

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

September 2, 2004

TO THE CITIZENS OF
GRADY COUNTY, OKLAHOMA

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

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

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

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

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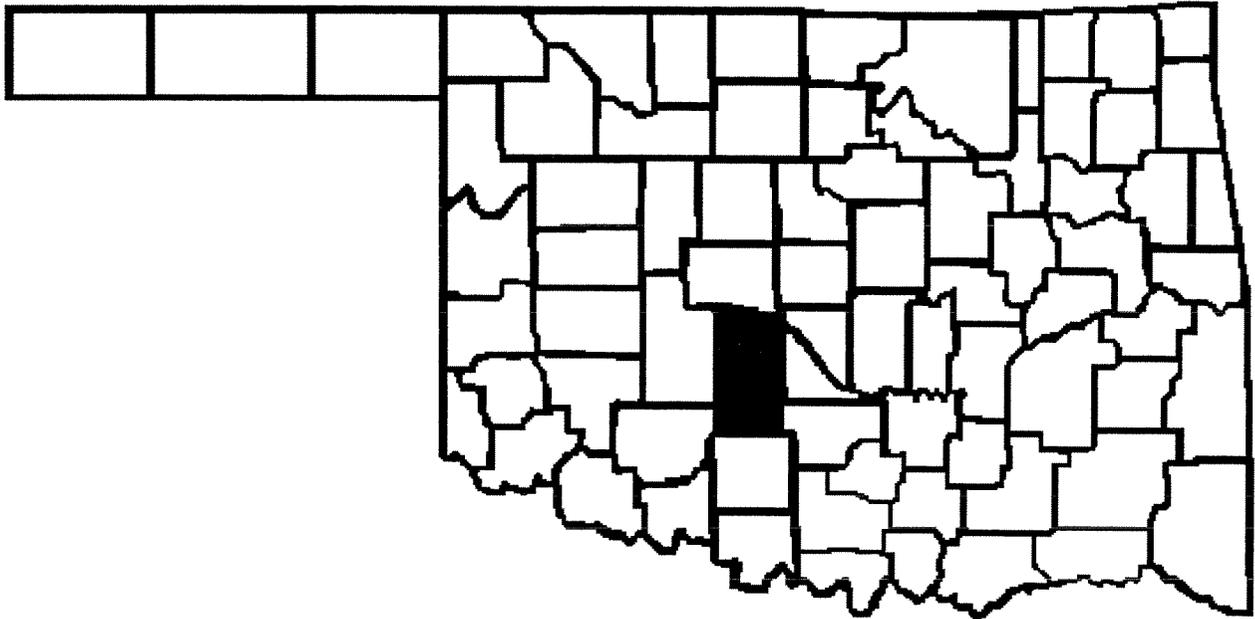
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REPORT TO THE CITIZENS
OF
GRADY COUNTY, OKLAHOMA



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, “Watermelon Capital of the World.” Other annual events include the Festival of Lights, 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 – 809.2 Square Miles

County Population - 45,516 (2000 est.)

Farms – 1,625

Land in Farms - 608,870 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor’s report.

**GRADY COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Phyllis Ray
(D) Cement

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
(D) Chickasha

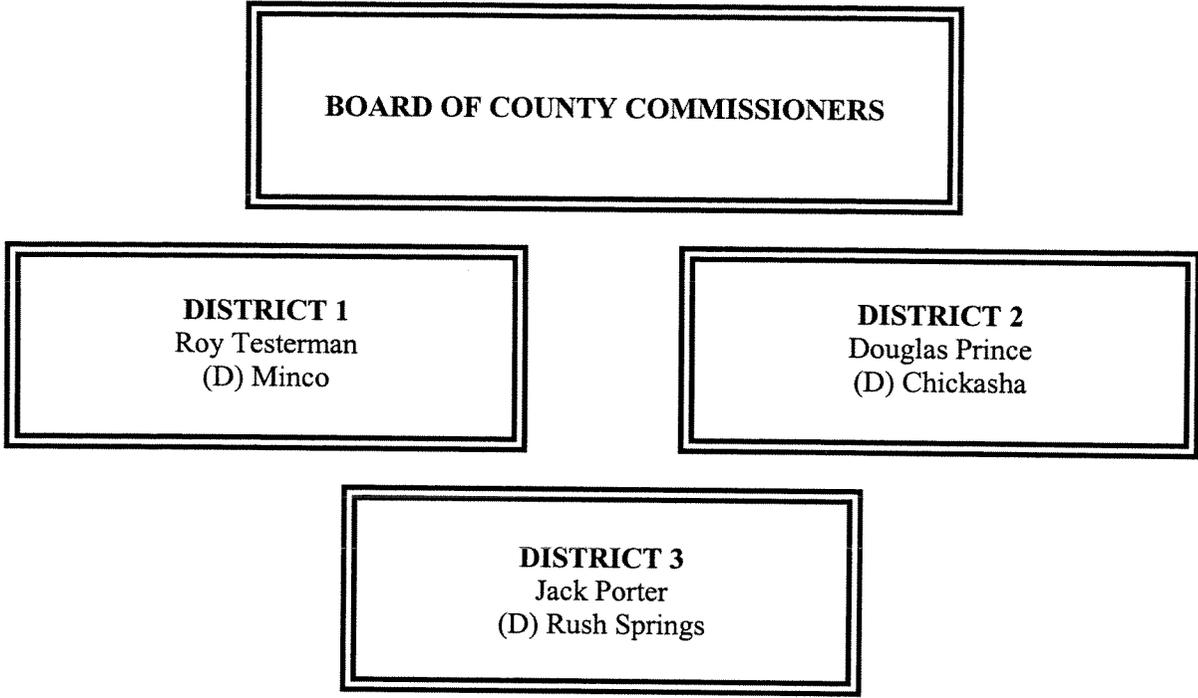
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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**



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**

COUNTY SHERIFF
Stan Florence (8/1994 to 3/2003)
(D) Chickasha
Kieran McMullen (3/2003 to present)
(R) Rush Springs

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
Sandra Johnson
(D) Chickasha

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.

**GRADY COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Glenda Fenimore
(D) Blanchard

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
Gene Christian
(D) Duncan

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**

ELECTION BOARD SECRETARY

Joyce Smith
(D) Chickasha

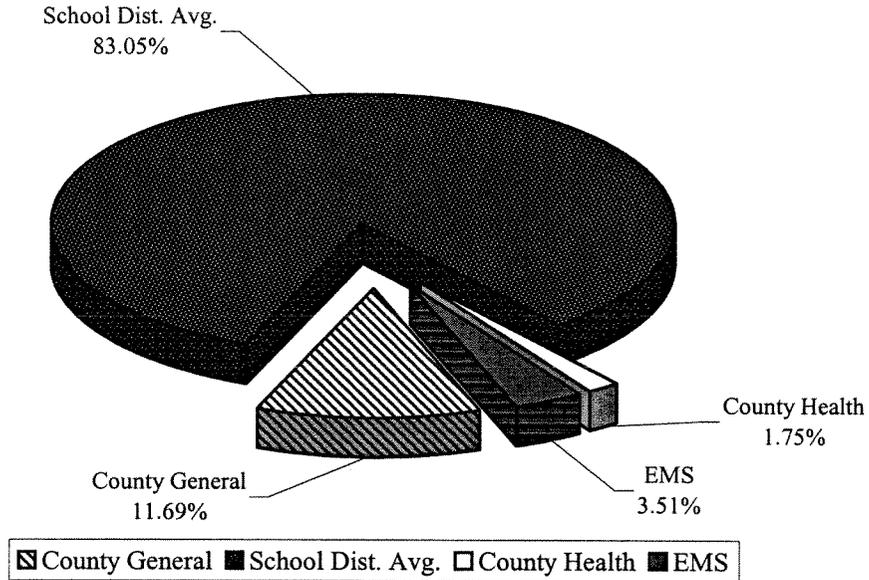
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

See independent auditor's report.

**GRADY 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							
				Gen.	Bldg.	Skg.	Tech Cntr.	Common	Total
Co. General	10.33								
County Health	1.55	Chickasha	I-1	35.78	5.11	25.45	15.46	4.13	85.93
EMS	3.10	Minco	I-2	35.99	5.14	19.99	15.46	4.13	80.71
		Friend	I-37	36.57	5.22	16.37	15.46	4.13	77.75
		Ninnekah	I-51	36.37	5.20	5.20	15.46	4.13	66.36
		Alex	I-56	36.27	5.18	12.84	15.46	4.13	73.88
Chickasha	1.53	Rush Springs	I-68	36.07	5.15	9.23		4.13	54.58
		Bridgecreek	I-95	36.44	5.21	23.26	11.38	4.13	80.42
		Middleberg	I-96	36.55	5.22	7.50		4.13	53.40
		Tuttle	I-97	36.25	5.18	12.75	15.46	4.13	73.77
		Verden	I-99	37.35	5.34	15.34	11.65	4.13	73.81
		Amber-Pocasset	I-128	36.20	5.17	11.68	15.46	4.13	72.64
		Pioneer	I-131	36.96	5.28	17.16	15.46	4.13	78.99
		Cement	J-160	36.40	5.20	9.35	11.65	4.13	66.73
		Sterling	J-3	37.48	5.35	11.81	11.61	4.13	70.38
		Fletcher	J-9	35.10	5.01	20.81	11.61	4.13	76.66
		Lindsay	J-9	36.35	5.19	5.61	11.38	4.13	62.66
		Newcastle	J-1	36.69	5.24	28.25	11.38	4.13	85.69
		Dibble	J-2	36.68	5.24	29.89	11.38	4.13	87.32
		Blanchard	J-29	36.92	5.27	29.65	11.38	4.13	87.35
		Marlow	J-3	36.96	5.28	7.13	12.19	4.13	65.69
		Marlow-Central	J-36	35.18	5.03	4.35	12.19	4.13	60.88
		Bray-Doyle	J-42	35.41	5.06	9.57	12.19	4.13	66.36
		MJ-NTC	V-9	36.69	5.24	28.25	11.38	4.13	85.69

See independent auditor's report.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
GRADY COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Grady County, Oklahoma, as of and for the year ended June 30, 2003, as listed in the table of contents. These special-purpose financial statements are the responsibility of Grady County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Grady 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 Grady 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 Grady County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and the county health department fund of the County, as of and for the year ended June 30, 2003, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

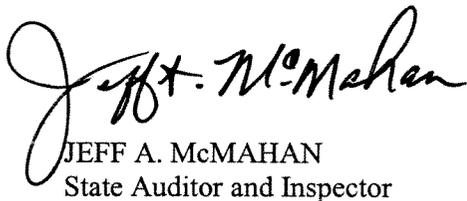
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Grady County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of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

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

August 9, 2004

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2003
General Fund	\$ 1,065,181	\$ 2,812,089	\$ 3,214,928	\$ 662,342
T-Highway	2,875,400	6,108,734	5,874,548	3,109,586
Resale Property	213,340	98,341	102,605	209,076
County Health Department	194,790	278,612	253,361	220,041
Treasurer's Mortgage Tax	41,589	19,320	6,667	54,242
Restricted Capital Improvement	9,085	282,363	286,449	4,999
Sheriff Highway Safety	5,970	28,088	28,033	6,025
Sheriff Service Fee	49,186	390,925	307,930	132,181
Sheriff Training	338		219	119
Assessor Visual Inspection	7,421	153		7,574
Sheriff Grant Fund	282			282
Sheriff Prisoner Housing	113,558	109,443	222,393	608
WIC Cash Fund	21,606	96,940	93,268	25,278
Assessor Revolving Fund	11,091	9,442	17,474	3,059
REAP - Bailey	52			52
REAP - Washita Valley	30,000		30,000	
REAP - Bradley	29,000		29,000	
County Sales Tax	282,359	985,459	894,505	373,313
Sheriff Cops Universal Hiring	142,424	57,731	170,419	29,736
Sheriff 99 Cops In School	484			484
Sheriff Buckle Up America	179			179
County Clerk's Lien Fee	89,133	21,301	47,220	63,214
County Clerk's Preservation Fund	73,666	87,119	69,251	91,534
Sheriff BVP Account	490			490
Sheriff LLEBG FY2000	576		260	316
Sheriff LLEBG FY2001	584		196	388
Sheriff LLEBG FY2002		10,109	10,091	18
Sheriff DARE	3,142	3,229	2,681	3,690
Sheriff Commissary	14,893	36,231	50,415	709
Sheriff Work Release	120,458	190,745	311,203	
Saferoom - FEMA	22			22
REAP - Farwell		3,702	3,702	
Graduated Sanctions	15,079	21,933	18,436	18,576
Grady County Home Program	3,637	233,769	229,198	8,208
REAP - Harold		3,745	3,745	
REAP - Naples		4,659	4,627	32
REAP - Friend		3,189	3,189	
REAP - Pocasset		10,655	10,255	400
Sheriff BVP FY2002 Grant		1,083		1,083
County Sinking	1,153,368	153,026	244,620	1,061,774
Court Clerk Cash Fund	40,362	831		41,193

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

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

continued from previous page

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2003
Free Fair	13,572	93,938	97,679	9,831
Individual Redemption	2,185	118,703	119,356	1,532
Excess Resale	9,897			9,897
Fire District - Bridgecreek	4,850	124,471	121,027	8,294
Official Depository	961,810	6,557,144	6,599,230	919,724
Law Library	17,080	36,558	50,586	3,052
Grady County Fire Department	5,286	116,776	111,777	10,285
Schools	71,895	13,839,478	13,717,230	194,143
Cities and Towns	24,079	375,363	374,441	25,001
Protest Tax	3,558	228,934		232,492
CDBG Southgate Sewer Cash	240	32		272
Emergency Management Revolving	2,041	27,401	21,521	7,921
911 County-wide Emergency	232,852	143,140	94,624	281,368
Grady County EMS District	2,194	530,244	527,782	4,656
Industrial Sinking	16,303	5,802	12,476	9,629
Total County Funds	\$ 7,976,587	\$ 34,260,950	\$ 34,388,617	\$ 7,848,920

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

GRADY COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 1,065,181	\$ 1,065,181	\$ 1,065,181	\$
Less: Prior Year Outstanding Warrants	(119,026)	(119,026)	(120,395)	(1,369)
Less: Prior Year Encumbrances	(102,267)	(102,267)	(81,282)	20,985
Beginning Cash Balances, Budgetary Basis	<u>843,888</u>	<u>843,888</u>	<u>863,504</u>	<u>19,616</u>
Receipts:				
Ad Valorem Taxes	1,692,590	1,692,590	1,825,539	132,949
Charges for Services	176,494	176,494	307,163	130,669
Intergovernmental Revenues	73,464	73,464	423,662	350,198
Miscellaneous Revenues		486,454	255,725	(230,729)
Total Receipts, Budgetary Basis	<u>1,942,548</u>	<u>2,429,002</u>	<u>2,812,089</u>	<u>383,087</u>
Expenditures:				
District Attorney	16,900	16,317	16,317	
Capital Outlay	100			
Total District Attorney	<u>17,000</u>	<u>16,317</u>	<u>16,317</u>	<u>-</u>
County Sheriff	443,116	528,116	527,495	621
Total County Sheriff	<u>443,116</u>	<u>528,116</u>	<u>527,495</u>	<u>621</u>
County Treasurer	196,471	191,999	190,999	1,000
Capital Outlay	1,500	5,034	5,034	
Total County Treasurer	<u>197,971</u>	<u>197,033</u>	<u>196,033</u>	<u>1,000</u>
OSU Extension	103,518	105,465	105,458	7
Capital Outlay	100			
Total OSU Extension	<u>103,618</u>	<u>105,465</u>	<u>105,458</u>	<u>7</u>
County Clerk	378,011	376,966	376,421	545
Capital Outlay	1,000	791	791	
Total County Clerk	<u>379,011</u>	<u>377,757</u>	<u>377,212</u>	<u>545</u>
Court Clerk	259,151	263,151	262,180	971
Total Court Clerk	<u>259,151</u>	<u>263,151</u>	<u>262,180</u>	<u>971</u>

continued on next page

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

**GRADY COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	158,657	154,732	154,732	
Capital Outlay	100	3,893	3,893	
Total County Assessor	<u>158,757</u>	<u>158,625</u>	<u>158,625</u>	<u>-</u>
Revaluation of Real Property	233,191	218,066	218,066	
Capital Outlay	100	15,061	15,061	
Total Revaluation of Real Property	<u>233,291</u>	<u>233,127</u>	<u>233,127</u>	<u>-</u>
General Government	426,040	607,634	563,119	44,515
Capital Outlay	5,000	5,000	656	4,344
Total General Government	<u>431,040</u>	<u>612,634</u>	<u>563,775</u>	<u>48,859</u>
Excise-Equalization Board	5,000	5,000	3,138	1 862
Total Excise-Equalization Board	<u>5,000</u>	<u>5,000</u>	<u>3,138</u>	<u>1,862</u>
County Election Board	108,512	106,961	95,944	11,017
Capital Outlay	1	3,115	3,100	15
Total County Election Board	<u>108,513</u>	<u>110,076</u>	<u>99,044</u>	<u>11,032</u>
Charity	30,000	39,000	37,400	1 600
Total Charity	<u>30,000</u>	<u>39,000</u>	<u>37,400</u>	<u>1,600</u>
Civil Defense	59,899	73,099	73,099	
Capital Outlay	2,500	5,836	5,836	
Total Civil Defense	<u>62,399</u>	<u>78,935</u>	<u>78,935</u>	<u>-</u>
Jail	285,884	485,975	485,975	
Capital Outlay	1,000	1,165	1,165	
Total Jail	<u>286,884</u>	<u>487,140</u>	<u>487,140</u>	<u>-</u>
County Audit Budget	18,024	18,024	18,024	
Total County Audit Budget	<u>18,024</u>	<u>18,024</u>	<u>18,024</u>	<u>-</u>

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

GRADY COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Commissioners	47,661	37,490	35,176	2,314
Capital Outlay	5,000	5,000		5,000
Total County Commissioners	<u>52,661</u>	<u>42,490</u>	<u>35,176</u>	<u>7,314</u>
Provision for Interest on Warrants			1,173	(1,173)
Total Expenditures, Budgetary Basis	<u>2,786,436</u>	<u>3,272,890</u>	<u>3,200,252</u>	<u>72,638</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ 5,369</u>	<u>\$ 5,369</u>	475,341	<u>\$ 69,972</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			66,303	
Add: Current Year Outstanding Warrants			120,698	
Ending Cash Balance			<u>\$ 662,342</u>	

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

**GRADY COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
COUNTY HEALTH DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2003**

	County Health Department			
	Original	Final		Variance
	Budget	Budget	Actual	
Beginning Cash Balances	\$ 194,790	\$ 194,790	\$ 194,790	\$
Less: Prior Year Outstanding Warrants	(1,503)	(1,503)	(1,503)	
Less: Prior Year Encumbrances	(21,999)	(21,999)	(19,179)	2,820
Beginning Cash Balances, Budgetary Basis	<u>171,288</u>	<u>171,288</u>	<u>174,108</u>	<u>2,820</u>
Receipts:				
Ad Valorem Taxes	253,970	253,970	275,326	21,356
Miscellaneous Revenues			3,286	3,286
Total Receipts, Budgetary Basis	<u>253,970</u>	<u>253,970</u>	<u>278,612</u>	<u>24,642</u>
Expenditures:				
Health and Welfare	365,000	365,000	256,009	108,991
Capital Outlay	60,258	60,258	1,172	59,086
Total Expenditures, Budgetary Basis	<u>425,258</u>	<u>425,258</u>	<u>257,181</u>	<u>168,077</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	195,539	<u>\$ 195,539</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			21,959	
Add: Current Year Outstanding Warrants			2,543	
Ending Cash Balance			<u>\$ 220,041</u>	

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

**GRADY COUNTY, OKLAHOMA
DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2003**

Beginning Cash Balance	<u>\$ 1,153,368</u>
Receipts:	
Ad Valorem Tax	147
Miscellaneous	<u>152,879</u>
Total Receipts	<u>153,026</u>
Disbursements:	
Transfer to County Clerk	
Lien Fee	<u>244,620</u>
Total Disbursements	<u>244,620</u>
Ending Cash Balance	<u><u>\$ 1,061,774</u></u>

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

**GRADY COUNTY, OKLAHOMA
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2003**

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
Court Clerk	\$ 595,518	\$ 1,885,857	\$ 2,065,169	\$ 921	\$ 417,127
Court Fund	88,310	1,109,292	1,061,608	1,224	137,218
Court Clerk Revolving Fund	53,972	39,556	15,369		78,159
Election Board	1,267	68,031	69,857	1,334	775
County Health		8,148	8,148		
County Assessor	1,196	9,493	8,902		1,787
District Attorney Bogus Check Fees	53,542	193,411	220,228		26,725
District Attorney Bogus Check Merchant	19,996	389,060	371,434	1,707	39,329
District Attorney Trust Fund	15,216	26,505	19,984		21,737
District Attorney State Witness Fee	1,026	5,000	5,465	18	579
District Attorney Community Service	6,197	9,186	14,918	592	1,057
District Attorney Victim Witness Trust	2,161	4,662	1,968		4,855
Victim Restitution Program	2,219	27,463	28,362	430	1,750
District Attorney Fee Victim Restitution	136	95			231
District Attorney Drug Law Enforcement	15,141	39,119	38,379	1,284	17,165
District Attorney Community Sentencing	18,006	72,917	72,128	544	19,339
R.A.D. Program Trust Fund	412				412
District Attorney Domestic Abuse Program		290			290
County Treasurer	35,872	1,617,494	1,602,349	8,976	59,993
County Clerk	39,915	520,031	511,264		48,682
County Clerk Lien Escrow	9,067	45	7,130		1,982
Sheriff County Fees	1,768	531,489	493,584		39,673
Sheriff OTC Fund	6				6
Sheriff Donation	867		14		853
Total Official Depository Accounts	\$ 961,810	\$ 6,557,144	\$ 6,616,260	\$ 17,030	\$ 919,724

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

Summary of Significant Accounting Policies (continued)

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

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

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including 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, 2003.

F. Risk Management

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

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

Summary of Significant Accounting Policies (continued)

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

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating County will pay a deductible amount (\$1,000 to \$100,000; the County has 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 amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

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

The County continues to carry commercial insurance for employees' health and life insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2003 fiscal year.

Summary of Significant Accounting Policies (continued)

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 10 years of service earn 80 hours per year and employees with 10 plus years of service earn 120 hours per year.

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.

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 \$7,848,920 and the bank balance was \$7,914,017. 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

Detailed Notes on Funds and Account Balances (continued)

- 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 - accounts for the general operations of the government.

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

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

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

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

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

Sheriff Highway Safety – accounts for grant monies received for the purpose of paying deputies' salaries.

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

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

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 Grant Fund – accounts for grant monies received and disbursed as restricted by the grant agreement.

Sheriff Prisoner Housing – accounts for monies received from the State Department of Corrections for housing prisoners. The Grady County Criminal Justice Authority now oversees this fund.

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

Detailed Notes on Funds and Account Balances (continued)

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

REAP – Bailey – accounts for grant funds received for the maintenance and operation of Fire Departments within the County.

REAP – Washita Valley – accounts for grant funds received for the maintenance and operation of Fire Departments within the County.

REAP – Bradley – accounts for grant funds received for the maintenance and operation of Fire Departments within the County.

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

Sheriff Cops Universal Hiring – accounts for grant monies received for the purpose of paying deputies' salaries.

Sheriff 99 Cops In School – accounts for grant monies received for the purpose of paying deputies' salaries.

Sheriff Buckle-Up America – accounts for grant monies received and used for education in schools.

County Clerk's Lien Fee – accounts for lien collections and disbursements of sheriff process service fees as restricted by statutes.

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

Sheriff BVP Account – accounts for grant monies received used to purchase bulletproof vests.

Sheriff LLEBG FY 2000 – accounts for grant monies received used to purchase equipment as restricted by the grant agreement.

Sheriff LLEBG FY 2001 – accounts for grant monies received used to purchase equipment as restricted by the grant agreement.

Sheriff LLEBG FY 2002 – accounts for grant monies received used to purchase equipment as restricted by the grant agreement.

Detailed Notes on Funds and Account Balances (continued)

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

Sheriff Commissary – accounts for monies received from inmates for purchases from the county's commissary and disbursements as restricted by state statute. The Grady County Criminal Justice Authority now oversees this fund.

Sheriff Work Release – accounts for incarceration fees used for the operation of the Work Release Program. The Grady County Criminal Justice Authority now oversees this fund.

Saferoom – FEMA – accounts for grant monies received and disbursed as restricted by the grant agreement.

REAP – Farwell – accounts for grant monies received for the maintenance and operation of Fire Departments within the County.

Graduated Sanctions – accounts for collections received and disbursed for the operation of the District Attorney's Graduated Sanctions Program.

Grady County Home Program – accounts for grant monies received for down-payment assistance, remodeling, and the construction of homes for qualified applicants within the County.

REAP – Harold – accounts for grant monies received for the maintenance and operation of Fire Departments within the County.

REAP – Naples – accounts for grant monies received for the maintenance and operation of Fire Departments within the County.

REAP – Friend – accounts for grant monies received for the maintenance and operation of Fire Departments within the County.

REAP – Pocasset – accounts for grant monies received for the maintenance and operation of Fire Departments within the County.

Sheriff BVP FY 2002 Grant – accounts for grant monies received used to purchase bulletproof vests.

County Sinking – accounts for the payments of interest and principal on the 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.

Detailed Notes on Funds and Account Balances (continued)

Court Clerk Cash Fund – accounts for fees collected and disbursements made for the legal operation of the office.

Free Fair – accounts for the collection of revenue generated from building rent, booth rental, and other fees.

Individual Redemption – accounts for the monies collected and due to individuals from property tax sales in delinquent taxes.

Excess Resale – accounts for the proceeds of sale of property in excess of tax against property to be held in trust for a two-year period.

Fire District – Bridgecreek – accounts for monies collected on behalf of the Bridgecreek Fire Department from ad valorem taxes and remitted to them monthly.

Official Depository - accounts for the collection and distribution of officer and board fees held in trust until the end of the month.

Law Library – accounts for monies received for disbursement from the state for the law library board.

Grady County Fire Department – accounts for donations and REAP grants remitted monthly to the Grady County Fire Department.

Schools - account for monies collected on behalf of the public schools in Grady County from ad valorem taxes, state and local revenues, and remitted to them monthly.

Cities and Towns – account for monies collected on behalf of the cities and towns in Grady County from ad valorem taxes, state and local revenues, and remitted to them monthly.

Protest Tax – accounts for ad valorem taxes collected in protest.

CDBG Southgate Sewer Cash – accounts for grant/financing used for the construction of the Southgate Sewer System.

Emergency Management Revolving – accounts for grant monies and fees collected on behalf of the Emergency Management Agency and remitted to them monthly.

GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Funds and Account Balances (continued)

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

Grady County EMS District – accounts for monies collected on behalf of the EMS from ad valorem taxes and remitted to them monthly.

Industrial Sinking – accounts for the County's investments held by the Industrial Authority for payment of unmatured bonds.

The following narrative details the official depository accounts.

Court Clerk – accounts for the collection of bond money, court fines, and fees. Money is disbursed for fees and restitution.

Court Fund – accounts for fees transferred from district court and interest. Money is disbursed for the purpose of fees for various entities, salaries, and the operation of the office.

Court Clerk Revolving Fund – accounts for a charge of \$5.00 for each warrant. Money is disbursed in the same manner as court fund.

Election Board – accounts for reimbursement of elections and is disbursed for refunds or election fees and maintenance and operation of the office.

County Health – accounts for the collection of state funds and charges for services. Money is disbursed on a monthly basis to be transferred to the county health department cash account.

County Assessor – accounts for the collections for copies and proceeds from the sale of ownership books to be disbursed at the end of the month and deposited in the assessor's revolving fund.

District Attorney Bogus Check Fees – accounts for the collection of District Attorney fees transferred from the bogus check restitution account and disbursement of funds restricted by state statutes.

District Attorney Bogus Check Merchant – accounts for the collection of bogus checks and District Attorney fees to be disbursed to the merchant and the District Attorney fee account.

District Attorney Trust Fund – accounts for money held in asset forfeiture cases until the case has been resolved and disbursement of funds are restricted by court orders and state statutes.

District Attorney Witness Fee – accounts for collections received from the state to reimburse the County for witness expenses.

Detailed Notes on Funds and Account Balances (continued)

District Attorney Community Service – accounts for collections received from the Court Clerk for offenders ordered to community service and supervision by the District Attorney. Disbursements of funds are for the operation of the District Attorney's office.

District Attorney Victim Witness Trust – accounts for collections (5%) received from the Court Clerk and disbursement of funds to be used to fund personnel to process victim compensation claims.

Victim Restitution Program – accounts for collections received by court order to reimburse victims.

District Attorney Fee Victim Restitution – accounts for district attorney fees collected from defendants that are paying restitution and disbursement of funds restricted by state statutes.

District Attorney Drug Law Enforcement – accounts for the collection from asset forfeitures and disbursements of funds are by court order and state statutes.

District Attorney Community Sentencing – accounts for the collections from offenders that are ordered by the court to the community sentencing program. Disbursements of funds are for payroll of the community sentencing officer and for the operation of the community sentencing program.

R.A.D. Program Trust Fund – accounts for collection from defendants entering into a deferred prosecution agreement (DPA) with the District Attorney to pay restitution to the victim and to pay a district attorney fee of equal to the amount which would have been assessed as court costs upon filing of the case in district court. Disbursements are paid to the victim and or merchant and are for the operation of the District Attorney's office.

District Attorney Domestic Abuse Program – accounts for supervision fees collected from offenders that are ordered to be supervised by the District Attorney.

County Treasurer – accounts for miscellaneous collections held in trust for disbursement.

County Clerk – accounts for the collection of filing fees and disbursed to the Oklahoma Tax Commission and general fund.

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

Sheriff County Fees – accounts for all collections of Foreign Service Fees. Monies are disbursed at the end of the month to the sheriff's service fee account.

Detailed Notes on Funds and Account Balances (continued)

Sheriff OTC Fund – accounts for the collection of tax warrants and disbursements are for the purpose of tax warrant collection distribution.

Sheriff Donation – collections are from donation for the D.A.R.E. program and disbursements re for the operation of the D.A.R.E. program.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2002, was approximately \$180,237,027.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.33 mills for the general fund operations, 1.55 mills for the county health department, and 3.10 mills for the emergency medical service. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2003, were approximately 95.72 percent of the tax levy.

Detailed Notes on Funds and Account Balances (continued)

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.

E. 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. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all subsequent pieces of machinery acquired.

F. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

Grady County General Obligation Limited Tax Refunding Bonds of 1994 – The bonds in the amount of \$2,175,000 were issued February 15, 1994, to provide funds to pay issue costs for the purpose of refunding a portion of the outstanding principal amount of the County's General Obligation Limited Tax Bonds - Carl Built - 1986, which were originally issued in the aggregate principal amount of \$3,500,000.

Regarding the original issue, General Obligation Limited Tax Bonds of 1986, facilities were built with the proceeds, and the industrial tenant defaulted on payments. Therefore, the County had to levy a tax to service the debt. In 1998, the County was the recipient of a class action lawsuit, which was settled, and the County was awarded a judgment that will generate sufficient resources to pay principal and interest payments as they become due. Therefore, the County has no current tax levy to retire the debt.

GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Funds and Account Balances (continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 25 years from the date of issue. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Grady County General Obligation Limited Tax Refunding Bonds of 1994	6.00%	\$785,000

Annual debt service requirements to maturity for general obligation bonds, including interest of \$70,208, are as follows:

<u>Fiscal Year</u> <u>Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$200,000	\$30,615	\$230,615
2005	200,000	21,915	221,915
2006	195,000	13,308	208,308
2007	190,000	4,370	194,370
<u>Total</u>	<u>\$785,000</u>	<u>\$70,208</u>	<u>\$855,208</u>

G. Fuel Tax

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

4. Contingent Liabilities

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

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

GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

5. 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.

Schedule of Expenditures of Federal Awards

GRADY COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through the Oklahoma State Department of Health:			
Women and Infant Children	10.557		\$ 96,939
Total U.S. Department of Agriculture			<u>96,939</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through the Oklahoma Housing Finance Agency:			
Home Investment Partnerships Program	14.239	8860 HOME 00	69,716
Home Investment Partnerships Program	14.239	8893 HOME 00	16,197
Home Investment Partnerships Program	14.239	8925 HOME 00	5,225
Home Investment Partnerships Program	14.239	8994 HOME 00	138,964
Total U.S. Department of Housing and Urban Development			<u>230,102</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through the Oklahoma Highway Safety Office:			
State and Community Highway Safety	20.600	PT-02-03-05-03	23,265
State and Community Highway Safety	20.600	PT-03-03-06-04	9,646
Total Department of Transportation			<u>32,911</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Local Law Enforcement Block Grant	16.592	2000 LBBX 3202	260
Local Law Enforcement Block Grant	16.592	2001 LBBX 1978	197
Local Law Enforcement Block Grant	16.592	2002 LBBX 2599	10,091
Community Oriented Policing Services (COPS)	16.710	95 CFWX 0628	57,731
Total U.S. Department of Justice			<u>68,279</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through State Department of Civil Emergency Management			
Public Assistance Grants	83.544		631,325
Hazard Mitigation	83.548		22
Emergency Management Performance Grants	83.552		15,500
Total Federal Emergency Management Agency			<u>646,847</u>
Total Expenditures of Federal Awards			<u>\$ 1,075,078</u>

GRADY COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

Basis of Presentation

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

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
GRADY COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Grady County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated August 9, 2004. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Grady County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance, which we have reported to management and is included in Section 4 of the schedule of findings and questioned costs, contained within this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grady County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-1, 2003-2, 2003-3, and 2003-4.

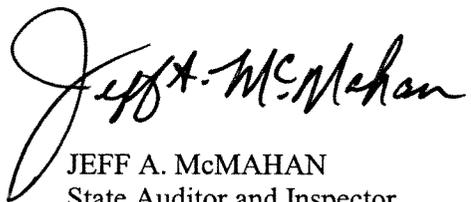
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2003-1 to be a material weakness.

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

August 9, 2004

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
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, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

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

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

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMAHAN". The signature is written in a cursive style with a large initial "J" and "M".

JEFF A. McMAHAN
State Auditor and Inspector

August 9, 2004

Schedule of Findings and Questioned Costs

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

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified? Yes

• Reportable condition(s) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? No

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

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

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

Identification of Major Programs

CFDA Number(s)
83.544

Name of Federal Program or Cluster
Public Assistance Grants

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

Auditee qualified as low-risk auditee? No

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

Finding 2003-1 - Segregation of Duties

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 County operations and a periodic review of operations.

Management's Response: We concur with the auditor's findings. Management does have knowledge of County operations and will perform a periodic review of these operations.

Finding 2003-2 – Disaster Recovery Plan

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT) Delivery and Support Control Objectives (DS4), management should have procedures in place to ensure continuous computer services. Plans should be developed and tested to minimize business disruption during times of disaster or hardware failure. The Disaster Recovery Plan should include all of the following:

- Guidelines on how to use the Recovery Plan,
- Emergency procedures to ensure the safety of all affected staff members,
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel,
- Listing of systems requiring alternatives (hardware, peripherals, software),
- Listing of highest to lowest priority applications, required recovery times and expected performance norms,
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution,
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc. and a source and alternative source defined,
- Training and/or awareness of individual and group roles in continuity plan,
- Listing of contracted service providers,

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

- Logistical information on location of keys resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation,
- Current names, addresses, telephone/pager numbers of key personnel,
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

Condition: Our review of the Treasurer's system backups and plans for ensuring continuous computer service found no offsite storage of the backup tapes and no written Disaster Recovery Plan.

Recommendation: We recommend the County establish a Disaster Recovery Plan to ensure the safekeeping and integrity of the County's financial and non-financial data. Adequate backups of the data and programs are an essential part of any Recovery Plan. The file server should be backed up every workday. One day a week the backup tapes should be stored offsite at a location away from the courthouse. Other tapes used during the week should be stored in a fireproof container in the County office. There should be complete month end backup tapes for at least three months of prior work, giving the County officer the ability to restore data and programs if the need arises.

Management's Response: The County Treasurer will develop and implement a Disaster Recovery Plan.

Finding 2003-3 – Policies and Procedures for the IT System

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT Delivery and Support 7), management should educate and train users to ensure that users are making effective use of technology and are aware of their risks and responsibilities.

Condition: Our review of the County Clerk and Treasurer's office found that no policies and procedures existed for addressing computer security and no security awareness training has been provided to the employees.

Recommendation: We recommend the County establish Information Security policies and procedures that define the acceptable and unacceptable uses of the office computers. A security awareness-training program should be established requiring all employees using computers to participate.

Management's Response: The County officials will work to prepare and implement policies and procedures for the information systems.

Finding 2003-4 – Timesheets and Leave Records

Criteria: Effective accounting procedures include preparation of timesheets, a review for accuracy, and filing with the payroll department prior to payroll checks being issued. The Fair Labor Standards Act requires that employers keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. Furthermore, the Employee Personnel Policy Handbook of Grady County states, “Each elected official shall be responsible for keeping records of the leaves taken by his or her employees and shall make monthly reports to the County Clerk. Such records shall include type and length of leave.”

Condition: Fairground employees and the Director of Civil Emergency Management do not prepare timesheets and/or records that reflect accumulated leave balances, are signed by the employee and approved by the Officer, and are filed with the County Clerk at the end of each month. In addition, the County Sheriff, District #3, General Government, and Court Clerk do not file leave reports with the County Clerk.

Recommendation: We recommend that all employees prepare timesheets with information of time worked, any leave taken during the month, overtime worked, and accumulated leave balances, in order to comply with the Fair Labor Standards Act. Also, the officer and employee should sign and approve each timesheet and file in the County Clerk’s office.

Management’s Response: We concur with the auditors’ findings. We have implemented procedures for the accurate accountability of employee time records and leave balances.

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

No matters were reported.

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

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

Finding 2003-5 – Fixed Assets Inventory

Criteria: Title 19 O.S. 2001, § 178.1 states, “The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Two Hundred Fifty Dollars (\$250.00), and therefore maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter....”

Condition: All offices do not perform a biennial verification of the fixed assets inventory.

Recommendation: We recommend that the Board of County Commissioners cause a biennial inventory to be taken of all working tools, apparatus, machinery, and equipment belonging to the County. We also recommend that these inventories be documented on form #3512.

Management’s Response: All officers are currently updating inventory records and will complete form #3512.

**Statistical Data
(Unaudited)**

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

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Southwestern Bell	\$ 9,040,514	5.02%
Enogex Inc.	6,771,387	3.76%
Public Service of Oklahoma	4,814,352	2.67%
Delta Faucet/Masco Corp	4,806,356	2.67%
Duke Field Svcs/Duke OK Midstream	4,437,477	2.46%
Maremont Corp/Gabriel Ride	3,800,889	2.11%
Reliant Energy Gas Trans	2,370,445	1.31%
Enogex Products	2,037,078	1.13%
Enogex Gas Gathering	1,939,578	1.08%
Braums Ice Cream Inc.	1,898,992	1.05%
Total	<u>\$ 41,917,068</u>	<u>23.26%</u>

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

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

Total net assessed value as of January 1, 2002		<u>\$ 180,237,027</u>
Debt limit - 5% of total assessed value		9,011,851
Total bonds outstanding	785,000	
Total judgments outstanding	-	
Less cash in sinking fund	<u>(1,061,774)</u>	<u>-</u>
Legal debt margin		<u>\$ 9,011,851</u>

GRADY COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)

	2003
Estimated population	45,516
Net assessed value as of January 1, 2002	\$ 180,237,027
Gross bonded debt	785,000
Less available sinking fund cash balance	(1,061,774)
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

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

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/02	\$37,468,388	\$33,537,185	\$120,880,012	\$11,648,558	\$180,237,027	\$1,591,972,659