

GRADY COUNTY

FOR THE FISCAL YEAR ENDED
JUNE 30, 2006

COUNTY AUDIT



Oklahoma State Auditor
& Inspector

**GRADY COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Steve Burrage, CPA
State Auditor and Inspector

July 31, 2008

TO THE CITIZENS OF
GRADY COUNTY, OKLAHOMA

Transmitted herewith is the audit of Grady County, Oklahoma, for the fiscal year ended June 30, 2006. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Michelle R. Day".

MICHELLE R. DAY, Esq.
Deputy State Auditor and Inspector

**GRADY COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**GRADY COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

INTERNAL CONTROL AND COMPLIANCE SECTION

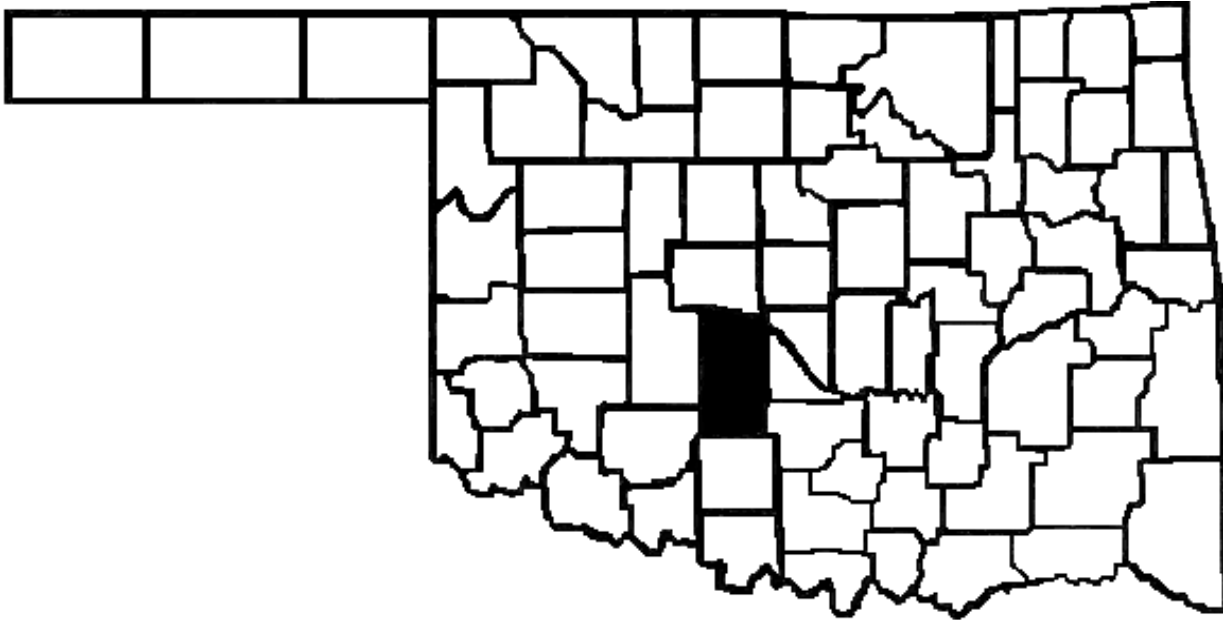
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**REPORT TO THE CITIZENS
OF
GRADY COUNTY, OKLAHOMA**



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, the “Watermelon Capital of the World.” Other annual events include the Festival of Light, the Grady County Fair, the Firefighters Chili Cook-off, and the Veterans Parade.

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

County Seat – Chickasha

Area – 1,105 Square Miles

County Population – 48,176
(2004 est.)

Farms – 1,804

Land in Farms – 601,607 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor’s report.

**GRADY COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

COUNTY ASSESSOR
Phillis Ray

The County Assessor has the responsibility to appraise and assess the real and personal property within the county for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the county. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

COUNTY CLERK
Sharon Shoemake

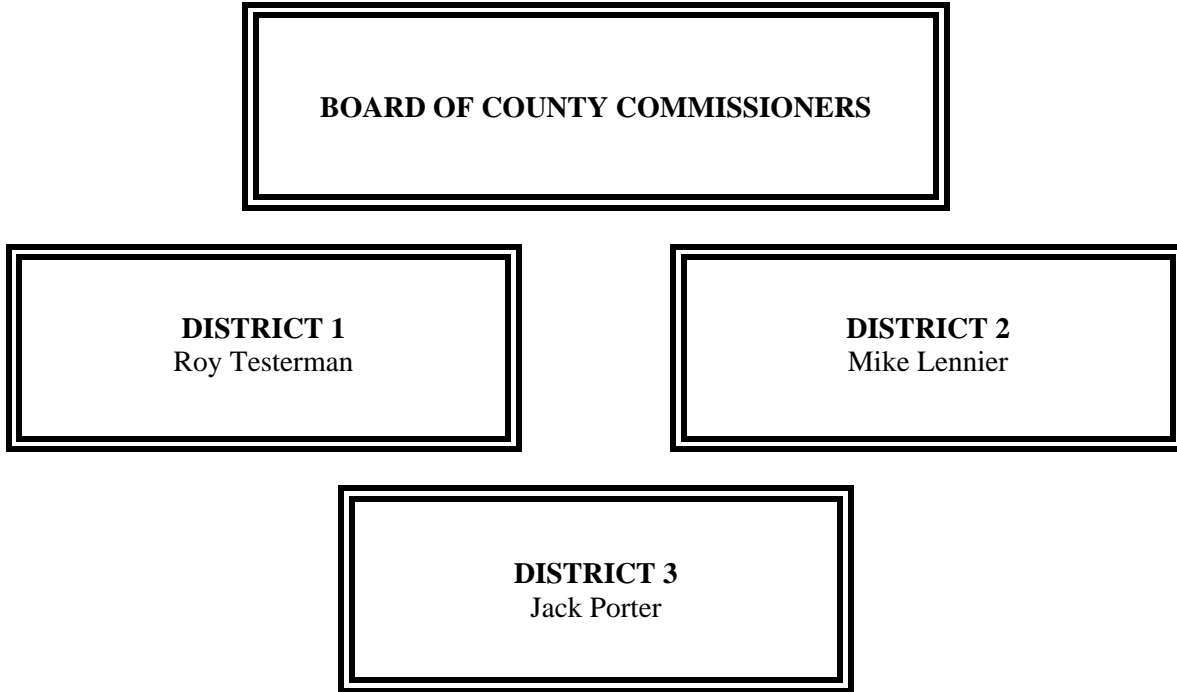
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as "open records." As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

**GRADY COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**



The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

See independent auditor's report.

**GRADY COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

COUNTY SHERIFF
Kieran McMullen

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
Linda Woods

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

COURT CLERK
Glenda Fenimore

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

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

**GRADY COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

ELECTION BOARD SECRETARY

Joyce Smith (through June 1, 2006)

Denise Robinett (June 1, 2006 to
present)

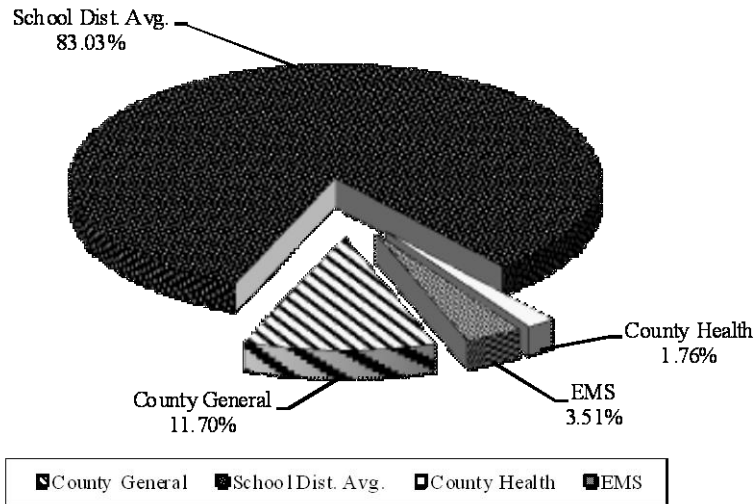
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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



County-Wide Millages			School District Millages						
					Career				
County General	10.33		Gen.	Bldg.	Skg.	Tech	Common	Total	
County Health	1.55	Chickasha	I-1	35.78	5.11	22.62	15.46	4.13	83.10
EMS	3.10	Minco	I-2	35.99	5.14	20.50	15.46	4.13	81.22
		Friend	I-37	36.57	5.22	31.61	15.46	4.13	92.99
		Ninnekah	I-51	36.37	5.20	12.87	15.46	4.13	74.03
		Alex	I-56	36.27	5.18	14.48	15.46	4.13	75.52
		Rush Springs	I-68	36.07	5.15	4.18		4.13	49.53
		Bridgecreek	I-95	36.44	5.21	15.66	11.38	4.13	72.82
		Middleberg	I-96	36.55	5.22	21.39		4.13	67.29
		Tuttle	I-97	36.25	5.18	21.00	15.46	4.13	82.02
		Verden	I-99	37.35	5.34	9.11	11.65	4.13	67.58
		Amber-Pocasset	I-128	36.20	5.17	5.93	15.46	4.13	66.89
		Pioneer	I-131	36.96	5.28	11.30	15.46	4.13	73.13
		Cement	J-160	36.40	5.20	13.85	11.65	4.13	71.23
		Sterling	J-3	37.48	5.35	8.47	11.61	4.13	67.04
		Fletcher	J-9	35.10	5.01	16.20	11.61	4.13	72.05
		Lindsay	J-9	36.35	5.19	9.81	11.38	4.13	66.86
		Newcastle	J-1	36.69	5.24	24.69	11.38	4.13	82.13
		Dibble	J-2	36.68	5.24	20.82	11.38	4.13	78.25
		Blanchard	J-29	36.92	5.27	29.70	11.38	4.13	87.40
		Marlow	J-3	36.96	5.28		12.19	4.13	58.56
		Marlow-Central	J-34	35.18	5.03	13.18	12.19	4.13	69.71
		Bray-Doyle	J-42	35.41	5.06	7.27	12.19	4.13	64.06
		MJ-NTC	V-8	36.69	5.24	24.69	11.38	4.13	82.13

See independent auditor's report.

**GRADY COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

Total net assessed value as of January 1, 2005		<u>\$ 213,316,915</u>
Debt limit - 5% of total assessed value		10,665,846
Total bonds outstanding	190,000	
Total judgments outstanding	-	
Less cash in sinking fund	<u>208,647</u>	<u>-</u>
Legal debt margin		<u>\$ 10,665,846</u>

See independent auditor's report.

**GRADY COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

	2006
Estimated population	48,176
Net assessed value as of January 1, 2005	\$ 213,316,915
Gross bonded debt	190,000
Less available sinking fund cash balance	208,647
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**GRADY COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006
 (UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2005	\$41,602,248	\$37,195,303	\$146,903,988	\$12,384,624	\$213,316,915	\$1,733,665,619

See independent auditor's report.

FINANCIAL SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Steve Burrage, CPA
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
GRADY COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Grady County, Oklahoma, as of and for the year ended June 30, 2006, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Grady County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

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

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Grady County as of June 30, 2006, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Grady County, for the year ended June 30, 2006, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2008, on our consideration of Grady County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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



MICHELLE R. DAY, Esq.
Deputy State Auditor and Inspector

July 1, 2008

Basic Financial Statement

**GRADY COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Beginning Cash Balances July 1, 2005	Receipts Apportioned	Transfers In	Disbursements	Ending Cash Balances June 30, 2006
Combining Information:					
General Fund	\$ 536,403	\$ 3,660,809	\$	\$ 3,757,367	\$ 439,845
County Health Department	310,176	342,683		346,856	306,003
T-Highway	3,840,000	8,431,520		6,704,955	5,566,565
Restricted Capital Improvement	2,749				2,749
911 County-Wide Emergency	195,321	257,245		316,067	136,499
Resale Property	99,835	153,249	8,360	172,785	88,659
County Clerk's Lien Fee	32,145	32,033		41,941	22,237
County Clerk's Preservation Fund	116,853	97,606		78,142	136,317
Sheriff Service Fee	82,445	263,639		227,345	118,739
Assessor Revolving Fund	8,568	13,091		15,673	5,986
Emergency Operations Planning Grant	948				948
County Sales Tax	732,495	1,504,042		1,383,900	852,637
Treasurer's Mortgage Tax	48,602	20,175		45,735	23,042
Assessor Visual Inspection	171	2			173
Sheriff Training	119				119
Sheriff BVP FY2002 Grant	155				155
Sheriff DARE	2,742				2,742
Grady County Criminal Justice		38,252		38,252	
WIC Cash Fund	35,059	108,668		111,997	31,730
REAP Grant 2004	3,785			3,785	
WIC MINI Grant 2004		767		767	
Grady County Home Program	3,000			3,000	
REAP Grant 2005	72,900			44,735	28,165
Saferoom - FEMA	10,115	40,742		49,307	1,550
Sheriff LLEBG - FY2004	2,400			2,132	268
Fire Department FEMA Grant	54,000	277,500		329,638	1,862
County Sinking	408,126	9,048		208,527	208,647
WIC MINI Grant 2005		585		585	
REAP Grant 2006		58,905		937	57,968
Sheriff Drug Buy		713		500	213
Combined Total – All County Funds	\$ 6,599,112	\$ 15,311,274	\$ 8,360	\$ 13,884,928	\$ 8,033,818

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

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Grady County, Oklahoma. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

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

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

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

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

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

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

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

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

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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

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

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

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

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

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

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

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

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

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

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

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

REAP Grant 2004 – accounts for grant funds received and disbursed for fire department equipment in District 3.

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

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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

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

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

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

WIC MINI Grant 2005 – accounts for grant monies received to reimburse the County for the operation of the WIC Program.

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

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

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

C. Basis of Accounting

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

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

basis financial presentation is not a comprehensive measure of economic condition or changes therein.

D. Budget

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

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

E. Cash

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

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

F. Investments

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

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

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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

G. Compensated Absences

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

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

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2005, was approximately \$213,316,915.

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

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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, 2006, were approximately 93.17 percent of the tax levy.

3. Fuel Tax

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

4. Risk Management

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

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

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 workers' 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.

5. Long-term Obligations

Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all pieces of machinery subsequently acquired.

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

Bonds in the amount of \$2,175,000 were issued February 15, 1994, to provide funds 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.

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 for the retirement of 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 Rate</u>	<u>Amount</u>
Grady County General Obligation Limited Tax Refunding Bonds of 1994	6.00%	\$190,000

Annual debt service requirements to maturity for general obligation bonds, including interest of \$4,730, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$190,000	4,370	\$194,370

6. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2006, 2005, and 2004, were \$401,875, \$504,726, and \$452,703, respectively, equal to the required contributions for each year.

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

7. Other Post Employment Benefits (OPEB)

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

8. Contingent Liabilities

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

The County 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 County.

9. Sales Tax

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

10. Residual Equity Transfer

Transfers consist of \$8,360 transferred from the excess resale fund to the resale property fund to be used in accordance with 68 O.S. § 3131.C. Total transfers do not balance because revenues, expenditures, and fund balance are not presented for the excess resale fund, which is an agency fund.

OTHER SUPPLEMENTARY INFORMATION

GRADY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 536,403	\$ 536,403	\$ 536,403	\$ -
Less: Prior Year Outstanding Warrants	(57,798)	(57,798)	(57,798)	
Less: Prior Year Encumbrances	(92,884)	(92,884)	(80,309)	12,575
Beginning Cash Balances, Budgetary Basis	<u>385,721</u>	<u>385,721</u>	<u>398,296</u>	<u>12,575</u>
Receipts:				
Ad Valorem Taxes	2,003,240	2,003,240	2,090,886	87,646
Charges for Services	307,712	307,712	347,551	39,839
Intergovernmental Revenues	381,882	381,882	431,947	50,065
Miscellaneous Revenues	136,571	754,634	790,425	35,791
Total Receipts, Budgetary Basis	<u>2,829,405</u>	<u>3,447,468</u>	<u>3,660,809</u>	<u>213,341</u>
Expenditures:				
County Sheriff	634,593	629,893	625,700	4,193
Capital Outlay	1	4,701	4,271	430
Total County Sheriff	<u>634,594</u>	<u>634,594</u>	<u>629,971</u>	<u>4,623</u>
County Treasurer	181,948	182,214	181,694	520
Capital Outlay	1,000	10		10
Total County Treasurer	<u>182,948</u>	<u>182,224</u>	<u>181,694</u>	<u>530</u>
County Commissioners	646	153		153
Capital Outlay	1	1		1
Total County Commissioners	<u>647</u>	<u>154</u>	<u>-</u>	<u>154</u>
OSU Extension	103,737	105,837	105,824	13
Capital Outlay	100			
Total OSU Extension	<u>103,837</u>	<u>105,837</u>	<u>105,824</u>	<u>13</u>
County Clerk	369,732	363,722	363,699	23
Capital Outlay	1	5,978	5,978	
Total County Clerk	<u>369,733</u>	<u>369,700</u>	<u>369,677</u>	<u>23</u>
Court Clerk	281,668	281,668	278,812	2,856
Total Court Clerk	<u>281,668</u>	<u>281,668</u>	<u>278,812</u>	<u>2,856</u>
County Assessor	152,027	152,125	152,125	
Capital Outlay	100			
Total County Assessor	<u>152,127</u>	<u>152,125</u>	<u>152,125</u>	<u>-</u>

continued on next page

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

GRADY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	256,338	247,675	247,675	
Capital Outlay	100	8,676	8,676	
Total Revaluation of Real Property	<u>256,438</u>	<u>256,351</u>	<u>256,351</u>	<u>-</u>
General Government	412,157	419,455	408,920	10,535
Capital Outlay	5,000	47,554	47,553	1
Total General Government	<u>417,157</u>	<u>467,009</u>	<u>456,473</u>	<u>10,536</u>
Excise-Equalization Board	4,900	4,201	2,608	1,593
Total Excise-Equalization Board	<u>4,900</u>	<u>4,201</u>	<u>2,608</u>	<u>1,593</u>
County Election Board	113,893	117,204	108,792	8,412
Capital Outlay	1	1		1
Total County Election Board	<u>113,894</u>	<u>117,205</u>	<u>108,792</u>	<u>8,413</u>
Charity	31,360	49,360	46,652	2,708
Total Charity	<u>31,360</u>	<u>49,360</u>	<u>46,652</u>	<u>2,708</u>
Civil Defense	43,491	62,798	62,792	6
Capital Outlay	1,000	270	270	
Total Civil Defense	<u>44,491</u>	<u>63,068</u>	<u>63,062</u>	<u>6</u>
County Audit Budget Account	21,332	21,332	21,332	
Total County Audit Budget Account	<u>21,332</u>	<u>21,332</u>	<u>21,332</u>	<u>-</u>
Jail	600,000	1,128,361	1,128,361	
Total Jail	<u>600,000</u>	<u>1,128,361</u>	<u>1,128,361</u>	<u>-</u>
Total Expenditures, Budgetary Basis	<u>3,215,126</u>	<u>3,833,189</u>	<u>3,801,734</u>	<u>31,455</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	257,371	<u>\$ 257,371</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			101,172	
Add: Current Year Outstanding Warrants			81,302	
Ending Cash Balance			<u>\$ 439,845</u>	

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

**GRADY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 310,176	\$ 310,176	\$ 310,176	\$ -
Less: Prior Year Outstanding Warrants	(39,906)	(39,906)	(39,906)	
Less: Prior Year Encumbrances	(3,381)	(3,381)	(2,882)	499
Beginning Cash Balances, Budgetary Basis	<u>266,889</u>	<u>266,889</u>	<u>267,388</u>	<u>499</u>
Receipts:				
Ad Valorem Taxes	300,583	300,583	313,734	13,151
Intergovernmental		25,903	27,051	1,148
Miscellaneous Revenues			1,898	1,898
Total Receipts, Budgetary Basis	<u>300,583</u>	<u>326,486</u>	<u>342,683</u>	<u>16,197</u>
Expenditures:				
Health and Welfare	500,000	525,903	309,257	216,646
Capital Outlay	67,472	67,472	7,372	60,100
Total Expenditures, Budgetary Basis	<u>567,472</u>	<u>593,375</u>	<u>316,629</u>	<u>276,746</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	293,442	<u>\$ 293,442</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			9,823	
Add: Current Year Outstanding Warrants			2,738	
Ending Cash Balance			<u>\$ 306,003</u>	

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

**GRADY COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Beginning Cash Balance	\$ 408,126
Receipts:	
Miscellaneous Revenues	<u>9,048</u>
Total Receipts	<u>9,048</u>
Disbursements:	
G.O. Bonds	195,000
Interest Paid	<u>13,527</u>
Total Disbursements	<u>208,527</u>
Ending Cash Balance	<u>\$ 208,647</u>

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

**GRADY COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. Budgetary Schedules

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

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

2. Sinking Fund Schedule

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

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-1375	\$ 370
Total U.S. Department of Justice			<u>370</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Oklahoma State Department of Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		110,013
Passed Through Oklahoma State Department of Agriculture:			
Cooperative Forestry Assistance	10.664		2,500
Total U.S. Department of Agriculture			<u>112,513</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through State Department of Civil Emergency Management:			
Hazard Mitigation Grant	97.039		47,426
State and Local All Hazards Emergency Operations Planning	97.051		156
Emergency Management Performance Grants	97.042		18,600
Passed Through Oklahoma Office of Homeland Security:			
State Domestic Preparedness Equipment Support Program	97.004		66,050
Direct Grant:			
Assistance to Firefighters Grant	97.044		329,638
Total U.S. Department of Homeland Security			<u>461,870</u>
Total Expenditures of Federal Awards			<u>\$ 574,753</u>

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

**GRADY COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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*.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Steve Burrage, CPA
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 combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Grady County, Oklahoma, as of and for the year ended June 30, 2006, which comprises Grady County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated July 1, 2008. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report 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 financial statement and not to provide an opinion 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 Grady County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-1 and 2006-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement 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 2006-1 to be a material weakness.

Compliance and Other Matters

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

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



MICHELLE R. DAY, Esq.
Deputy State Auditor and Inspector

July 1, 2008



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Steve Burrage, CPA
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, 2006. Grady County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Grady County's management. Our responsibility is to express an opinion on Grady County's compliance based on our audit.

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

As described in item 2006-3, in the accompanying schedule of findings and questioned costs, Grady County did not comply with requirements regarding procurement that are applicable to its Assistance to Firefighters Grant. Compliance with such requirements is necessary, in our opinion, for Grady County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Grady County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Grady 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 Grady 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 the 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.

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



MICHELLE R. DAY, Esq.
Deputy State Auditor and Inspector

July 1, 2008

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?..... 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: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?..... Yes

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.044	Assistance to Firefighters Grant

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

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

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 2006-1—Segregation of Duties (Repeat Finding)

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation are important elements 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.

Effect: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

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 State Auditor's findings. Management does have knowledge of office operations and will perform a periodic review of these operations.

Finding 2006-2 — County Sheriff Deposits (Repeat Finding)

Criteria: Effective accounting procedures are necessary to ensure stewardship and accountability of public funds.

Condition: While performing cash composition on the sheriff's official depository account, the following was noted:

- Deposits are not made daily,
- Receipt and receipt books are not being issued in numerical sequence.
- Receipt number 3795 for \$50 on March 20, 2006, could not be traced to the deposit,
- Deposit amounts totaling \$11,048.79 as noted on the November 9, 2005, deposit slip could not be traced to a receipt,
- Deposit amounts totaling \$717.59 as noted on the December 14, 2005, deposit slip could not be traced to a receipt,
- Deposit amounts totaling \$2,300 as noted on the June 15, 2006, deposit slip could not be traced to a receipt, and
- Deposit amounts totaling \$10 as noted on the June 15, 2006, deposit slip could not be traced to a receipt.

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Effect: This condition could result in unrecorded transactions and misappropriation of cash.

Recommendation: We recommend that duplicate, pre-numbered receipts be issued for all monies received in the Sheriff's office and that all collections be deposited daily.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We are taking measures to comply with the state statutes regarding receipt and deposit procedures.

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

**Finding 2006-3 — Assistance to Firefighters Grant/Procurement
Pass-Through Grantor: Direct Grant
Federal Agency: United States Department of Homeland Security
CFDA No.: 97.044
Federal Program Name: Assistance to Firefighters Grant
Federal Award Year: 2005
Control Category: Procurement**

Criteria: OMB Circular A-102, Common Rule § .36 requires grantees to use their own procurement procedures for the expenditure of federal funds. Title 19 O.S. § 1501 states, "The county purchasing agent... shall make purchases and rental or lease-purchase agreements only after following the bidding procedures as provided for by law, except: a) when the purchase does not exceed Ten Thousand Dollars (\$10,000.00). All purchases made pursuant to this subparagraph shall be by a single purchase order. Splitting purchase orders which would result in paying an amount in excess of the limitations specified in this subparagraph is expressly prohibited."

Condition: The Bailey Fire Department received a federal grant expended through the County, used to equip and outfit a fire truck without following proper bid procedures. There were two purchase orders issued to the same vendor for equipment that totaled \$15,980, and bids were not solicited: purchase order number 600259 dated July 7, 2005, in the amount of \$9,975, and purchase order number 600422 dated July 18, 2005, in the amount of \$6,005.

Effect: This condition could result in the County being in violation of purchasing procedures as provided for by state statutes and/or federal procurement regulations.

Recommendation: We recommend the Bailey Fire Department follow the bidding procedures as provided for by state statutes for all funds expended through the County that exceed \$10,000.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We are taking measures to comply with the state statutes regarding purchase acquisitions.

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Finding 2005-2 — Davis-Bacon Act

Pass-Through Grantor: Oklahoma State Department of Commerce

Federal Agency: United States Department of Housing and Urban Development

CFDA No.: 14.228

Federal Program Name: Community Development Block Grants/State's Program

Federal Award Year: 2005

Control Category: Davis-Bacon Act

Condition: The County did not properly monitor the Community Development Block Grant for compliance with the Davis-Bacon Act. The grant administrator performed employee interviews, which addressed hourly pay rates; however, no payroll documentation was obtained from the contractor to verify this information. We questioned \$208,956.09 of the amount remitted to the contractors.

Corrective Action Plan: Several attempts were made by the County to obtain payroll documentation from the contractor, but were unsuccessful. As of June 30, 2006, the County has not received any grants in which the Davis-Bacon Act would be applicable. However, when applicable, the County will take measures to insure future compliance with the Davis-Bacon Act.



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