

COUNTY AUDIT

GRADY COUNTY

For the fiscal year ended June 30, 2009



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**GRADY COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171 has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

January 26, 2011

TO THE CITIZENS OF
GRADY COUNTY, OKLAHOMA

Transmitted herewith is the audit of Grady County, Oklahoma for the fiscal year ended June 30, 2009. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in blue ink, reading "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

**GRADY COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Grady County.....	iii
County Officials and Responsibilities.....	iv
Ad Valorem Tax Distribution	ix
Computation of Legal Debt Margin.....	x
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	xi
Assessed Value of Property	xii

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Basic Financial Statement:	
Combined Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information)	3
Notes to the Financial Statement	4

OTHER SUPPLEMENTARY INFORMATION

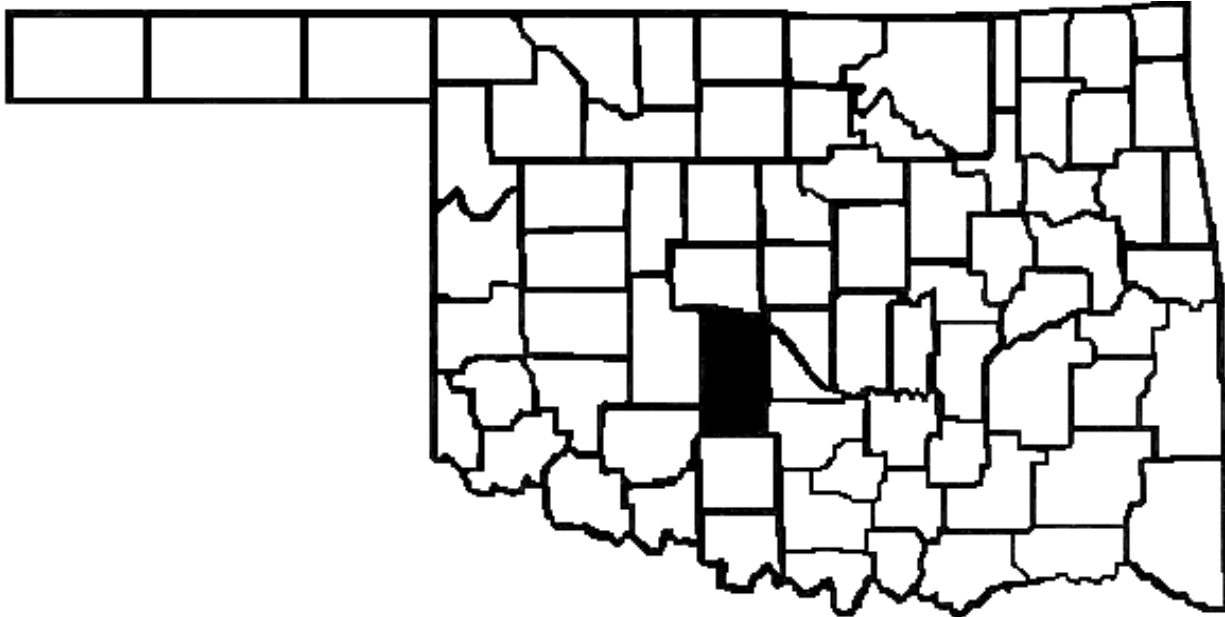
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	12
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	14
Detailed Schedule of Receipts, Disbursements, and Changes in Cash Balances—Sinking Fund	15
Notes to Other Supplementary Information	16
Schedule of Expenditures of Federal Awards	17
Notes to the Schedule of Expenditures of Federal Awards	18

**GRADY COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	19
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	21
Schedule of Findings and Questioned Costs	23
Schedule of Prior Year Findings and Questioned Costs	26

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



Grady County was created at statehood and named for Henry W. Grady, editor of the Atlanta Constitution. Chickasha, the county seat, was named for the Chickasaw Indians and is known as the “Queen City of the Washita” because of its strategic location.

In addition to the H.E. Bailey Turnpike and other highways, the OKT-MKT and Burlington-Northern railroads serve the transportation needs of the county.

Specialized educational needs are met by the Jane Brooks School for the Deaf and the University of Science and Arts of Oklahoma, all in Chickasha. Recreational opportunities are available at Lakes Burtschi and Chickasha.

Summer rodeos and swap meets attract visitors to the area, as does the annual Watermelon Festival at Rush Springs, the “Watermelon Capital of the World.” Other annual events include the Festival of Light, the Grady County Fair, the Firefighters Chili Cook-off, and the Veterans Parade.

Contact the Grady County Historical Society and the chamber of commerce for more information, or call the county clerk’s office at (405) 224-7388.

County Seat – Chickasha

Area – 1,105.30 Square Miles

County Population – 50,615
(2007 est.)

Farms – 1,850

Land in Farms – 608,373 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor’s report.

**GRADY COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

COUNTY ASSESSOR
Bari Firestone

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
Sharon Shoemake

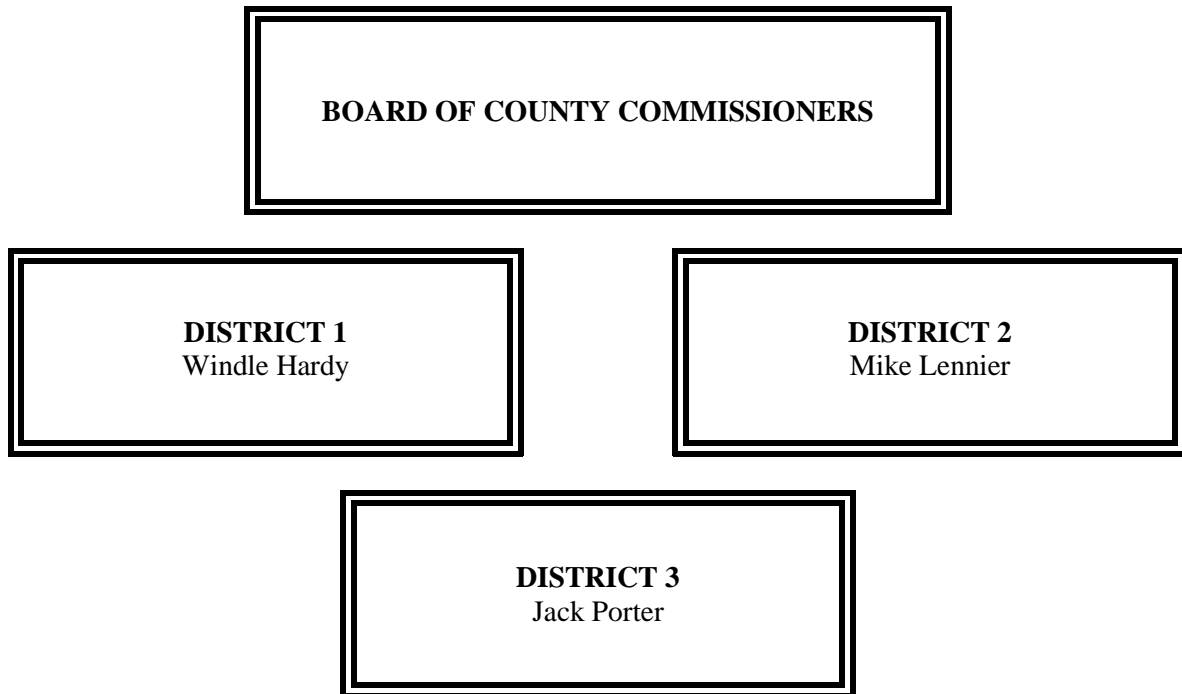
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**GRADY COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**



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.

**GRADY COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

COUNTY SHERIFF
Art Kell

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
Robin Burton

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.

See independent auditor's report.

**GRADY COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

COURT CLERK
Lois Foster

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.

DISTRICT ATTORNEY
Bret Burns

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.

**GRADY COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

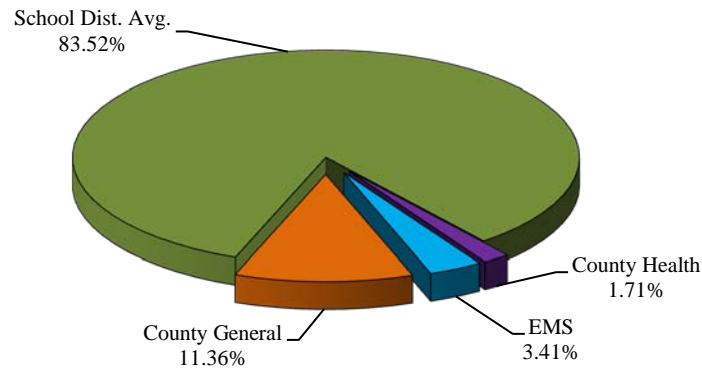
ELECTION BOARD SECRETARY Susan Turner

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.

**GRADY COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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						
							Career	Career Tech		
County General	10.33			Gen.	Bldg.	Skg.	Tech	Bldg	Common	Total
County Health	1.55	Chickasha	I-1	35.78	5.11	21.99	10.31	5.15	4.13	82.47
EMS	3.10	Minco	I-2	35.99	5.14	23.42	10.31	5.15	4.13	84.14
		Friend	I-37	36.57	5.22	22.80	10.31	5.15	4.13	84.18
		Ninnekah	I-51	36.37	5.20	11.04	10.31	5.15	4.13	72.20
		Alex	I-56	36.27	5.18	12.15	10.31	5.15	4.13	73.19
		Rush Springs	I-68	36.07	5.15	1.74			4.13	47.09
		Bridgecreek	I-95	36.44	5.21	11.64	10.34	1.04	4.13	68.80
		Middleberg	I-96	36.55	5.22	26.37			4.13	72.27
		Tuttle	I-97	36.25	5.18	9.32	10.31	5.15	4.13	70.34
		Verden	I-99	37.35	5.34	14.77	10.59	1.06	4.13	73.24
		Amber-Pocasset	I-128	36.20	5.17	7.46	10.31	5.15	4.13	68.42
		Pioneer	I-131	36.96	5.28	14.61	10.31	5.15	4.13	76.44
		Cement	J-160	36.40	5.20	16.43	10.59	1.06	4.13	73.81
		Sterling	J-3	37.48	5.35	12.65	10.55	4.06	4.13	74.22
		Fletcher	J-9	35.10	5.01	20.65	10.55	4.06	4.13	79.50
		Lindsay	J-9	36.35	5.19	9.44	10.34	1.04	4.13	66.49
		Newcastle	J-1	36.69	5.24	37.11	10.34	1.04	4.13	94.55
		Dibble	J-2	36.68	5.24	37.61	10.34	1.04	4.13	95.04
		Blanchard	J-29	36.92	5.27	46.40	10.34	1.04	4.13	104.10
		Marlow	J-3	36.96	5.28		10.16	2.03	4.13	58.56
		Marlow-Central	J-34	35.18	5.03	11.72	10.16	2.03	4.13	68.25
Bray-Doyle	J-42	35.41	5.06	7.66	10.16	2.03	4.13	64.45		
MJ-NTC	V-8	36.69	5.24	37.11	10.34	1.04	4.13	94.55		

See independent auditor's report.

**GRADY COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Total net assessed value as of January 1, 2008		<u>\$ 270,630,741</u>
Debt limit - 5% of total assessed value		13,531,537
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>2</u>	<u>-</u>
Legal debt margin		<u>\$ 13,531,537</u>

See independent auditor's report.

GRADY COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

	<u>2009</u>
Estimated population	<u>50,615</u>
Net assessed value as of January 1, 2008	<u>\$ 270,630,741</u>
Gross bonded debt	-
Less available sinking fund cash balance	<u>2</u>
Net bonded debt	<u>\$ -</u>
Ratio of net bonded debt to assessed value	<u>0.00%</u>
Net bonded debt per capita	<u>\$ -</u>

See independent auditor's report.

**GRADY COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2008	\$73,228,631	\$30,229,879	\$180,001,401	\$12,829,170	\$270,630,741	\$2,434,388,263

See independent auditor's report.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Independent Auditor's Report

TO THE OFFICERS OF GRADY COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Grady County, Oklahoma, as of and for the year ended June 30, 2009, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Grady County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Grady County as of June 30, 2009, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Grady County for the year ended June 30, 2009, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2010, on our consideration of Grady County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a stylized, flowing script.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

December 6, 2010

Basic Financial Statement

GRADY COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Beginning Cash Balances July 1, 2008	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2009
Combining Information:				
General Fund	\$ 864,228	\$ 4,028,426	\$ 3,974,423	\$ 918,231
County Health Department	235,151	425,141	350,428	309,864
T-Highway	4,211,912	8,793,594	9,269,342	3,736,164
Restricted Capital Improvement	2,749			2,749
911 County-Wide Emergency	158,850	350,252	346,469	162,633
Resale Property	198,010	478,628	281,059	395,579
County Clerk's Lien Fee	50,065	61,191	53,051	58,205
County Clerk's Preservation Fund	154,411	98,635	129,267	123,779
Sheriff Service Fee	119,993	260,605	238,419	142,179
Assessor Revolving Fund	11,449	8,218	11,896	7,771
Emergency Operations Planning Grant	21			21
County Sales Tax	1,715,147	1,944,835	1,700,048	1,959,934
Treasurer's Mortgage Tax	15,513	13,160	18,154	10,519
Assessor Visual Inspection	181	4		185
Sheriff Training	79			79
Sheriff BVP FY2002 Grant	155			155
Sheriff DARE	140			140
WIC Cash Fund	28,218	153,829	148,597	33,450
REAP Grant 2005	3,773		2,414	1,359
Sheriff LLEBG - FY2004	13			13
Fire Department FEMA Grant		702,026	700,924	1,102
County Sinking	2			2
REAP Grant 2006	371			371
Sheriff Drug Buy	13	1,685		1,698
Burne Formula Grant	2,020		983	1,037
Sheriff K-9 Donation	2,491	1,890	1,068	3,313
Reap ASCOG	25,000		21,725	3,275
General Fund Investment	595,000			595,000
CDBG Rural Water		21,162	20,917	245
Combined Total -- All County Funds	\$ 8,394,955	\$ 17,343,281	\$ 17,269,184	\$ 8,469,052

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

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Grady County, Oklahoma. The financial statement referred to includes only the primary government of Grady County, Oklahoma, and does not include financial information for any of the primary government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

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

Following are descriptions of the funds included as supplementary information within the financial statement:

General Fund - accounts for the general operations of the government.

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

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

Restricted Capital Improvement – accounts for monies used for the renovation and remodeling of courthouse property.

911 County-Wide Emergency – accounts for receipt fees for the purpose of maintaining a 911 service.

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

County Clerk's Preservation Fund – accounts for fees collected for instruments filed in the Registrar of Deeds as restricted by statute for preservation of records.

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

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

Emergency Operations Planning Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

County Sales Tax – accounts for the collection of sales tax revenue used for the renovation and maintenance and operation of the county fairgrounds.

Treasurer's Mortgage Tax – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by statutes.

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

Sheriff Training – accounts for grant monies and disbursed for training purposes only.

Sheriff BVP FY2002 Grant – accounts for grant monies received and used to purchase bulletproof vests.

Sheriff DARE – accounts for grant monies and donations received by the Sheriff's office for the DARE program.

WIC Cash Fund – accounts for grant monies received to reimburse the County for the operation of the WIC program.

REAP Grant 2005 – accounts for grant monies received and disbursements are for fire fighting equipment.

Sheriff LLEBG – FY 2004 – accounts for grant monies received used to purchase equipment as restricted by the grant agreement.

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Fire Department FEMA Grant – accounts for grant monies received and disbursements are for fire equipment for rural fire departments.

County Sinking – accounts for the payment of interest and principal on the matured portion of long-term bonded debt and civil judgments. Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

REAP Grant 2006 – accounts for grant monies received and disbursements are for fire fighting equipment.

Sheriff Drug Buy – accounts for monies received from drug forfeitures and is used for payments for the purchase of illegal drugs in sting operations.

Burne Formula Grant – accounts for grant monies received for the purchase of bulletproof vests, special uniforms, and gun holsters.

Sheriff K-9 Donation – accounts for donations made to the Sheriff's office to provide care for the K-9 dogs.

Reap ASCOG – accounts for grant monies to help replace the water system.

General Fund Investment – accounts for General Fund monies invested to obtain interest for the General Fund.

CDBG Rural Water – accounts for grant monies received for a new water tower, water lines, and water system.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts and school districts. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations.

C. Basis of Accounting

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

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

E. Cash

The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

F. Investments

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

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

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured.

All investments, as classified by state statute, in the General Fund Investment Fund are nonnegotiable CDs. Nonnegotiable CDs are not subject to interest rate risk or credit risk.

G. Compensated Absences

The County does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and must be taken during the year earned. Employees with 1 to 9 years of service earn 80 hours per year; 10 to 19 years of service earn 120 hours per year; and 20 plus years of service earn 160 hours per year. Upon separation, the employee is paid for accrued vacation leave.

The County does not record any liability for sick leave. An employee earns up to 10 days per year and may accumulate a maximum of 60 days. When more than 60 days are accumulated, the amount over 60 is put into a sick leave bank and will be used by the employee for retirement purposes only. Upon separation, the employee is not paid for accrued sick leave.

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2008, was approximately \$270,630,741.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.33 mills for general fund operations, 1.55 mills for county health department, and 3.10 mills for emergency medical service. In addition, the County collects the ad valorem taxes assessed by 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.

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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, 2009, were approximately 90.91 percent of the tax levy.

3. Fuel Tax

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the county highway fund.

4. Risk Management

The County is exposed to the various risks of loss shown in the following table:

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none">• Torts• Errors and Omissions• Law Enforcement Officers' Liability• Vehicle	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant <ul style="list-style-type: none">• Theft• Damage to Assets• Natural Disasters		
Employee <ul style="list-style-type: none">• Medical• Disability• Dental• Life	The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed pool assets, the members would have surcharges assessed to pay the excess claims.

ACCO-SIG – The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating member chooses a deductible amount (\$10,000, \$25,000, or \$50,000). 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 County's deductible amount. The pool has acquired specific

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

excess insurance with retention limits of \$250,000 for property claims and \$500,000 for general liability claims. The pool has acquired reinsurance in the amount of \$2,000,000 for general liability and \$50,000,000 per occurrence for property to cover claims that exceed the pool's retention limits. If claims exceed pool assets, the County could be liable for its share of the pool's deficit. 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.

OPEH&WP - The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

5. Long-term Obligations

Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free, but have a one-time fee of 3% on all pieces of machinery acquired.

6. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 9.5% and 14.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

compensation. The County contributes 14.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2009, 2008, and 2007, were \$647,821, \$499,169, and \$463,913, respectively, equal to the required contributions for each year.

2.5% Step-Up. Members have the option to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service.

7. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

8. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

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

9. Sales Tax

Grady County voters approved a 15 year, ¼% sales tax on September 14, 1999. The proceeds derived from the sales tax are for acquiring, constructing, and equipping additions and improvements to the Grady County Fairgrounds, or to retire any bonds issued for such purposes, and to operate and maintain the Grady County Fairgrounds. Sales tax collections began on January 1, 2000, and will end on January 1, 2015.

OTHER SUPPLEMENTARY INFORMATION

GRADY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 864,173	\$ 864,173	\$ 864,228	\$ (55)
Less: Prior Year Outstanding Warrants	(88,743)	(88,743)	(88,743)	
Less: Prior Year Encumbrances	(75,839)	(75,839)	(67,797)	8,042
Beginning Cash Balances, Budgetary Basis	699,591	699,591	707,688	8,097
Receipts:				
Ad Valorem Taxes	2,389,052	2,389,052	2,699,182	310,130
Charges for Services	300,000	300,000	414,918	114,918
Intergovernmental Revenues	272,496	272,496	666,174	393,678
Miscellaneous Revenues	275,000	599,042	248,152	(350,890)
Total Receipts, Budgetary Basis	3,236,548	3,560,590	4,028,426	467,836
Expenditures:				
District Attorney - County	4,000	4,000	2,670	1,330
Total District Attorney - County	4,000	4,000	2,670	1,330
County Sheriff	864,353	773,490	772,356	1,134
Capital Outlay	1	120,725	120,664	61
Total County Sheriff	864,354	894,215	893,020	1,195
County Treasurer	307,213	300,213	291,796	8,417
Capital Outlay	1,000	8,000	6,127	1,873
Total County Treasurer	308,213	308,213	297,923	10,290
County Commissioners	647	647	50	597
Total County Commissioners	647	647	50	597
OSU Extension	123,231	112,437	112,434	3
Capital Outlay	100	10,894	10,894	
Total OSU Extension	123,331	123,331	123,328	3
County Clerk	455,375	455,375	448,454	6,921
Capital Outlay	1	1		1
Total County Clerk	455,376	455,376	448,454	6,922
Court Clerk	348,389	348,389	347,531	858
Total Court Clerk	348,389	348,389	347,531	858
County Assessor	231,858	227,582	226,917	665
Capital Outlay	100	4,370	4,315	55
Total County Assessor	231,958	231,952	231,232	720

continued on next page

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

GRADY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	370,359	370,359	334,344	36,015
Capital Outlay	105	105		105
Total Revaluation of Real Property	370,464	370,464	334,344	36,120
General Government	438,671	516,593	503,686	12,907
Capital Outlay	5,000	32,500	31,422	1,078
Total General Government	443,671	549,093	535,108	13,985
Excise-Equalization Board	4,900	4,900	3,109	1,791
Total Excise-Equalization Board	4,900	4,900	3,109	1,791
County Election Board	177,611	179,177	113,065	66,112
Capital Outlay	1	1		1
Total County Election Board	177,612	179,178	113,065	66,113
Charity	31,360	36,360	36,170	190
Total Charity	31,360	36,360	36,170	190
Civil Defense	70,601	77,479	77,468	11
Capital Outlay	2,500	4,497	4,497	
Total Civil Defense	73,101	81,976	81,965	11
County Audit Budget Account	48,763	72,087		72,087
Total County Audit Budget Account	48,763	72,087	-	72,087
Jail	450,000	600,000	600,000	
Total Jail	450,000	600,000	600,000	-
Total Expenditures, Budgetary Basis	3,936,139	4,260,181	4,047,969	212,212
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	688,145	688,145
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			116,695	
Add: Current Year Outstanding Warrants			113,391	
Ending Cash Balance			\$ 918,231	

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

GRADY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 235,174	\$ 235,174	\$ 235,151	\$ (23)
Less: Prior Year Outstanding Warrants	(28,854)	(28,854)	(28,854)	
Less: Prior Year Encumbrances	(2,947)	(2,947)	(2,203)	744
Beginning Cash Balances, Budgetary Basis	203,373	203,373	204,094	721
Receipts:				
Ad Valorem Taxes	358,473	358,473	406,076	47,603
Charges for Services			18,467	18,467
Intergovernmental			598	598
Total Receipts, Budgetary Basis	358,473	358,473	425,141	66,668
Expenditures:				
Health and Welfare	376,000	376,000	373,576	2,424
Capital Outlay	185,846	185,846		185,846
Total Expenditures, Budgetary Basis	561,846	561,846	373,576	188,270
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	255,659	\$ 255,659
Reconciliation to Statement of Receipts Disbursements and Changes in Cash Balances				
Add: Current Year Encumbrances			2,240	
Add: Current Year Outstanding Warrants			51,965	
Ending Cash Balance			\$ 309,864	

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

GRADY COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Beginning Cash Balance	\$ 2
Receipts:	
Miscellaneous Revenues	-
Total Receipts	-
Disbursements:	
G.O. Bonds	-
Interest Paid	-
Total Disbursements	-
Ending Cash Balance	\$ 2

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

GRADY COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year, unencumbered appropriations lapse.

2. Sinking Fund Schedule

Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through Oklahoma Department of Emergency Management:			
Emergency Management Performance Grants	97.042	N/A	\$ 543
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	71,622
Assistance to Firefighters Grant	97.044	N/A	700,924
Total U.S. Department of Homeland Security			<u>773,089</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through Oklahoma Department of Education:			
Rural Education	84.358	N/A	<u>24,138</u>
Total U.S. Department of Education			<u>24,138</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through Oklahoma Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	<u>20,917</u>
Total U.S. Department of Agriculture			<u>20,917</u>
Total Expenditures of Federal Awards			<u>\$ 818,144</u>

The accompanying notes are an integral part of this schedule.
See independent auditor's report.

GRADY COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards has been prepared in conformity with the requirements set forth in the Single Audit Act of 1984, Public Law 98-502, the Single Audit Act Amendments of 1996, Public Law 104-156 and the Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*.

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. The reporting entity is the primary government of Grady County as presented in the basic financial statement.

B. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the primary government of Grady County and is presented on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

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
GRADY COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Grady County, Oklahoma, as of and for the year ended June 30, 2009, which comprises Grady County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated December 6, 2010. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. 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 Grady County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the management of the County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink, reading "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being more prominent than the last name "Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

December 6, 2010



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

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
GRADY COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Grady 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, 2009. Grady 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 Grady County's management. Our responsibility is to express an opinion on Grady 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 Grady County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Grady County's compliance with those requirements.

In our opinion, Grady County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Grady County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Grady County's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Grady County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-3 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Grady County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Grady County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County, federal awarding agencies, and pass-through entities and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

December 6, 2010

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

SECTION 1—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unqualified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... No
- Significant deficiency(ies) 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
- Significant deficiency(ies) identified that are not
considered to be material weakness(es)? Yes

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?..... Yes

Identification of Major Programs

CFDA Number(s)
97.044

Name of Federal Program or Cluster
Assistance to Firefighters Grant

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

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

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

No matters were reported.

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

FINDING NO: 2009-3

FEDERAL AGENCY: All

CFDA NO: All

FEDERAL PROGRAM NAME: All

FEDERAL AWARD YEAR: 2008

Criteria: OMB Circular A-133 §__.300 states that the auditee shall:

Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they are received. Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

OMB Circular A-133 §__.310(b) states in part:

The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements... At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

(4) Include notes that describe the significant accounting policies used in preparing the schedule.

(5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.

(6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

Condition: During our audit we identified federal programs that were not properly recorded by source on the Grady County accounting records as Federal awards expended during our audit year.

Effect: This condition could have resulted in the Schedule of Expenditures of Federal Awards being inaccurately reported.

Recommendation: OSAI recommends the County establish internal controls to ensure all Federal awards are properly accounted for and accurately reported on the Schedule of Expenditures of Federal Awards.

Views of responsible officials and planned corrective actions: The Board of Grady County Commissioners will approve and establish a FEMA Disaster County Highway Reimbursement Fund for all three county districts. Said funds and receipts of deposits of said reimbursements will be accounted for and separated from other county highway funds for clarification and identifying said funds and properly recorded so to ensure that all Federal awards are properly accounted for and accurately reported.

GRADY COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Finding 2008-3

FEDERAL AGENCY: All

CFDA NO: All

FEDERAL PROGRAM NAME: All

FINDING SUMMARY: Federal programs were not properly recorded by source on the Grady County accounting records as Federal awards expended during our audit year.

STATUS: Not corrected. Current year finding 2009-3



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV