

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

August 15, 2005

TO THE CITIZENS OF
GRADY COUNTY, OKLAHOMA

Transmitted herewith is the audit of Grady County, Oklahoma, for the fiscal year ended June 30, 2004. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

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

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

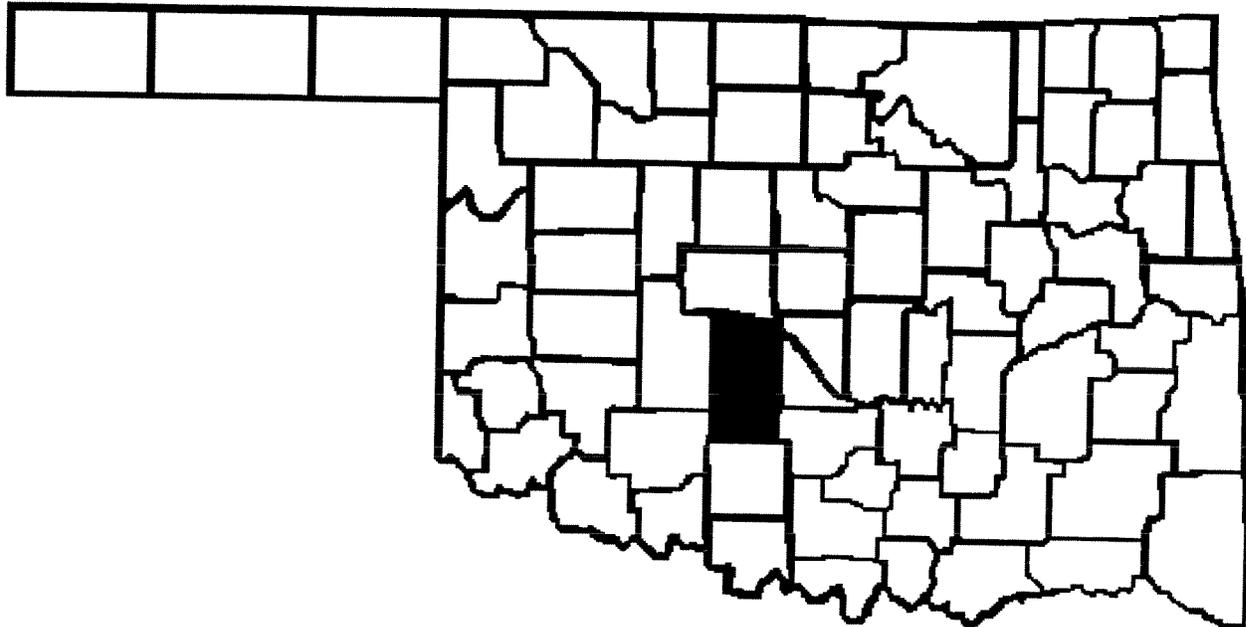
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REPORT TO THE CITIZENS
OF
GRADY COUNTY, OKLAHOMA



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

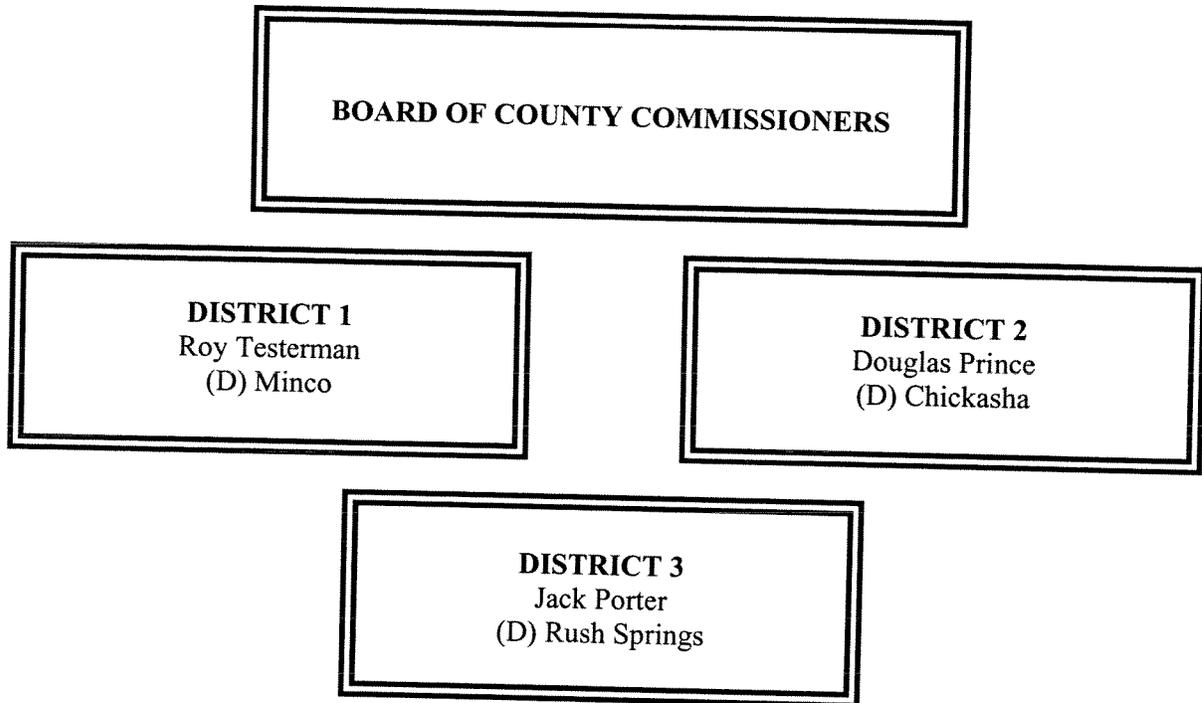
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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

Kieran McMullen
(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

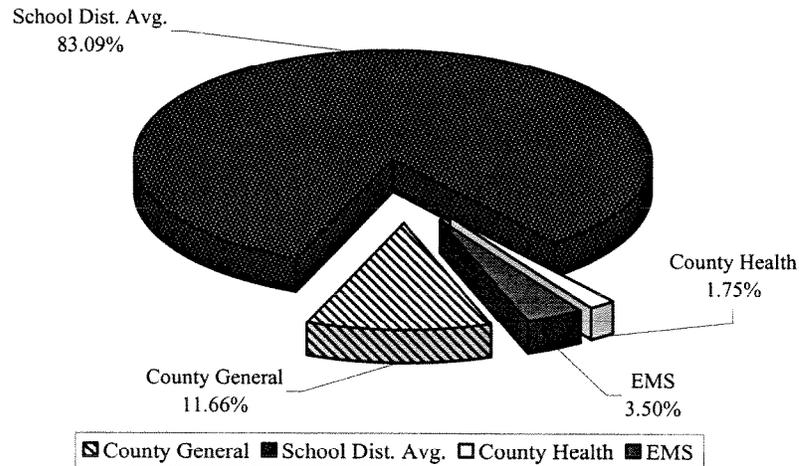
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within 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						
Co. General	10.33		Gen.	Bldg.	Skg.	Tech Cntr.	Common	Total	
County Health	1.55	Chickasha I-1	35.78	5.11	24.28	15.46	4.13	84.76	
EMS	3.10	Minco I-2	35.99	5.14	20.16	15.46	4.13	80.88	
		Friend I-37	36.57	5.22	22.13	15.46	4.13	83.51	
		Ninnekah I-51	36.37	5.20	5.18	15.46	4.13	66.34	
		Alex I-56	36.27	5.18	11.46	15.46	4.13	72.50	
		Rush Springs I-68	36.07	5.15	9.43		4.13	54.78	
		Bridgescreek I-95	36.44	5.21	20.74	11.38	4.13	77.90	
		Middleberg I-96	36.55	5.22	9.13		4.13	55.03	
		Tuttle I-97	36.25	5.18	22.40	15.46	4.13	83.42	
		Verden I-99	37.35	5.34	16.08	11.65	4.13	74.55	
		Amber-Pocasset I-128	36.20	5.17	11.18	15.46	4.13	72.14	
		Pioneer I-131	36.96	5.28	14.66	15.46	4.13	76.49	
		Cement J-160	36.40	5.20	19.60	11.65	4.13	76.98	
		Sterling J-3	37.48	5.35	10.31	11.61	4.13	68.88	
		Fletcher J-9	35.10	5.01	18.40	11.61	4.13	74.25	
		Lindsay J-9	36.35	5.19	4.89	11.38	4.13	61.94	
		Newcastle J-1	36.69	5.24	29.81	11.38	4.13	87.25	
		Dibble J-2	36.68	5.24	27.32	11.38	4.13	84.75	
		Blanchard J-29	36.92	5.27	26.98	11.38	4.13	84.68	
		Marlow J-3	36.96	5.28	4.42	12.19	4.13	62.98	
		Marlow-Central J-36	35.18	5.03		12.19	4.13	56.53	
		Bray-Doyle J-42	35.41	5.06	7.87	12.19	4.13	64.66	
		MI-NTC V-9	36.69	5.24	29.81	11.38	4.13	87.25	

See independent auditor's report.

FINANCIAL SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
GRADY COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Grady County, Oklahoma, as of and for the year ended June 30, 2004, as listed in the table of contents. These special-purpose financial statements are the responsibility of 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. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of 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, 2004, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2005, 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.

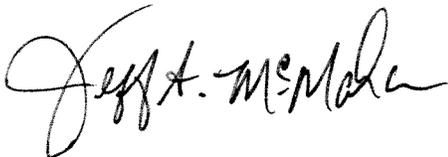
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Grady County, Oklahoma, taken as a whole. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the special-purpose financial statements. 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*, and is also not a required part of the special-purpose financial statements of Grady County, Oklahoma. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Section* has not been audited by us, and accordingly, we express no opinion on such information.

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

This report is intended solely for the information and use of the management of the County, 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

June 21, 2005

Special-Purpose Financial Statements

GRADY COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2004

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
General Fund	\$ 662,342	\$ 2,845,764	\$ 2,890,912	\$ 617,194
T-Highway	3,109,586	6,522,225	5,995,270	3,636,541
Resale Property	209,076	140,112	190,255	158,933
County Health Department	220,041	297,796	275,789	242,048
Treasurer's Mortgage Tax	54,242	19,620	13,519	60,343
Restricted Capital Improvement	4,999		2,250	2,749
Sheriff Highway Safety	6,025	17,209	22,944	290
Sheriff Service Fee	132,181	260,049	227,101	165,129
Sheriff Training	119			119
Assessor Visual Inspection	7,574	11	7,416	169
Sheriff Grant Fund	282		282	
Sheriff Prisoner Housing	608		608	
WIC Cash Fund	25,278	108,993	101,638	32,633
Assessor Revolving Fund	3,059	16,098	12,366	6,791
REAP - Bailey	52		52	
County Sales Tax	373,313	1,073,654	971,079	475,888
Sheriff Cops Universal Hiring	29,736		29,736	
Sheriff 99 Cops In School	484		484	
Sheriff Buckle Up America	179		179	
County Clerk's Lien Fee	63,214	24,788	49,976	38,026
County Clerk's Preservation Fund	91,534	100,595	104,979	87,150
Sheriff BVP Account	490		490	
Sheriff LLEBG FY2000	316		316	
Sheriff LLEBG FY2001	388		388	
Sheriff LLEBG FY2002	18		18	
Sheriff DARE	3,690	853	1,276	3,267
Sheriff Commissary	709		709	
Saferoom - FEMA	22		22	
Graduated Sanctions	18,576	18,068	27,872	8,772
Grady County Home Program	8,208	163,354	168,562	3,000
REAP - Naples	32		32	
REAP - Pocasset	400		400	
Sheriff BVP FY2002 Grant	1,083		478	605
County Sinking	1,061,774	117,641	231,015	948,400
Court Clerk Cash Fund	41,193	518		41,711
Free Fair	9,831	104,264	90,645	23,450
Individual Redemption	1,532	76,372	71,591	6,313
Excess Resale	9,897			9,897
Fire District - Bridgecreek	8,294	142,505	145,022	5,777
Official Depository	919,724	9,126,510	8,825,200	1,221,034
Law Library	3,052	27,825	19,985	10,892
Grady County Fire Department	10,285	103,867	111,337	2,815
Schools	194,143	14,783,806	14,579,303	398,646

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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, 2004**

continued from previous page

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
Cities and Towns	25,001	309,998	309,679	25,320
Protest Tax	232,492	269,321	498,147	3,666
CDBG Southgate Sewer Cash	272		272	
Emergency Management Revolving	7,921	23,641	28,252	3,310
Emergency Operations Planning Grant		14,768	9,138	5,630
911 County-wide Emergency	281,368	330,987	335,118	277,237
Grady County EMS District	4,656	560,156	551,895	12,917
Industrial Sinking	9,629	39	6,751	2,917
Criminal Justice		165,693	165,693	
Sheriff LLEBG FY2003		9,000	9,000	
REAP Grant 2004		9,300	1,705	7,595
WIC MINI Grant 2004		1,813	1,054	759
Total County Funds	\$ 7,848,920	\$ 37,787,213	\$ 37,088,200	\$ 8,547,933

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, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 662,342	\$ 662,342	\$ 662,342	\$ -
Less: Prior Year Outstanding Warrants	(115,274)	(115,274)	(115,294)	(20)
Less: Prior Year Encumbrances	(62,303)	(62,303)	(53,324)	8,979
Beginning Cash Balances, Budgetary Basis	<u>484,765</u>	<u>484,765</u>	<u>493,724</u>	<u>8,959</u>
Receipts:				
Ad Valorem Taxes	1,793,495	1,793,495	1,941,281	147,786
Charges for Services	217,137	275,934	352,579	76,645
Intergovernmental Revenues	340,635	340,635	413,782	73,147
Miscellaneous Revenues	105,079	105,079	138,122	33,043
Total Receipts, Budgetary Basis	<u>2,456,346</u>	<u>2,515,143</u>	<u>2,845,764</u>	<u>330,621</u>
Expenditures:				
District Attorney	5,000	5,000	5,000	
Total District Attorney	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
County Sheriff	543,116	543,016	520,342	22,674
Total County Sheriff	<u>543,116</u>	<u>543,016</u>	<u>520,342</u>	<u>22,674</u>
County Treasurer	143,840	144,546	144,017	529
Capital Outlay	1,000	5		5
Total County Treasurer	<u>144,840</u>	<u>144,551</u>	<u>144,017</u>	<u>534</u>
OSU Extension	103,518	102,030	67,811	34,219
Capital Outlay	100	3,496	3,496	
Total OSU Extension	<u>103,618</u>	<u>105,526</u>	<u>71,307</u>	<u>34,219</u>
County Clerk	351,945	350,314	341,264	9,050
Capital Outlay	500	500		500
Total County Clerk	<u>352,445</u>	<u>350,814</u>	<u>341,264</u>	<u>9,550</u>
Court Clerk	264,151	268,151	267,776	375
Total Court Clerk	<u>264,151</u>	<u>268,151</u>	<u>267,776</u>	<u>375</u>
County Assessor	158,300	157,978	157,978	
Capital Outlay	100			
Total County Assessor	<u>158,400</u>	<u>157,978</u>	<u>157,978</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, 2004

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	231,215	228,646	228,646	
Capital Outlay	100	2,619	2,619	
Total Revaluation of Real Property	<u>231,315</u>	<u>231,265</u>	<u>231,265</u>	<u>-</u>
General Government	420,671	454,338	450,401	3,937
Capital Outlay	5,000	190,000	190,000	
Total General Government	<u>425,671</u>	<u>644,338</u>	<u>640,401</u>	<u>3,937</u>
Excise-Equalization Board	5,000	5,000	3,255	1,745
Total Excise-Equalization Board	<u>5,000</u>	<u>5,000</u>	<u>3,255</u>	<u>1,745</u>
County Election Board	108,512	103,368	96,499	6,869
Capital Outlay	1	7,801	7,299	502
Total County Election Board	<u>108,513</u>	<u>111,169</u>	<u>103,798</u>	<u>7,371</u>
Charity	30,000	36,309	35,840	469
Total Charity	<u>30,000</u>	<u>36,309</u>	<u>35,840</u>	<u>469</u>
Civil Defense	43,399	56,253	56,206	47
Capital Outlay	2,000	4,622	4,622	
Total Civil Defense	<u>45,399</u>	<u>60,875</u>	<u>60,828</u>	<u>47</u>
Jail	484,884	47,384	32,049	15,335
Capital Outlay	10,000	260,000	260,000	
Total Jail	<u>494,884</u>	<u>307,384</u>	<u>292,049</u>	<u>15,335</u>
County Audit	19,098	19,098	19,098	
Total County Audit	<u>19,098</u>	<u>19,098</u>	<u>19,098</u>	<u>-</u>
County Commissioners	9,660	9,434	8,950	484
Capital Outlay	1			
Total County Commissioners	<u>9,661</u>	<u>9,434</u>	<u>8,950</u>	<u>484</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, 2004**

continued from previous page

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Total Expenditures, Budgetary Basis	<u>2,941,111</u>	<u>2,999,908</u>	<u>2,903,168</u>	<u>96,740</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	436,320	<u>\$ 436,320</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			105,309	
Add: Current Year Outstanding Warrants			75,565	
Ending Cash Balance			<u>\$ 617,194</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 FUND
FOR THE YEAR ENDED JUNE 30, 2004

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 220,041	\$ 220,041	\$ 220,041	\$ -
Less: Prior Year Outstanding Warrants	(2,543)	(2,543)	(2,543)	
Less: Prior Year Encumbrances	(21,959)	(21,959)	(17,773)	4,186
Beginning Cash Balances, Budgetary Basis	<u>195,539</u>	<u>195,539</u>	<u>199,725</u>	<u>4,186</u>
Receipts:				
Ad Valorem Taxes	269,111	269,111	288,807	19,696
Miscellaneous Revenues		7,407	8,421	1,014
Intergovernmental			568	568
Total Receipts, Budgetary Basis	<u>269,111</u>	<u>276,518</u>	<u>297,796</u>	<u>21,278</u>
Expenditures:				
Health and Welfare	427,000	434,407	276,424	157,983
Capital Outlay	37,650	37,650	1,419	36,231
Total Expenditures, Budgetary Basis	<u>464,650</u>	<u>472,057</u>	<u>277,843</u>	<u>194,214</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	219,678	<u>\$ 219,678</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			5,223	
Add: Current Year Outstanding Warrants			17,147	
Ending Cash Balance			<u>\$ 242,048</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, 2004**

Beginning Cash Balance	\$ 1,061,774
Receipts:	
Ad Valorem Tax	221
Miscellaneous	117,420
Total Receipts	<u>117,641</u>
Disbursements:	
Bonds	200,000
Interest	31,015
Total Disbursements	<u>231,015</u>
Ending Cash Balance	<u>\$ 948,400</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, 2004

Official Depository Accounts	Beginning Cash Balances		Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
	July 1, 2003	Receipts			
Court Clerk	\$ 417,127	\$ 2,745,117	\$ 2,648,720	\$ 57,166	\$ 570,690
Court Fund	137,218	1,140,888	1,145,576	10,313	142,843
Court Clerk Revolving Fund	78,159	58,780	56,350		80,589
Election Board	775	60,984	52,715	2,324	11,368
County Health		14,552	13,939		613
County Assessor	1,787	14,735	16,098		424
District Attorney Bogus Check Fees	26,725	187,600	162,061	35	52,299
District Attorney Bogus Check Merchant	39,329	362,228	376,833	166	24,890
District Attorney Trust Fund	21,737	19,154	32,889		8,002
District Attorney State Witness Fee	579	4,803	5,415	52	19
District Attorney Community Service	1,057	7,523	8,192	359	747
District Attorney Victim Witness Trust	4,855	1,957	1,691		5,121
Victim Restitution Program	1,750	175,434	166,136	165	11,213
District Attorney Fee Victim Restitution	231	2,004	1,911		324
District Attorney Drug Law Enforcement	17,165	44,039	43,832	613	17,985
District Attorney Community Sentencing	19,339	100,883	91,057		29,165
R.A.D. Program Trust Fund	412				412
District Attorney Domestic Abuse Program	290	6,445	1,467		5,268
County Treasurer	59,993	3,563,922	3,436,035	9,009	196,889
County Clerk	48,682	605,178	598,435		55,425
County Clerk Lien Escrow	1,982	4,760			6,742
Sheriff County Fees	39,673	5,524	45,197		
Sheriff OTC Fund	6				6
Sheriff Donation	853		853		
Total Official Depository Accounts	\$ 919,724	\$ 9,126,510	\$ 8,905,402	\$ 80,202	\$ 1,221,034

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, county or city-county health departments, school districts and cities and towns. These other budgetary entities produce and file their own financial statements and estimates of needs (budgets). These related cash receipts and disbursements of other budgetary entities are not included in the County's Estimate of Needs.

E. Cash and Investments

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

F. Risk Management

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

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

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Worker's Compensation - Employees' Injuries	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Employees - 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 county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$50,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Commercial Insurance - The County obtains commercial insurance coverage to pay legitimate worker's compensation claims. 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.

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

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.

Summary of Significant Accounting Policies (continued)

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 \$8,547,933 and the bank balance was \$8,751,630. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

B. Description of Funds

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

Detailed Notes on Funds and Account Balances (continued)

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 disbursement 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 disbursement 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.

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.

GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Detailed Notes on Funds and Account Balances (continued)

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 in 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.

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.

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

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

Detailed Notes on Funds and Account Balances (continued)

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 – Naples – 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.

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 - accounts 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.

GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Detailed Notes on Funds and Account Balances (continued)

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.

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

911 County-wide Emergency – accounts for 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.

Criminal Justice – accounts for monies collected from the Grady County Criminal Justice Authority. Disbursements are made for Authority's employees' health benefits.

Sheriff LLEBG FY 2003 – accounts for grant monies received used to purchase equipment as restricted by the grant agreement.

REAP Grant 2004 – accounts for grant funds received to reimburse the County for the operation of the WIC program.

WIC MINI Grant 2004 – accounts for grant monies received to reimburse the County for the operation of the WIC Program.

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.

Detailed Notes on Funds and Account Balances (continued)

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

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 disbursement of funds are by court order and state statutes.

GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Detailed Notes on Funds and Account Balances (continued)

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.

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 donations for the D.A.R.E. program and disbursements are 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, 2003, was approximately \$190,982,038.

Detailed Notes on Funds and Account Balances (continued)

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 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, 2004, were approximately 96.46 percent of the tax levy.

D. Pension Plan

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

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, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Detailed Notes on Funds and Account Balances (continued)

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.

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%	\$585,000

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

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Ending June 30			
2005	\$200,000	\$21,915	\$221,915
2006	195,000	13,128	208,128
2007	190,000	4,370	194,370
Total	<u>\$585,000</u>	<u>\$39,413</u>	<u>\$624,413</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.

GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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.

5. Sales Tax

Grady County voters approved a 15-year, $\frac{1}{4}\%$ 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.

SUPPLEMENTARY SCHEDULE

GRADY COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2004

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:			
Special Supplemental Nutrition Programs for Women, Infants, and Children	10.557		\$ 108,993
Special Supplemental Nutrition Programs for Women, Infants, and Children	10.557		1,813
Total U.S. Department of Agriculture			<u>110,806</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through the Oklahoma Housing Finance Agency:			
Home Investment Partnerships Program	14.239	8893 HOME 00	425
Home Investment Partnerships Program	14.239	8894 HOME 00	166,597
Total U.S. Department of Housing and Urban Development			<u>167,022</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	19,620
Total Department of Transportation			<u>19,620</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through the State of Oklahoma District Attorneys Council:			
Byrne Formula Grant Program	16.579	V03-029	6,621
Direct Grant:			
Local Law Enforcement Block Grants Program	16.592	2000 LBBX 3202	316
Local Law Enforcement Block Grants Program	16.592	2001 LBBX 1978	387
Local Law Enforcement Block Grants Program	16.592	2002 LBBX 2599	18
Local Law Enforcement Block Grants Program	16.592	2003 LBBX 1174	9,000
Total CFDA # 16.592			<u>9,721</u>
Bulletproof Vest Partnership Program	16.607		477
Total U.S. Department of Justice			<u>16,819</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through State Department of Civil Emergency Management			
Public Assistance Grants	83.544		183,453
Hazard Mitigation Grant	83.548		10,250
Emergency Management Performance Grants	83.552		15,500
State and Local All Hazards Emergency Planning	83.562		5,090
Total Federal Emergency Management Agency			<u>214,293</u>
Total Expenditures of Federal Awards			<u>\$ 528,560</u>

The accompanying note is an integral part of this schedule.

GRADY COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2004

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*.

INTERNAL CONTROL AND COMPLIANCE SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
GRADY COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Grady County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated June 21, 2005. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2004-1 to be a material weakness.

Compliance and Other Matters

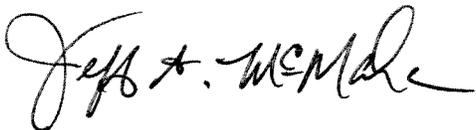
As part of obtaining reasonable assurance about whether Grady County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

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

This report is intended solely for the information and use of the management of the County, 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

June 21, 2005



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
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, 2004. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

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.

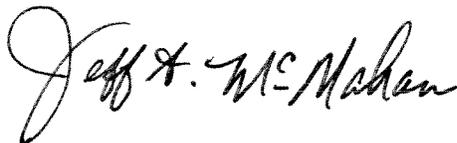
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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. McMahon". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

June 21, 2005

GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

CFDA Number(s)
83.544
14.239

Name of Federal Program or Cluster
Public Assistance Grants
Home Investment Partnerships Program

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

GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

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

Finding 2004-1 - Segregation of Duties (Repeat Finding)

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

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

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

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

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

No matters were reported.

**STATISTICAL SECTION
(Unaudited)**

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

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Enogex	\$ 11,572,009	6.06%
Southwestern Bell Telephone	6,175,786	3.23%
Public Service Company	5,340,540	2.80%
Delta Faucet	4,883,737	2.56%
Duke Energy	4,282,753	2.24%
Centerpoint Energy	3,845,138	2.01%
Oneok	3,068,268	1.61%
Gabriel Ride Control Products	2,930,987	1.54%
Braums Ice Cream	2,774,620	1.45%
Nabors Drilling USA	1,968,391	1.03%
Total	<u>\$ 46,842,229</u>	<u>24.53%</u>

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

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

Total net assessed value as of January 1, 2003		<u>\$ 190,982,038</u>
Debt limit - 5% of total assessed value		9,549,102
Total bonds outstanding	585,000	
Total judgments outstanding	-	
Less cash in sinking fund	<u>(948,400)</u>	<u>-</u>
Legal debt margin		<u>\$ 9,549,102</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, 2004
 (UNAUDITED)**

	2004
Estimated population	45,516
Net assessed value as of January 1, 2003	\$ 190,982,038
Gross bonded debt	585,000
Less available sinking fund cash balance	(948,400)
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, 2004
 (UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2003	\$41,181,565	\$34,580,552	\$127,087,574	\$11,867,653	\$190,982,038	\$1,686,903,773