

**KAY COUNTY, OKLAHOMA  
SPECIAL-PURPOSE FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2003**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

June 28, 2005

TO THE CITIZENS OF  
KAY COUNTY, OKLAHOMA

Transmitted herewith is the audit of Kay County, Oklahoma, for the fiscal year ended June 30, 2003. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

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

JEFF A. McMAHAN  
State Auditor and Inspector

**KAY COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003**

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**KAY COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003**

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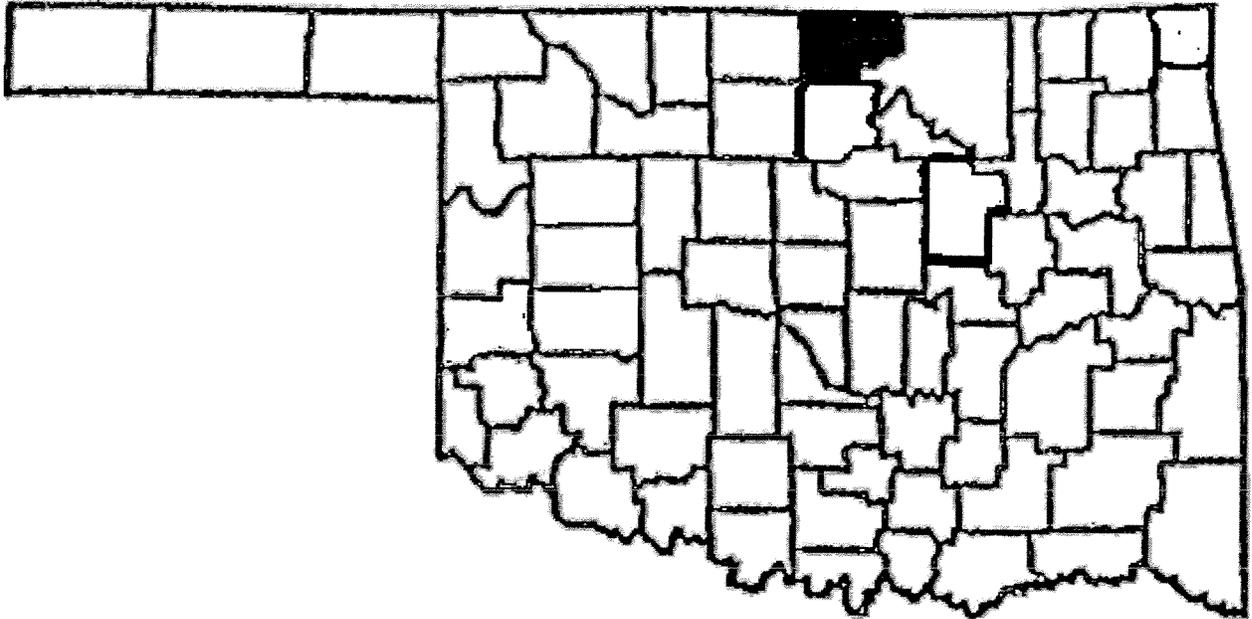
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REPORT TO THE CITIZENS  
OF  
KAY COUNTY, OKLAHOMA

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Located in north central Oklahoma bordering Kansas, Kay County was formed from the "Cherokee Strip" or "Cherokee Outlet." Originally 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 – 48,080  
(2000 est.)

Farms – 929

Land in Farms – 469,493 Acres

Source: Oklahoma Almanac – 2003-2004

See independent auditor's report.

**KAY COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY ASSESSOR**

Tresa Engle - thru 12-30-02

Judy Barnes - elected 1-1-03

(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.

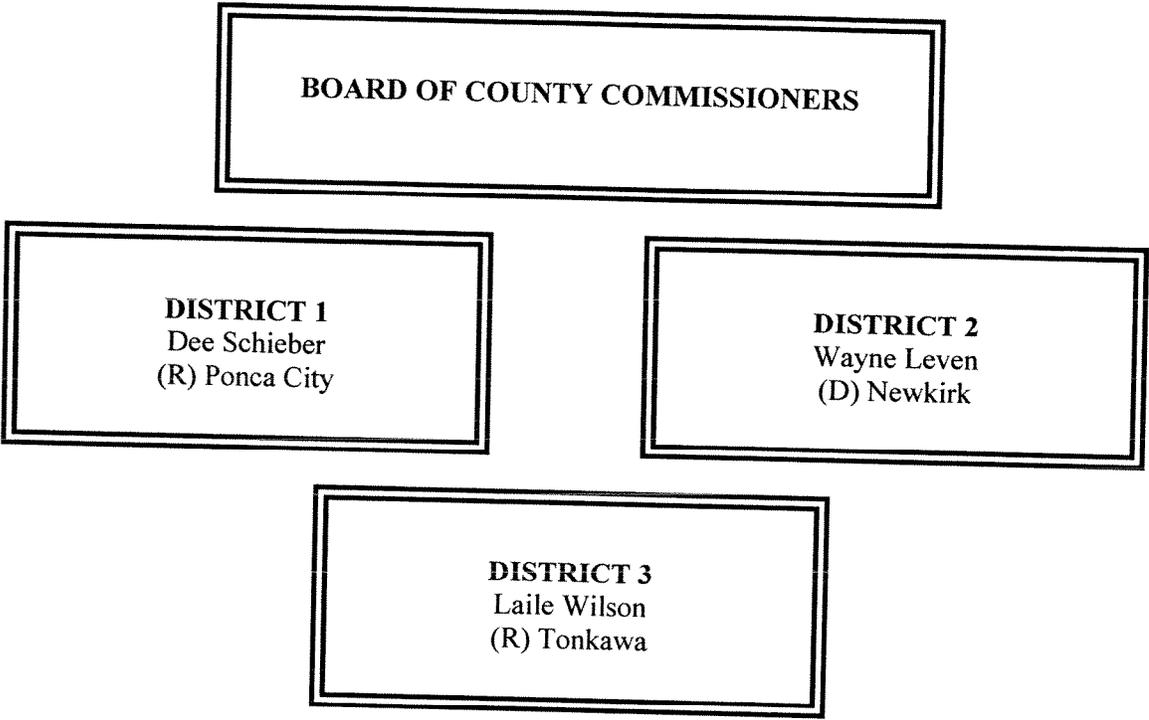
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. 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.

See independent auditor's report.

**KAY 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.

See independent auditor's report.

**KAY 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.

See independent auditor's report.

**KAY 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.

See independent auditor's report.

**KAY COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**ELECTION BOARD SECRETARY**

Carol Kellum  
(D) Blackwell

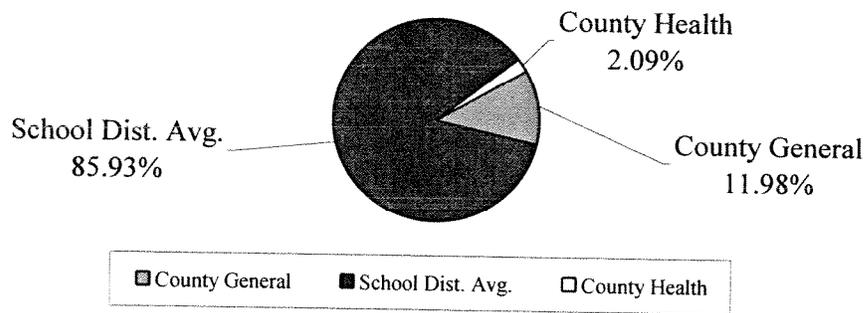
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

See independent auditor's report.

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

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



County-Wide Millages		School District Millages							
Co. General	10.25	Gen.	Bldg.	Skg.	Career Tech	Common	Total		
County Health	1.79	Braman	18	36.04	5.15	9.38	15.23	4.10	69.90
		Peckham	27	35.95	5.14	14.47	15.23	4.10	74.89
		Newkirk	29	36.36	5.19	20.14	15.23	4.10	81.02
		Blackwell	45	36.10	5.16	15.96	15.23	4.10	76.55
		Kildare	50	36.48	5.21	9.40	15.23	4.10	70.42
		Ponca City	71	35.76	5.11	20.13	15.23	4.10	80.33
		Kaw City	84	36.32	5.19	17.53	15.23	4.10	78.37
		Tonkawa	87	36.11	5.16	14.85	15.23	4.10	75.45
		Noble - Joint	I-2	35.50	5.07	7.31	15.23	4.10	67.21
		Noble - Joint	I-4	36.22	5.17	10.54	15.23	4.10	71.26
		Osage - Joint	J-11	37.67	5.38	7.90	15.23	4.10	70.28
		Grant - Joint	J-95	35.67	5.10	6.86	15.23	4.10	66.96

See independent auditor's report.

**FINANCIAL SECTION**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Independent Auditor's Report**

TO THE OFFICERS OF  
KAY COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Kay County, Oklahoma, as of and for the year ended June 30, 2003, 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 the county health department fund of the County, as of and for the year ended June 30, 2003, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2005, 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.

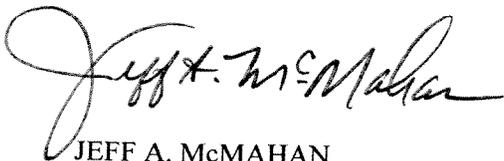
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Kay County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of 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 information listed in the table of contents under *Introductory Section* and *Statistical Section* has not been audited by us, and accordingly, we express no opinion on 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, 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

March 24, 2005

**Special-Purpose Financial Statements**

**KAY COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES - ALL FUNDS**  
**FOR THE YEAR ENDED, JUNE 30, 2003**

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
General Fund	\$ 1,031,441	\$ 3,921,145	\$ 4,007,056	\$	\$ 945,530
Highway Cash	806,670	3,700,022	3,853,369		653,323
County Health Department	295,872	462,547	449,492		308,927
Sheriff Grant	6,956	5,341	12,151		146
Assessor's Visual Inspection	64,725	15,671	16,348		64,048
Jail Cash	57,785	283,476	271,837		69,424
Resale Property	190,409	94,574	113,889		171,094
Sheriff Service Fee	72,745	181,653	208,922		45,476
County Clerk Lien Fee	25,149	18,012	20,513		22,648
Mortgage Cert. Fees	39,193	14,810	11,475		42,528
Sheriff Training Fund	8,153	200	3,748		4,605
County Clerk Records Preservation	38,826	63,160	16,875		85,111
CSSP	5,088	24,225	21,150		8,163
LEPC Grant	5,355	2,595	8		7,942
Trash Cop	2,500	6,074	7,666		908
County Cash Improvement	10,257	14,352	9,107		15,502
Schools	74,547	21,172,010	21,137,720		108,837
Cities and Towns	31,641	578,177	579,165		30,653
Court Clerk Investments	26,709				26,709
Official Depository	1,033,844	7,971,071	8,137,698	9,794	877,011
Payroll Taxes	54,765	689,722	683,167		61,320
Refunds		25,945	25,537		408
Back Taxes	18,003	10,364	8,264		20,103
Commissary	9,336	9,149	7,724		10,761
Petty Cash	315				315
Child Abuse	1,068	517	1,000		585
Court Clerk Trust	74,000				74,000
Individual Redemption	2,856	35,427	34,835		3,448
Duck Creek	175	7,412	7,587		
EMA (Civil Defense)	11,118	51,403	43,464		19,057
Law Library	6,476	41,962	40,036		8,402
PBA	60,818	16,906	11,690		66,034
Open Dumping	1,030	143			1,173
PBA-Health Land Purchase	381,381	101,051	63,681		418,751
Promoting Families	4,263	5,365	9,628		
BIA-Ponca Road	609	3			612
Mt. Olive Investment	52,374	1,410	2,087		51,697
Protest Tax		265,390			265,390
<b>Total County Funds</b>	<b>\$ 4,506,452</b>	<b>\$ 39,791,284</b>	<b>\$ 39,816,889</b>	<b>\$ 9,794</b>	<b>\$ 4,490,641</b>

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, 2003**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 1,031,154	\$ 1,031,154	\$ 1,031,441	\$ 287
Less: Prior Year Outstanding Warrants	(170,481)	(170,481)	(170,768)	(287)
Less: Prior Year Encumbrances	(34,475)	(34,475)	(27,893)	6,582
Beginning Cash Balances, Budgetary Basis	<u>826,198</u>	<u>826,198</u>	<u>832,780</u>	<u>6,582</u>
Receipts:				
Ad Valorem Taxes	2,379,051	2,379,051	2,468,625	89,574
Charges for Services	180,410	180,410	220,002	39,592
Intergovernmental Revenues	369,494	1,065,853	778,647	(287,206)
Miscellaneous Revenues	96,328	96,328	453,871	357,543
Total Receipts, Budgetary Basis	<u>3,025,283</u>	<u>3,721,642</u>	<u>3,921,145</u>	<u>199,503</u>
Expenditures:				
Total District Attorney	68,000	68,000	64,678	3,322
Total County Sheriff	825,500	860,479	856,248	4,231
County Treasurer	132,200	137,375	137,375	
Capital Outlay	5	5		5
Total County Treasurer	<u>132,205</u>	<u>137,380</u>	<u>137,375</u>	<u>5</u>
County Commissioners	153,500	163,625	163,184	441
Capital Outlay	5	5		5
Total County Commissioners	<u>153,505</u>	<u>163,630</u>	<u>163,184</u>	<u>446</u>
OSU Extension	74,509	74,509	74,509	
Capital Outlay	5	5		5
Total OSU Extension	<u>74,514</u>	<u>74,514</u>	<u>74,509</u>	<u>5</u>
County Clerk	171,000	174,820	173,868	952
Capital Outlay	5	5		5
Total County Clerk	<u>171,005</u>	<u>174,825</u>	<u>173,868</u>	<u>957</u>
Total Court Clerk	223,540	228,825	228,823	2
County Assessor	139,700	143,470	143,377	93
Capital Outlay	5			
Total County Assessor	<u>139,705</u>	<u>143,470</u>	<u>143,377</u>	<u>93</u>
Revaluation of Real Property	199,217	194,921	185,163	9,758
Capital Outlay	5	4,301	3,789	512
Total Revaluation of Real Property	<u>199,222</u>	<u>199,222</u>	<u>188,952</u>	<u>10,270</u>
Total District Court	40,200	40,200	40,200	-
General Government	623,771	564,231	312,294	251,937
Capital Outlay	5	380	359	21
Total General Government	<u>623,776</u>	<u>564,611</u>	<u>312,653</u>	<u>251,958</u>

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, 2003**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Total Excise-Equalization Board	4,600	4,600	3,706	894
County Election Board	97,524	113,803	113,448	355
Capital Outlay	250			
Total County Election Board	97,774	113,803	113,448	355
Total Insurance	861,363	1,008,600	807,273	201,327
County Purchasing Agent	44,900	44,905	44,228	677
Capital Outlay	5			
Total County Purchasing Agent	44,905	44,905	44,228	677
Data Processing	58,600	58,600	57,902	698
Capital Outlay	5	5		
Total Data Processing	58,605	58,605	57,902	703
Total Charity	5,000	5,000	450	4,550
Total Engineer	-	108,739	108,739	-
Total Library	66,629	312,743	277,308	35,435
Total Public Defender	-	174,256	174,256	-
Total Audit Budget	44,433	44,433	10,068	34,365
Total Free Fair Budget	12,000	12,000	12,000	-
Provision for Interest on Warrants	5,000	5,000	2,368	2,632
Total Expenditures, Budgetary Basis	3,851,481	4,547,840	3,995,613	552,227
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	758,312	\$ 758,312
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			43,009	
Add: Current Year Outstanding Warrants			144,209	
Ending Cash Balance			\$ 945,530	

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 FUND  
FOR THE YEAR ENDED JUNE 30, 2003**

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 295,872	\$ 295,872	\$ 295,872	\$ -
Less: Prior Year Outstanding Warrants	(1,436)	(1,436)	(1,436)	
Less: Prior Year Encumbrances	(121,716)	(121,716)	(118,938)	2,778
Beginning Cash Balances, Budgetary Basis	<u>172,720</u>	<u>172,720</u>	<u>175,498</u>	<u>2,778</u>
Receipts:				
Ad Valorem Taxes	415,464	415,464	431,106	15,642
Charges		11,878	30,061	18,183
Miscellaneous Revenues			1,380	1,380
Total Receipts, Budgetary Basis	<u>415,464</u>	<u>427,342</u>	<u>462,547</u>	<u>35,205</u>
Expenditures:				
Health and Welfare	495,000	518,879	424,926	93,953
Capital Outlay	93,184	81,183	33,256	47,927
Total Expenditures, Budgetary Basis	<u>588,184</u>	<u>600,062</u>	<u>458,182</u>	<u>141,880</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	179,863	<u>\$ 179,863</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			127,790	
Add: Current Year Outstanding Warrants			1,274	
Ending Cash Balance			<u>\$ 308,927</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, 2003**

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
Court Clerk	\$ 444,047	\$ 2,176,120	\$ 2,306,425	\$ 1,038	\$ 314,780
Court Fund	81,073	1,048,645	916,094	575	214,199
District Attorney	437,638	1,193,021	1,402,326	6,912	235,245
County Clerk	48,673	429,277	413,793	330	64,487
County Sheriff	598	624,502	624,715		385
Treasurer	18,652	1,682,898	1,657,391	94	44,253
Treasurer EFTPS		689,722	689,722		
Election	1,175	70,990	71,788	845	1,222
County Health	1,427	41,855	41,812		1,470
County Assessor	561	14,041	13,632		970
<b>Total Official Depository Accounts</b>	<u>\$ 1,033,844</u>	<u>\$ 7,971,071</u>	<u>\$ 8,137,698</u>	<u>\$ 9,794</u>	<u>\$ 877,011</u>

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of Kay County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and the county health department fund of the County. 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 the 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 the 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 Statements of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances - All Funds because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including 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

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. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2003.

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

Summary of Significant Accounting Policies (continued)

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

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating County will pay a deductible amount (\$1,000 to \$10,000; the County has a \$10,000 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible 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. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

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

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

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$4,490,641 and the bank balance was \$4,688,110. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

B. Description of Funds

General Fund – revenues are from ad valorem taxes, 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.

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. Disbursements are for a deputy's salary.

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 governments' prisoners in the county jail. Disbursements are for the operation of the county jail.

Detailed Notes on Funds and Account Balances (continued)

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 County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk's office.

Mortgage Certification Fees – 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 Records Preservation – revenues are from a fee charged by the County 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.

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

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.

Detailed Notes on Funds and Account Balances (continued)

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

Refunds – over collections of ad valorem taxes are deposited to this fund and disbursed to the payer.

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.

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. A new health department building was built at another location.

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

Detailed Notes on Funds and Account Balances (continued)

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.

Protest Tax – tax collections held in dispute until resolved by the courts.

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 collection 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.

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.

Detailed Notes on Funds and Account Balances (continued)

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2002, was approximately \$255,312,771.

Per Article 10, § 8A, the County voted to repeal the personal property tax. The initiative provided that real property tax levies would be increased to make up for the loss of taxable personal property; therefore, the levy is now 10.25 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, 2003, were approximately 98 percent of the tax levy.

D. Pension Plan

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

Detailed Notes on Funds and Account Balances (continued)

E. 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.

**SUPPLEMENTARY SCHEDULE**

**KAY COUNTY, OKLAHOMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2003**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>		
Passed Through State Department of Juvenile Justice:		
Juvenile Accountability Incentive Block Grants	16.523	\$ 6,236
Direct from U.S. Department of Justice		
Local Law Enforcement Block Grants Program	16.592	12,151
Total U.S. Department of Justice		<u>18,387</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>		
Passed Through State Department of Civil Emergency Management:		
Emergency Management Performance Grants	83.552	12,095
Public Assistance Grants	83.544	328,438
Hazard Mitigation Grant	83.548	4,440
Total Federal Emergency Management Agency		<u>344,973</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
Passed Through the Bureau of Indian Affairs:		
Highway Planning and Construction	20.205	155,000
Passed Through State Department of Civil Emergency Management:		
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	8
Total U.S. Department of Transportation		<u>155,008</u>
Total Expenditures of Federal Awards		<u>\$ 518,368</u>

The accompanying note is an integral part of this schedule.

**KAY COUNTY, OKLAHOMA**  
**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2003**

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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*.

**COMPLIANCE AND INTERNAL CONTROL SECTION**



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, 2003, and have issued our report thereon dated March 24, 2005. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we reported to management of Kay County and is included in Section 4 of the schedule of findings and questioned costs, contained within this report.

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 98-2.

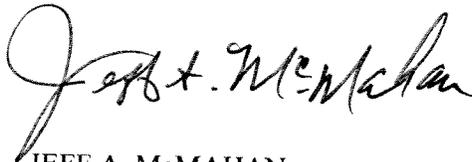
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 98-2 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

March 24, 2005



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 on Internal Control Over Compliance in Accordance With  
OMB Circular A-133**

TO THE OFFICERS OF  
KAY COUNTY, OKLAHOMA

Compliance

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, 2003. The 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 the County's management. Our responsibility is to express an opinion on the 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 the 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 on the County's compliance with those requirements.

In our opinion, the 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, 2003.

Internal Control Over Compliance

The management of the 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 the 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.

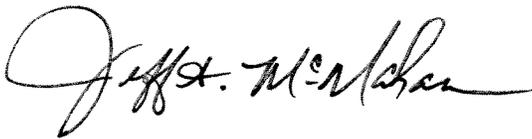
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively 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,

A handwritten signature in cursive script that reads "Jeff A. McMahon". The signature is written in black ink and is positioned above the typed name and title.

JEFF A. McMAHAN  
State Auditor and Inspector

March 24, 2005

KAY COUNTY, OKLAHOMA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 JUNE 30, 2003

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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?	No

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

CFDA Number(s)  
83.544

Name of Federal Program or Cluster  
Public Assistance Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>300,000</u>
Auditee qualified as low-risk auditee?	No

**SECTION 2 - Findings related to the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

**Finding 98-2 - Segregation of Duties (Repeat Finding)**

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

Condition: The limited number of office personnel within several County offices prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control structure.

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

Recommendation: We recommend management be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's knowledge of office operations and a periodic review of operations.

Management Corrective Action Plan

Date of Anticipated Completion: N/A

Contact Person: Board of County Commissioners

Corrective Action Planned: We agree that some offices may not have enough personnel allowing proper segregation of some duties, and will recommend that all offices be aware of the segregation of duties with a limited staff.

**SECTION 3 - Findings related to the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.**

No matters were reported.

**SECTION 4 - This section contains audit findings not required to be reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, but which we believed were significant enough to bring to the County's attention. We recommend that the County consider these matters and take appropriate corrective action.**

**Finding 03-1 - Payroll**

Criteria: The County's Employee Personnel Policy Handbook as modified 01\22\2001 stipulates that "All County officials and employees shall be paid monthly."

Condition: Kay County payroll procedures are not consistent from office to office. Some officers submit monthly payrolls, while others submit bi-monthly payrolls. This inconsistency has resulted in the County issuing as many as seven payrolls per month.

Effect: The County is not in compliance with its adopted personnel policy. Inconsistencies between office payroll procedures could lead to errors and create an unnecessary workload.

Recommendation: The County should adhere to the personnel policies as adopted by the Board of County Commissioners.

Management Corrective Action Plan

Date of Anticipated Completion: N/A

Contact Person: Board of County Commissioners

Corrective Action Planned: The issue of monthly or bi-monthly payroll will be addressed in the near future.

**STATISTICAL SECTION**  
**(Unaudited)**

**KAY COUNTY, OKLAHOMA  
TOP TEN TAXPAYERS  
FOR THE YEAR ENDED JUNE 30, 2003  
(UNAUDITED)**

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Conoco Inc	\$ 60,889,874	23.85%
Oklahoma Gas & Electric	7,132,886	2.79%
Southwestern Bell Telephone	6,418,943	2.52%
Smith Tool	4,732,200	1.85%
ITC Corporation	3,440,753	1.35%
Continental Carbon	3,283,295	1.29%
Jupiter Sulphur, LLC	3,218,405	1.26%
Williams Gas P1 Central	2,913,530	1.14%
Albertson's	2,323,176	0.91%
Oklahoma Natural Gas	1,943,634	0.76%
Total	<u>\$ 96,296,696</u>	<u>37.72%</u>

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

**KAY COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE YEAR ENDED JUNE 30, 2003  
(UNAUDITED)**

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Total net assessed value as of January 1, 2002		<u>\$ 255,312,771</u>
Debt limit - 5% of total assessed value		12,765,639
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 12,765,639</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, 2003**  
**(UNAUDITED)**

	2003
Estimated population	48,080
Net assessed value as of January 1, 2002	\$ 255,312,771
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

**KAY COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE YEAR ENDED JUNE 30, 2003  
(UNAUDITED)**

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<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/02	\$86,068,467	\$28,523,020	\$152,667,321	\$11,946,037	\$255,312,771	\$2,321,025,191