

**KAY COUNTY, OKLAHOMA  
SPECIAL-PURPOSE FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2004**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

August 23, 2005

TO THE CITIZENS OF  
KAY COUNTY, OKLAHOMA

Transmitted herewith is the audit of Kay County, Oklahoma, for the fiscal year ended June 30, 2004. 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. McMahon".

JEFF A. McMAHAN  
State Auditor and Inspector

KAY COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

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**KAY COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

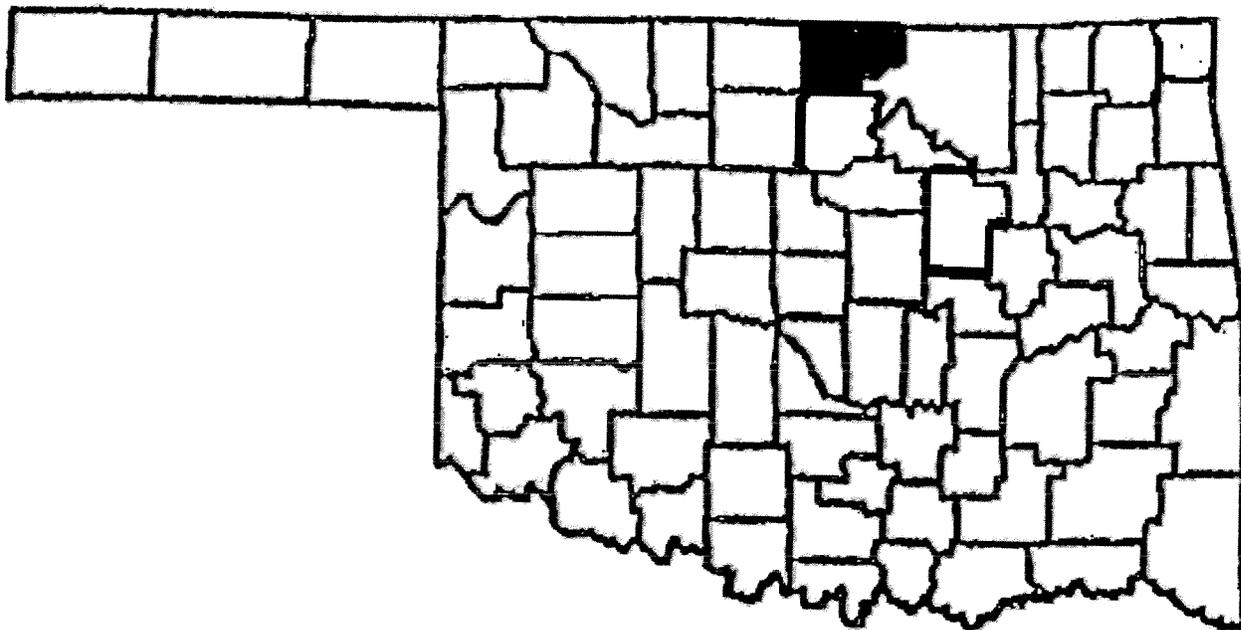
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REPORT TO THE CITIZENS  
OF  
KAY COUNTY, OKLAHOMA

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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

Primary Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**COUNTY ASSESSOR**

Judy Barnes

(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.

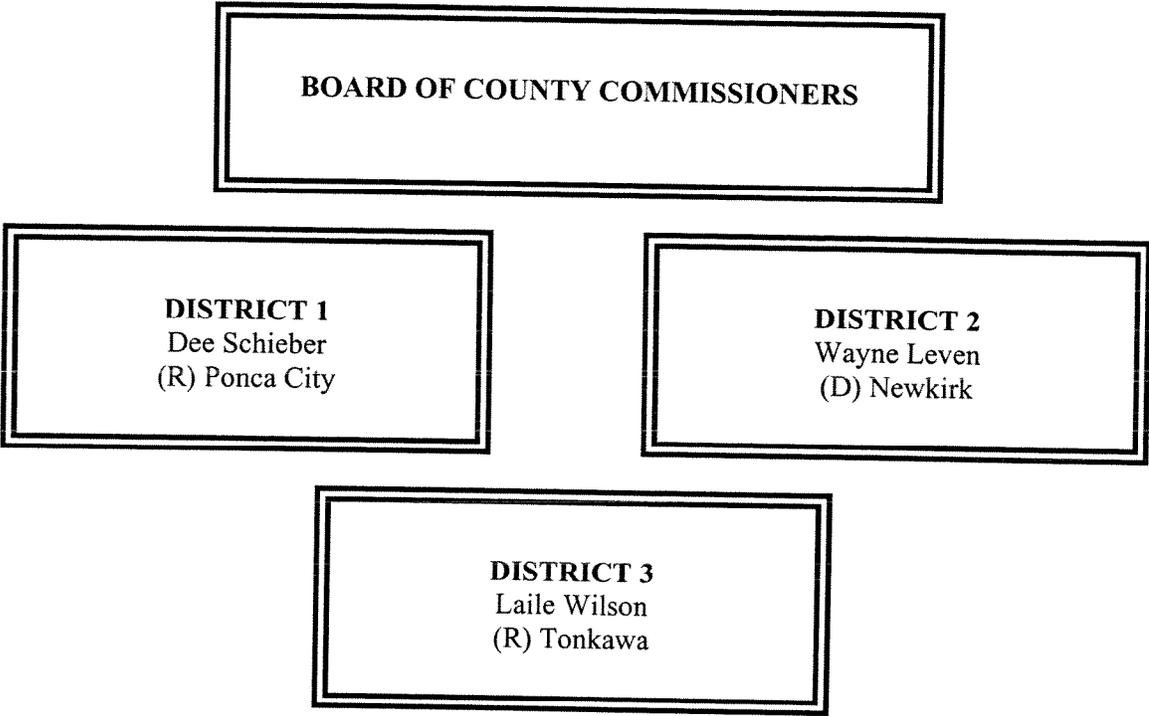
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county.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

**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.

**ELECTION BOARD SECRETARY**

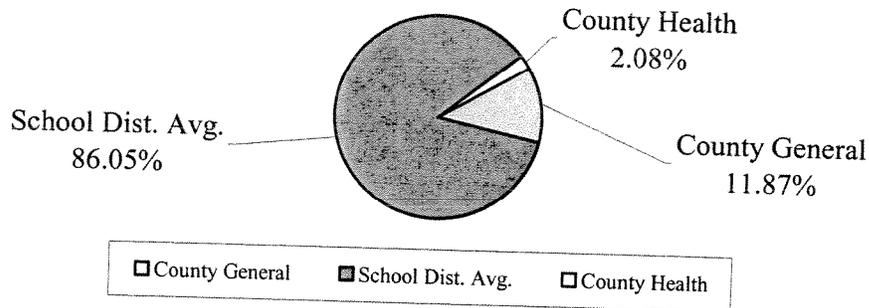
Carol Kellum  
(D) Blackwell

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.

**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	8.07	15.23	4.10	68.59
		Peckham 27	35.95	5.14	14.15	15.23	4.10	74.57
		Newkirk 29	36.36	5.19	19.43	15.23	4.10	80.31
		Blackwell 45	36.10	5.16	18.65	15.23	4.10	79.24
		Kildare 50	36.48	5.21	9.81	15.23	4.10	70.83
		Ponca City 71	35.76	5.11	20.75	15.23	4.10	80.95
		Kaw City 84	36.32	5.19	13.97	15.23	4.10	74.81
		Tonkawa 87	36.11	5.16	21.35	15.23	4.10	81.95
		Noble - Joint I-2	35.50	5.07	6.61	15.23	4.10	66.51
		Noble - Joint I-4	36.22	5.17	10.32	15.23	4.10	71.04
		Osage - Joint J-11	37.67	5.38	8.39	15.23	4.10	70.77
		Grant - Joint J-95	35.67	5.10	11.82	15.23	4.10	71.92

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, 2004, 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. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

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, 2004, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

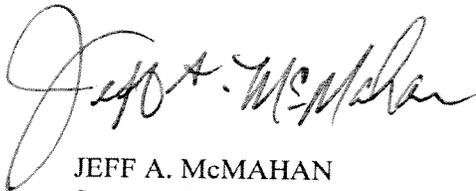
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Kay County, Oklahoma, taken as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the special-purpose financial statements. 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 information.

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

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

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

Sincerely,



JEFF A. McMAHAN  
State Auditor and Inspector

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, 2004**

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
General Fund	\$ 945,530	\$ 4,383,453	\$ 3,997,246	\$	\$ 1,331,737
Highway Cash	653,323	4,155,075	4,218,417		589,981
County Health Department	308,927	541,823	475,140		375,610
Sheriff Grant	146	4,120	1,831		2,435
Assessor's Visual Inspection	64,048	15,432	18,256		61,224
Jail Cash	69,424	383,706	352,487		100,643
Resale Property	171,094	95,579	114,488		152,185
Sheriff Service Fee	45,476	178,114	143,394		80,196
County Clerk Lien Fee	22,648	18,795	19,290		22,153
Mortgage Cert. Fees	42,528	14,610	12,090		45,048
Sheriff Training Fund	4,605		3,403		1,202
County Clerk Records Preservation	85,111	67,173	60,337		91,947
CSSP	8,163	7,874	15,037		1,000
LEPC Grant	7,942	1,000	4,671		4,271
Trash Cop	908	13,463	11,113		3,258
County Cash Improvement	15,502	11,456	10,048		16,910
Schools	108,837	22,315,852	22,171,963		252,726
Cities and Towns	30,653	570,988	567,184		34,457
Court Clerk Investments	26,709	63,354	58,386		31,677
Official Depository	877,011	9,295,961	9,111,069	27,997	1,089,900
Payroll Taxes	61,320	782,217	833,613		9,924
Refunds	408	46	454		
Back Taxes	20,103	524	13,438		7,189
Commissary	10,761	4,218	5,440		9,539
Petty Cash	315				315
Child Abuse	585	838			1,423
Court Clerk Trust	74,000				74,000
Individual Redemption	3,448	74,921	75,148		3,221
Duck Creek		7,767	7,520		247
EMA (Civil Defense)	19,057	55,203	51,169		23,091
Law Library	8,402	42,740	42,370		8,772
PBA	66,034	16,906	22,693		60,247
Open Dumping	1,173	199			1,372
PBA-Health Land Purchase	418,751	17,068	23,880		411,939
BIA-Ponca Road	612	15			627
Mt. Olive Investment	51,697	1,214	1,542		51,369
Protest Tax	265,390	4,714	250,519		19,585
Unclaimed Property		330			330
<b>Total County Funds</b>	<u>\$ 4,490,641</u>	<u>\$ 43,146,748</u>	<u>\$ 42,693,636</u>	<u>\$ 27,997</u>	<u>\$ 4,971,750</u>

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

**KAY COUNTY, OKLAHOMA  
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,  
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2004**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 945,530	\$ 945,530	\$ 945,530	\$ -
Less: Prior Year Outstanding Warrants	(144,209)	(144,209)	(144,209)	
Less: Prior Year Encumbrances	(43,009)	(43,009)	(30,718)	12,291
Beginning Cash Balances, Budgetary Basis	<u>758,312</u>	<u>758,312</u>	<u>770,603</u>	<u>12,291</u>
Receipts:				
Ad Valorem Taxes	2,459,925	2,459,245	2,554,853	95,608
Charges for Services	195,698	195,698	220,947	25,249
Intergovernmental Revenues	349,937	1,285,000	1,285,807	807
Miscellaneous Revenues	100,221	255,763	321,846	66,083
Total Receipts, Budgetary Basis	<u>3,105,781</u>	<u>4,195,706</u>	<u>4,383,453</u>	<u>187,747</u>
Expenditures:				
Total District Attorney	43,000	43,000	42,956	44
Total County Sheriff	880,200	880,200	860,825	19,375
County Treasurer	133,000	133,000	132,999	1
Capital Outlay	5	5		5
Total County Treasurer	133,005	133,005	132,999	6
County Commissioners	167,000	167,000	166,587	413
Capital Outlay	5	5		5
Total County Commissioners	167,005	167,005	166,587	418
OSU Extension	100,495	96,495	96,017	478
Capital Outlay	5	4,005	3,384	621
Total OSU Extension	100,500	100,500	99,401	1,099
County Clerk	170,500	96,495	96,017	478
Capital Outlay	5	4,005	3,384	621
Total County Clerk	170,505	100,500	99,401	1,099
Total Court Clerk	235,540	235,540	235,142	398
County Assessor	148,400	147,400	144,425	2,975
Capital Outlay	5	1,005	766	239
Total County Assessor	148,405	148,405	145,191	3,214
Revaluation of Real Property	205,517	196,106	193,615	2,491
Capital Outlay	5	9,416	3,114	6,302
Total Revaluation of Real Property	205,522	205,522	196,729	8,793
Total District Court	40,200	40,200	40,200	-

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

**KAY COUNTY, OKLAHOMA**  
**COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,**  
**AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
General Government	374,999	374,599	335,346	39,253
Capital Outlay	5	405	200	205
Total General Government	375,004	375,004	335,546	39,458
Total Excise-Equalization Board	4,600	4,600	4,350	250
County Election Board	101,582	98,269	98,093	176
Capital Outlay	5	3,950	3,950	
Total County Election Board	101,587	102,219	102,043	176
Total Insurance	1,060,310	1,256,583	890,909	365,674
County Purchasing Agent	24,500	24,500	23,182	1,318
Capital Outlay	5	5		5
Total County Purchasing Agent	24,505	24,505	23,182	1,323
Data Processing	58,500	58,500	58,309	191
Capital Outlay	5	5		5
Total Data Processing	58,505	58,505	58,309	196
Total Charity	2,500	2,500	1,050	1,450
Total Engineer	-	79,253	79,253	-
Total FEMA	35,436	611,787	111,123	500,664
Total Public Defender	-	242,416	242,416	-
Total Audit Budget	60,764	60,764	60,062	702
Total Free Fair Budget	12,000	12,000	11,996	4
Provision for Interest on Warrants	5,000		9,456	(9,456)
Total Expenditures, Budgetary Basis	<u>3,864,093</u>	<u>4,954,018</u>	<u>4,020,015</u>	<u>934,003</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	1,134,041	<u>\$ 1,134,041</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			60,624	
Add: Current Year Outstanding Warrants			137,072	
Ending Cash Balance			<u>\$ 1,331,737</u>	

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

**KAY COUNTY, OKLAHOMA  
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,  
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2004**

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 308,927	\$ 308,927	\$ 308,927	\$ -
Less: Prior Year Outstanding Warrants	(1,274)	(1,274)	(1,274)	
Less: Prior Year Encumbrances	(127,790)	(127,790)	(123,963)	3,827
Beginning Cash Balances, Budgetary Basis	<u>179,863</u>	<u>179,863</u>	<u>183,690</u>	<u>3,827</u>
Receipts:				
Ad Valorem Taxes	429,587	429,587	446,169	16,582
Charges		93,321	95,654	2,333
Total Receipts, Budgetary Basis	<u>429,587</u>	<u>522,908</u>	<u>541,823</u>	<u>18,915</u>
Expenditures:				
Health and Welfare	519,450	541,714	296,109	245,605
Capital Outlay	90,000	161,057	72,015	89,042
Total Expenditures, Budgetary Basis	<u>609,450</u>	<u>702,771</u>	<u>368,124</u>	<u>334,647</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	357,389	<u>\$ 357,389</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			13,329	
Add: Current Year Outstanding Warrants			4,892	
Ending Cash Balance			<u>\$ 375,610</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, 2004**

Official Depository Accounts	Beginning Cash Balances July 1, 2003	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
Court Clerk	\$ 314,780	\$ 2,699,770	\$ 2,540,742	\$ 10,490	\$ 484,298
Court Fund	214,199	1,240,301	1,236,834	915	218,581
District Attorney	235,245	1,508,257	1,452,012	13,942	305,432
County Clerk	64,487	421,400	433,202	336	53,021
County Sheriff	385	685,902	685,681		606
Treasurer	44,253	1,795,794	1,818,424	1,669	23,292
Treasurer EFTPS		782,217	782,217		
Election	1,222	41,323	40,431	645	2,759
County Health	1,470	107,395	107,552		1,313
County Assessor	970	13,602	13,974		598
<b>Total Official Depository Accounts</b>	<u>\$ 877,011</u>	<u>\$ 9,295,961</u>	<u>\$ 9,111,069</u>	<u>\$ 27,997</u>	<u>\$ 1,089,900</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 county health department fund of the County. The funds presented are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

Summary of Significant Accounting Policies (continued)

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

The Comparative 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 emergency medical districts, county or city-county health departments, school districts and cities and towns. These other budgetary entities produce and file their own financial statements and estimates of needs (budgets). These related cash receipts and disbursements of other budgetary entities are not included in the County's Estimate of Needs.

E. Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2004.

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 - Torts - Errors and Omissions - Law Enforcement Officers Liability - Vehicle Physical Plant - Theft - Damage to Assets - Natural Disasters	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.

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 chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$50,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Commercial Insurance - The County obtains commercial insurance coverage to pay legitimate 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 \$4,971,750 and the bank balance was \$4,971,234. 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.

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

Detailed Notes on Funds and Account Balances (continued)

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.

Unclaimed Property – accounts for unclaimed funds held in court cases. This will be transferred to the State Treasurer’s office if left unclaimed.

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, 2003, was approximately \$263,991,979.

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, 2004, 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

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.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

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

TO THE OFFICERS OF  
KAY COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Kay County, Oklahoma, as of and for the year ended June 30, 2004, 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, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying schedule of findings as item 1998-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial 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 1998-2 to be a material weakness.

Compliance and Other Matters

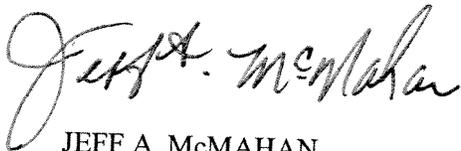
As part of obtaining reasonable assurance about whether Kay County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

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

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

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

Sincerely,



JEFF A. McMAHAN  
State Auditor and Inspector

March 24, 2005

**KAY COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2004**

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**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 1998-2 - 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.

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

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

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

**KAY COUNTY, OKLAHOMA  
TOP TEN TAXPAYERS  
FOR THE YEAR ENDED JUNE 30, 2004  
(UNAUDITED)**

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Conoco Inc	\$ 67,201,636	25.46%
Southwestern Bell Telephone	4,702,248	1.78%
Smith Tool	4,577,486	1.73%
ITC Corporation	3,319,639	1.26%
Continental Carbon	3,147,957	1.19%
Southern Star	2,944,187	1.11%
Jupiter Sulphur, LLC	2,868,247	1.09%
Dresser/Modern Supply	2,497,100	0.95%
Albertson's	2,196,126	0.83%
Wal-Mart	1,960,771	0.74%
Total	<u>\$ 95,415,397</u>	<u>36.14%</u>

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

**KAY COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE YEAR ENDED JUNE 30, 2004  
(UNAUDITED)**

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Total net assessed value as of January 1, 2003		<u>\$ 263,991,979</u>
Debt limit - 5% of total assessed value		13,199,599
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	-
Legal debt margin		<u>\$ 13,199,599</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, 2004**  
**(UNAUDITED)**

	2004
Estimated population	48,080
Net assessed value as of January 1, 2003	\$ 263,991,979
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, 2004  
 (UNAUDITED)**

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Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2003	\$88,652,674	\$29,717,028	\$157,325,653	\$11,703,376	\$263,991,979	\$2,399,927,082