowed by statutes. 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).

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

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. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

**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."

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. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

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



**KAY COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**3. Other Information**

**A. Pension Plan**

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

**B. 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.

**C. 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; however, the County expects such amounts, if any, to be immaterial.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

**D. Sales Tax**

**Sales Tax of May 13, 2008**

The voters of Kay County approved a county sales tax of two-thirds (.6665) of one (1) cent effective October 1, 2008. This sales tax was established to provide revenue for the acquisition, construction, and equipping of the new Kay County Juvenile Facilities Authority (JFA). A portion of the sales

**KAY COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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tax, one-third (.33325) of one (1) cent, shall have a limited duration of twenty years from the date of commencement, or until principal and interest upon indebtedness incurred on behalf of Kay County by the JFA is paid in full. The remaining one-third (.33325) of one (1) cent is for maintenance and operations of the JFA and will continue until repealed by a majority of the electors in Kay County. These funds are accounted for in the Jail-ST fund.

**Sales Tax of October 8, 2019**

The voters of Kay County approved a one-fourth of one (1) percent sales tax effective January 1, 2020 for a term of thirteen (13) years from the effective date of the tax or at the date of retirement of any debt incurred related thereto, whichever occurs earlier, for the funding of the design, construction, financing, furnishings, capital facilities and improvements, equipment, fixtures, site acquisition, site preparation, street improvements, relocation of offices, and other facilities, and maintenance and operation expenses for the Kay County Courthouse renovation and annex construction project located in Kay County. These funds are currently accounted for in the Public Building Authority fund (a trust and agency fund) and Bond-ST fund.

**E. Tax Abatements**

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$1,371,744 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2021.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

**KAY COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**F. Interfund Transfers**

During the fiscal year, the County made the following transfers between cash funds:

- \$475,496 was transferred from the COVID Aid and Relief fund to the following:
  - \$15,000 to the County General fund per the Board of County Commissioners' resolution designating where the COVID Aid and Relief fund proceeds are appropriated for lawful purpose.
  - \$460,496 to the County Highway Unrestricted fund per the Board of County Commissioners' resolution designating where the COVID Aid and Relief fund proceeds are appropriated for lawful purpose.

## **SUPPLEMENTARY INFORMATION**

**KAY COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	General Fund		
	Budget	Actual	Variance
District Attorney	\$ 115,750	\$ 115,750	\$ -
Sheriff	1,221,298	1,219,272	2,026
Treasurer	193,305	193,284	21
Commissioners	567,532	550,912	16,620
O.S.U. Extension	231,000	220,074	10,926
County Clerk	222,853	215,571	7,282
Court Clerk	348,676	347,265	1,411
Community Service Program	207,048	207,048	-
Assessor	193,966	191,355	2,611
Visual Inspection	364,276	363,278	998
General Government	632,134	474,157	157,977
Excise-Equalization	7,400	3,451	3,949
Election Board	209,926	178,454	31,472
Insurance-Benefits	4,738,784	1,623,996	3,114,788
County Purchasing	47,605	47,201	404
Information Technology	47,000	33,713	13,287
Emergency Management	63,414	43,480	19,934
Charity	5,000	2,001	2,999
Courthouse Security	34,999	34,999	-
County Audit Budget	86,321	44,819	41,502
Free Fair Budget	32,000	13,047	18,953
Total Expenditures, Budgetary Basis	<u>\$ 9,570,287</u>	<u>\$ 6,123,127</u>	<u>\$ 3,447,160</u>

**KAY COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—HEALTH FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	Health Fund		
	Budget	Actual	Variance
Public Health	\$ 2,755,659	\$ 774,037	\$ 1,981,622
Total Expenditures, Budgetary Basis	\$ 2,755,659	\$ 774,037	\$ 1,981,622

**KAY COUNTY, OKLAHOMA**  
**NOTE TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**1. Budgetary Schedules**

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund 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 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.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



**KAY COUNTY, OKLAHOMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<b>Department of the Army</b>			
Passed Through the State of Oklahoma Treasurer's Office:			
Flood Plain Management Services	12.104		\$ 11,471
Total U.S. Department of Defense			<u>11,471</u>
<b>U.S. DEPARTMENT OF INTERIOR</b>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		111,477
Total U.S. Department of Interior			<u>111,477</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Office of Justice Programs			
Direct Grants			
COVID-19-Coronavirus Emergency Supplemental Funding Program	16.034		55,989
Edward Byrne Memorial Justice Assistance Grant Program	16.738		3,972
Total U.S. Department of Justice			<u>59,961</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Transferred to the Bureau of Indian Affairs			
Direct Grant:			
Highway Planning and Construction - Maintenance	20.205	A15AC00117	67,236
Highway Planning and Construction - 6 Bridges	20.205	A17AC00043	95,300
Highway Planning and Construction - Kaw 7 Bridges	20.205	A19AC00027	258,240
Total ALN #20.205			<u>420,776</u>
National Highway Traffic Safety Administration			
Passed Through the Oklahoma Highway Safety Office:			
State and Community Highway Safety	20.600	OP-21-03-03-02	6,030
Total ALN #20.600			<u>6,030</u>
Total U.S. Department of Transportation			<u>426,806</u>
<b>U.S. DEPARTMENT OF TREASURY</b>			
Passed Through the State of Oklahoma Department of Finance:			
COVID-19 Coronavirus Relief Fund	21.019	SA-2371	506,218
Total U.S. Department of Treasury			<u>506,218</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through the Oklahoma Department of Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4438	881,811
Total U.S. Department of Homeland and Security			<u>881,811</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,997,744</u>

**KAY COUNTY, OKLAHOMA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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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 the Uniform Guidance.

Indirect Cost Rate

Kay County has elected to not use the 10 percent de minimis cost rate allowed for by 2 CFR§ 200.414(f).

Eligible Expenditures Incurred in the Prior Fiscal Year

On June 1, 2019, the President of the United States approved a Major Disaster Declaration for Kay County in response to severe storms, straight-line winds, tornados, and flooding May 7, 2019 through June 9, 2019. The County incurred \$246,872 in eligible expenditures in the prior fiscal year ending June 30, 2020. The Federal Emergency Management Agency approved all project worksheets for this disaster in the fiscal year ending June 30, 2021. Therefore, expenditures on the schedule of expenditures of federal awards for Assistance Listing 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) includes \$246,872 in eligible expenditures incurred in the fiscal year ending June 30, 2020, and all eligible expenditures that were incurred in the fiscal year ending June 30, 2021.

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



**Independent Auditor's 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  
KAY COUNTY, OKLAHOMA

We have audited, 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, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Kay County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Kay County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 7, 2024.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County as of and for the year ended June 30, 2021, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered Kay County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Kay County's internal control. Accordingly, we do not express an opinion on the effectiveness of Kay County's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness: 2021-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Kay County's financial statement is free from 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 financial statement. 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-001.

### **Kay County's Response to Findings**

Kay County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Kay County's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

October 7, 2024



**Independent Auditor's Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by the Uniform Guidance**

TO THE OFFICERS OF  
Kay COUNTY, OKLAHOMA

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of Kay County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Kay County's major federal program for the year ended June 30, 2021. Kay County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Kay County's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Kay County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

**Report on Internal Control Over Compliance**

Management of Kay County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kay County's internal control over compliance with the types of

requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kay County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

October 7, 2024

**KAY COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**SECTION 1—Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unmodified as to regulatory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? ..... None reported

Noncompliance material to the financial statement noted? ..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... No
- Significant deficiency(ies) identified? ..... None reported

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

Any audit findings disclosed that are required to be reported  
in accordance with 2 CFR § 200.516(a) of the Uniform Guidance? ..... No

Identification of Major Programs

Assistance Listing Number(s)

97.036

Name of Federal Program or Cluster

Disaster Grants - Public Assistance  
(Presidentially Declared Disasters)

Dollar threshold used to distinguish between

Type A and Type B programs: ..... \$750,000

Section 2

Auditee qualified as low-risk auditee?..... No



**KAY COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**SECTION 2—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 2021-001—Lack of Internal Controls and Noncompliance Over the Discrete Presentation of the Sales Tax Activity (Repeat Finding 2020-001)**

**Condition:** While gaining an understanding of internal controls and observation of the recordkeeping process of expending the county sales tax, the following was noted:

- Sales tax revenue in the amount of \$1,127,570 was apportioned directly to the Public Building Authority (PBA) fund, a trust and agency fund.
- Sales tax revenue in the amount of \$1,186 was not apportioned to the appropriate fund in accordance with the sales tax ballot.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with the sales tax ballot, state statute 68 O.S. § 1370(E), Attorney General (AG) Opinion 2014 OK AG 15.

**Effect of Condition:** This condition resulted in noncompliance with the sales tax ballot, state statute and AG Opinion. Further, these conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and/or misappropriation of funds.

**Recommendation:** The Oklahoma State Auditors and Inspector's Office (OSAI) recommends the sales tax be apportioned to a Special Revenue Sales Tax Fund or the County General Fund in accordance Title 68 § 1370(E) and with AG Opinion 2014 OK AG 15. In addition, the sales tax should be apportioned to the appropriate fund per the sales tax ballot.

**Management Response:**

**County Treasurer:** I was not in office at this time. However, this issue has been corrected.

**Criteria:** The United States Government Accountability Office's (*Standards for Internal Control in the Federal Government*) (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

*Compliance Objectives*

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations

**KAY COUNTY, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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apply to the entity. Management is expected to set objectives that incorporate these requirements.

Further, GAO Standards – Principle 6 – Defined Objectives and Risk Tolerances - 6.05 states:

*Definitions of Objectives*

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity's objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment.

Title 68 O.S. § 1370(E) requires the sales tax collections to be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

Further, AG opinion 2014 OK AG 15 dated 10/31/2014 states:

“4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; Cavin v. Bd. of County Comm'rs, 1934 OK 245 11, 33 P.2d 477, 479.”

**SECTION 3—Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

No matters were reported.

**SECTION 4—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.**

No matters were reported.

**APPENDIX A**

**CORRECTIVE ACTION PLAN**

**(Prepared by County Management)**

**SHANE JONES**  
2026 East Coleman Road  
Ponca City, Oklahoma 74604  
District #1

**JASON SHANKS**  
1125 West Dry Road  
Newkirk, Oklahoma 74647  
District #2

**JEFF KREGER**  
1814 West Dewey  
Blackwell, Oklahoma 74631  
District #3



**Corrective Action Plan  
in accordance with 2 CFR § 200.511c  
for the fiscal year ended June 30, 2021**

<b>Finding No.</b>	<b>Title (Financial) or Assistance Listing No. (formerly CFDA No.) &amp; Program Name (Federal)</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2021-001	Lack of Internal Controls and Noncompliance Over the Discrete Presentation of Sales Tax	Kay County has implemented policies and procedures to apportion Public Building Authority Sales Tax collections to a special Revenue Sales Tax fund.	June 30, 2021	County Treasurer Rhonda Stephens

**APPENDIX B**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**(Prepared by County Management)**

**SHANE JONES**

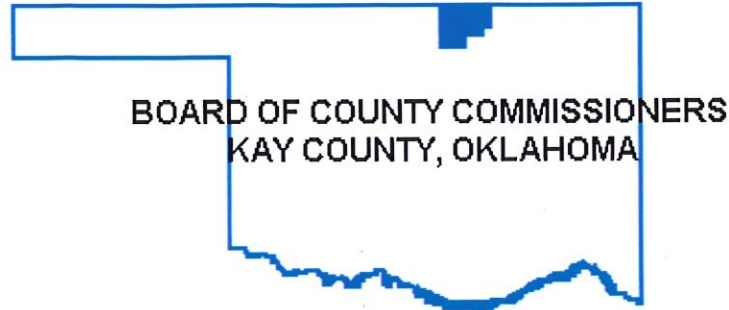
2026 East Coleman Road  
Ponca City, Oklahoma 74604  
District #1

**JASON SHANKS**

1125 West Dry Road  
Newkirk, Oklahoma 74647  
District #2

**JEFF KREGER**

1814 West Dewey  
Blackwell, Oklahoma 74631  
District #3



**Summary Schedule of Prior Audit Findings  
in accordance with 2 CFR § 200.511b  
for the fiscal year ended June 30, 2021**

**FINANCIAL AUDIT FINDINGS**

**Finding 2020-001****Lack of Internal Controls and Noncompliance Over the Discrete Presentation of the Sales Tax Activity**

**Finding Summary:** Sales tax revenue was apportioned directly to the Public Building Authority (PBA), a trust and agency fund.

**Status:** Not Corrected

**FEDERAL AUDIT FINDINGS**

**Finding 2010-016, 2011-016, 2012-016, 2013-007, 2014-007, 2015-007, 2016-013, 2017-013, 2018-013, 2020-007****Lack of County-Wide Controls Over Major Federal Programs – Highway Planning and Construction**

**Pass-Through Grantor:** Bureau of Indian Affairs

**Federal Agency:** U.S. Department of Transportation

**Assistance Listing No:** 20.205

**Federal Program Name:** Highway Planning and Construction

**Federal Grant Award Number:** A15AC00117, A17AC00043 and A19AC00027

**Federal Award Year:** 2018, 2020

**Control Category:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching; Period of Performance; Procurement and Suspension and Debarment; and Special Tests and Provisions.

**Questioned Costs:** \$-0-

**Finding Summary:** County-wide controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

**Status:** Fully Corrected

**Finding 2010-017, 2012-017, 2013-008, 2014-008, 2015-008, 2016-014, 2017-014, 2018-014, 2020-008****Lack of Internal Controls Over Major Federal Program – Highway Planning and Construction**

**Pass-Through Grantor:** Bureau of Indian Affairs

**Federal Agency:** U.S. Department of Transportation

**Assistance Listing No:** 20.205

**Federal Program Name:** Highway Planning and Construction

**Federal Grant Award Number:** A15AC00117, A17AC00043 and A19AC00027

**Federal Award Year:** 2018, 2020

**Control Category:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching; Period of Performance; Procurement and Suspension and Debarment; and Special Tests and Provisions.

**Questioned Costs:** \$-0-

**Finding Summary:** Kay County has not established procedures to ensure compliance with the following requirements:

**Questioned Costs: \$-0-**

**Finding Summary:** Kay County has not established procedures to ensure compliance with the following requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching; Period of Performance; Procurement and Suspension and Debarment; and Special Tests and Provisions.

**Status:** Fully Corrected

**Finding 2008-010, 2009-009, 2010-003, 2013-006, 2014-006, 2015-006, 2016-012, 2017-012, 2018-012**

**Lack of Internal Controls and Noncompliance Over the Schedule of Expenditures of Federal Awards**

**Pass-Through Grantor:** Bureau of Indian Affairs

**Federal Agency:** U.S. Department of Transportation

**Assistance Listing No:** 20.205

**Federal Program Name:** Highway Planning and Construction

**Federal Grant Award Number:** A17AC00043, A15AC00117, A16AC00065

**Federal Award Year:** 2018

**Control Category:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Equipment and Real Property Management; Matching; Level of Effort, Earmarking; Period of Availability; Procurement and Suspension and Debarment; and Special Tests and Provisions.

**Questioned Costs: \$-0-**

**Finding Summary:** Schedule of Expenditures of Federal Awards being understated by \$117,288.

**Status:** Management feels this finding is no longer valid because two years have passed since the audit report was submitted to the Federal Clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding and management decision has not been issued.





Cindy Byrd, CPA | State Auditor & Inspector

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