

COUNTY AUDIT

GRANT COUNTY

For the fiscal year ended June 30, 2009



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



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

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

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Oklahoma State Auditor & Inspector

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February 28, 2011

TO THE CITIZENS OF
GRANT COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive.

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

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

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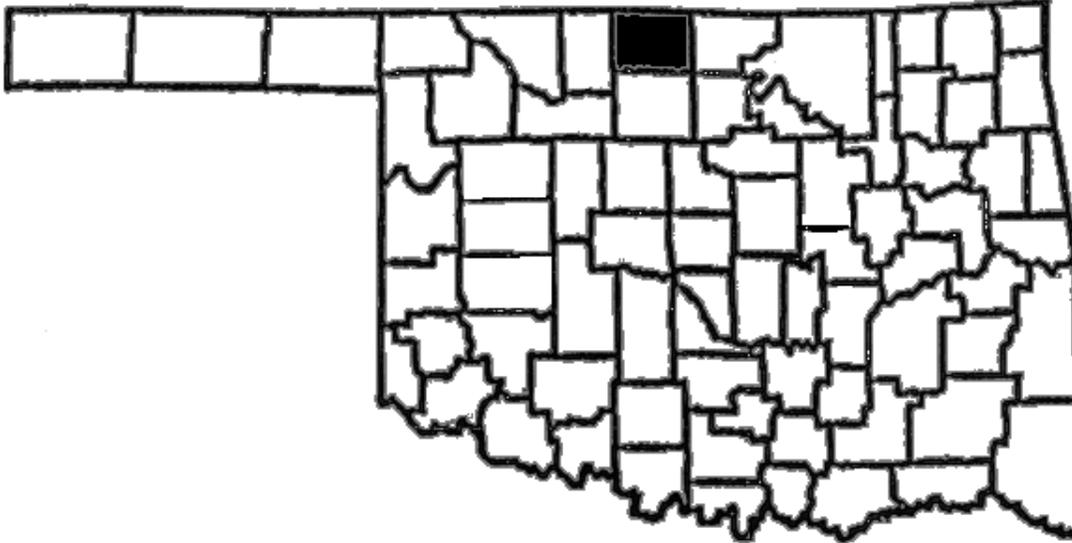
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**GRANT COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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



Located in north central Oklahoma, Grant County was named for President Ulysses S. Grant. Originally “L” county, this area was organized as part of Oklahoma Territory. The economy of Grant County is basically agricultural, with Clyde Co-op Association’s general offices in Medford, the county seat. Conoco and Koch Hydrocarbon Company are two major businesses in the county. Lamont is home to one of five world Atmospheric Radiation Measurement Program sites, part of the Department of Energy’s Global Climate Change Research Project of 1992.

County Seat – Medford

Area – 1,003.61 Square Miles

County Population – 4,497
(2007 est.)

Farms – 847

Land in Farms – 633,052 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor’s report.

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

COUNTY ASSESSOR
Phillip McCoy

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
Debbie Kretchmar

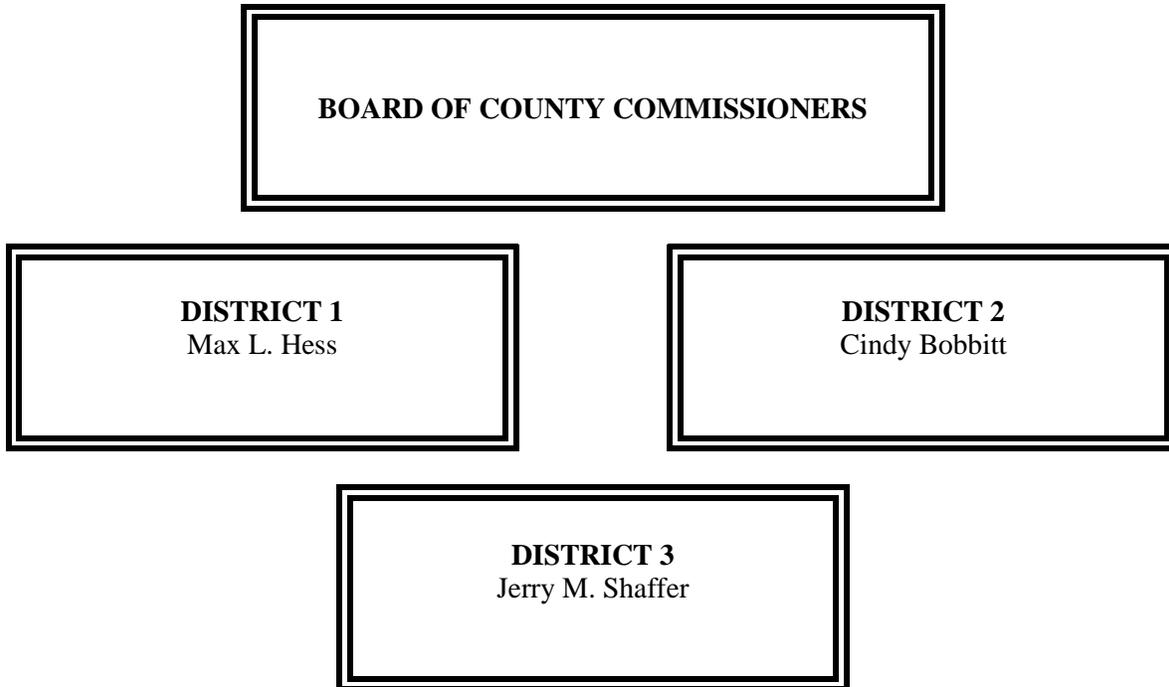
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

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



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

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

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

See independent auditor's report.

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

COUNTY SHERIFF
Roland Hula

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
Penny Dowell

All collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed.

See independent auditor's report.

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

COURT CLERK
Deana Kilian

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government.

DISTRICT ATTORNEY
Cathy Stocker

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.

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

ELECTION BOARD SECRETARY
Harvey Bush

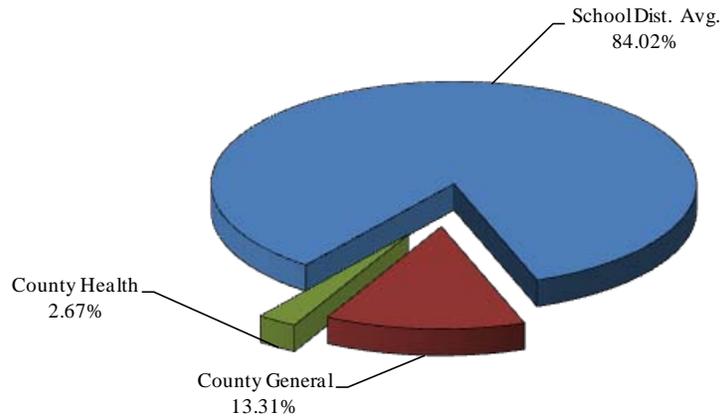
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

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



County-Wide Millages			School District Millages							
			Gen.	Health	4 Mill	Gen.	Bldg.	Skg.	Total	
County General	10.13									
County Health	2.03									
		Medford	I-54	10.13	2.03	4.05	35.35	5.05	4.55	61.16
		Pond Creek	I-90	10.13	2.03	4.05	35.79	5.11	12.07	69.18
		Wakita	I-33	10.13	2.03	4.05	35.40	5.06	1.97	58.64
		Deer Creek - Lamont	I-95	10.13	2.03	4.05	35.40	5.06	5.09	61.76
		Nash	I-93	10.13	2.03	4.05	35.70	5.10	7.59	64.60
		Billings	JT-2	10.13	2.03	4.05	35.00	5.00	7.14	63.35
		Kremlin-Hillsdale	JT-18	10.13	2.03	4.05	35.21	5.03	12.53	68.98

See independent auditor's report.

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

Total net assessed value as of January 1, 2008		<u>\$ 92,482,283</u>
Debt limit - 5% of total assessed value		4,624,114
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 4,624,114</u>

See independent auditor's report.

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

	2009
Estimated population	4,497
Net assessed value as of January 1, 2008	\$ 92,482,283
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2008	\$40,577,508	\$15,366,321	\$37,855,944	\$1,317,490	\$92,482,283	\$694,716,286

See independent auditor's report.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
GRANT COUNTY, OKLAHOMA

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2011, on our consideration of Grant 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. 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. The schedule of expenditures of federal awards has not been subjected to the auditing procedures applied in the audit of the basic financial statement because management was unable to provide sufficient documentation to support the schedule of expenditures of federal awards for the Disaster Grants – Public Assistance (97.036), and, accordingly, we express no opinion on the schedule of expenditures of federal awards. The other supplementary information, as listed in the table of contents, which includes the combining information referred to above, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

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

January 31, 2011

Basic Financial Statement

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

	Beginning Cash Balances July 1, 2008	Receipts Apportioned	Transfer In	Transfer Out	Disbursements	Ending Cash Balances June 30, 2009
Combining Information:						
County General Fund	\$ 162,618	\$ 1,190,359	\$ 100	\$	\$ 1,168,813	\$ 184,264
E911 Phone Remittance	23,610	77,465			2,921	98,154
Highway Cash	644,630	6,277,428			4,137,015	2,785,043
Resale Property	53,048	18,107		100	15,272	55,783
County Health Department	134,316	188,198			154,735	167,779
County Assessor Revolving	10,988	5,140			4,512	11,616
Sheriff Service Fee	11,093	30,982			39,418	2,657
Industrial Authority Sinking	20,154	584			20,738	
Sheriff Teletype	1,973	2,574			3,850	697
County Clerk Lien Fee	13,615	2,259			7,181	8,693
Treasurer Mortgage Tax Certification Fee	9,433	1,095			940	9,588
Juvenile Detention	515	3			341	177
Courthouse Improvement	237	209				446
Department of Corrections	29,661	58,159			78,179	9,641
Grant County Property	105				105	
Community Service Sentencing Program	111				111	
County Assessor Visual Inspection	10				10	
Fire Equipment Grant	86				86	
County Clerk Records Preservation Fee	27,108	14,305			3,847	37,566
Health Department Grant	176					176
CEM-OP Plan Grant	2,886				35	2,851
Communication Tower	4,358	52				4,410
Local Emergency Planning Committee	3,772	2,231			139	5,864
Sheriff Jail Fund	1,759	3,221			3,329	1,651
Courthouse Security	7,083	8,793			3,181	12,695
Civil Emergency Management	56					56
Sales Tax	1,476,508	237,858			515,638	1,198,728
Combined Total--All County Funds	\$ 2,639,909	\$ 8,119,022	\$ 100	\$ 100	\$ 6,160,396	\$ 4,598,535

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

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

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

E-911 Phone Remittance – accounts for funds submitted by local phone companies as a charge to patrons phone bills for the set up and administration of the E-911 emergency system.

Highway Cash - 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.

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

County Assessor Revolving - accounts for the collection of fees for copies restricted by state statute.

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

Industrial Authority Sinking – accounts for the receipt and disbursement of funds from Industrial Authority Sinking accounts for ad valorem collections, used to retire the G.O. Bonds issued by the Authority for industrial development.

Sheriff Teletype – accounts for the collection and disbursement of fees for teletype service.

County Clerk Lien Fee - accounts for lien collections and disbursements as restricted by statute.

Treasurer Mortgage Tax Certification Fee - accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by statute.

Juvenile Detention - accounts for state funds received for the transport of juveniles to detention facilities and disbursed for the operation of the Sheriff's office.

Courthouse Improvement – accounts for the residual funds set aside for capital improvements to the courthouse including the courthouse roof.

Department of Corrections – accounts for the collection of state held prisoners and disbursements are for the purpose of maintaining the jail.

Grant County Property - accounts for the residual funds set aside for the purchase and maintenance of county-owned property.

Community Service Sentencing Program - accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

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

Fire Equipment Grant – grant funds received to acquire fire equipment for small rural fire departments in the County.

County Clerk Records Preservation Fee - accounts for fees collected for instruments filed with the Registrar of Deeds as restricted by statute for preservation of records.

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

Health Department Grant – accounts for the state grant funds that are used to offset maintenance and operations of the county health department.

CEM-OP Plan Grant – accounts for the receipt and disbursement of a state grant for the operation of the Civil Emergency Management Program.

Communication Tower – accounts for the collection of fees from local police departments for the use of the Sheriff’s communication tower.

Local Emergency Planning Committee – accounts for the receiving and expending of Hazard Material Emergency Preparedness Planning Grant.

Sheriff Jail Fund – accounts for the collection and disbursement of receipts for the operation of the jail.

Courthouse Security – accounts for the receipt and disbursement of court fees for courthouse security.

Civil Emergency Management - accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

Sales Tax – accounts for the collections and disbursement of sales tax for the County.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including school districts. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County’s financial statement; those funds play no part in the County’s operations. Any trust or agency funds maintained by the County are not included in this presentation.

C. Basis of Accounting

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

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget

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

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.

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
- 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

All full-time Grant County employees shall be entitled to vacation leave that is accrued on a monthly basis in accordance with the schedule outlined below:

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

Years of Service in Grant County	Vacation Leave	Accumulation Limits
1 - 4 Years	12 days (96 hrs per year)	17 days
5 - 20 Years	15 days (120 hrs per year)	20 days
21 Years and Over	18 days (144 hrs per year)	23 days

All full-time Grant County employees shall be entitled to vacation leave. New employees will receive 12 days of vacation on their one year anniversary date; the following January 1 they will receive 1 day (based on an 8 hour day) per month from their one year anniversary date to December 31. From this point forward, all employees will receive their vacation leave (based on the following vacation rates) each January 1. Upon appropriate separation, an employee will be paid for the balance of accrued annual leave up to the accumulation limit.

All full-time Grant County employees shall be entitled to sick leave with pay that is accrued on a monthly basis. Sick leave shall accumulate at the rate of 4 hours for each full calendar month of service to the County. Sick leave may be accrued up to a maximum of 60 days. When terminating employment with the County, an employee may not collect pay for accrued sick leave. Abuse of sick leave is grounds for termination.

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2008, was approximately \$92,482,283.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.13 mills (the legal maximum) for general fund operations and 2.03 mills for county health department. In addition, the County collects the ad valorem taxes assessed by school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2009, were approximately 99.50 percent of the tax levy.

3. Fuel Tax

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

4. Risk Management

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

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

ACCO-SIG – The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating member chooses a deductible amount (\$10,000, \$25,000, or \$50,000). The County has chosen a \$25,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the County's deductible amount. The pool has acquired specific excess insurance with retention limits of \$250,000 for property claims and \$500,000 for general liability claims. The pool has acquired reinsurance in the amount of \$2,000,000 for general

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

liability and \$50,000,000 per occurrence for property to cover claims that exceed the pool's retention limits. If claims exceed pool assets, the County could be liable for its share of the pool's deficit. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

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

General Obligation Bonds

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

In 1969, the County voters authorized the issue of \$1,500,000.00 in general obligation bonds. The Grant County Industrial Development Authority through the County government has issued \$250,000.00 in G.O. Limited Tax Bonds, Series A that was utilized as a loan to encourage industry within the County. On August 16, 1993, Grant County sold \$250,000.00 in bonds and loaned \$202,068.00 to a company called BBC RV. The company had agreed to reimburse the County \$2,737.10 on a monthly basis. The County received \$23,658.59; however, the company became insolvent and was no longer able to meet their monthly commitment.

The County began placing a levy on the tax rolls in January 1997 in order to meet bond pay-off requirements. For the fiscal year 2009, the County had adequate funds available to retire the bonds and interest without levying a sinking fund tax.

During fiscal year 2009, the County paid \$20,000 in principal and \$738 in interest to retire the bonds.

Capital Leases

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

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

6. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 9.5% and 14.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 14.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2009, 2008, and 2007, were \$191,630, \$181,446, and \$173,724, respectively, equal to the required contributions for each year.

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

7. Other Post Employment Benefits (OPEB)

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

8. Contingent Liabilities

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

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

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

On January 10, 2006, the citizens of Grant County approved the continuation of a one percent (1%) sales tax for providing for the County Sheriff, Rural Fire and Emergency Medical Service to the County through the following 12 entities:

1. Deer Creek Fire Department
2. Grant County Sheriff's Department
3. Hawley Fire Department
4. Lamont Fire Department
5. Manchester Fire Department
6. Medford Emergency Medical Service
7. Medford Fire Department
8. Nash Fire Department
9. Pond Creek Emergency Medical Service
10. Pond Creek Fire Department
11. Wakita Emergency Medical Service
12. Wakita Fire Department

10. Inter-fund Transfers

Inter-fund transfer consists of a transfer of funds from the Resale Property Fund to the General Fund in the amount of \$100 to increase the Cash on Hand change fund in the Treasurer's office.

OTHER SUPPLEMENTARY INFORMATION

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 162,618	\$ 162,618	\$ 162,618	\$ -
Less: Prior Year Outstanding Warrants	(31,777)	(31,777)	(31,777)	
Less: Prior Year Encumbrances	(14,007)	(14,007)	(13,880)	127
Beginning Cash Balances, Budgetary Basis	<u>116,834</u>	<u>116,834</u>	<u>116,961</u>	<u>127</u>
Receipts:				
Ad Valorem Taxes	851,678	851,678	883,312	31,634
Charges for Services	39,334	39,334	38,260	(1,074)
Intergovernmental Revenues	179,221	179,221	206,251	27,030
Miscellaneous Revenues	72,576	73,111	62,536	(10,575)
Total Receipts, Budgetary Basis	<u>1,142,809</u>	<u>1,143,344</u>	<u>1,190,359</u>	<u>47,015</u>
Expenditures:				
District Attorney	<u>5,907</u>	<u>5,907</u>	<u>5,398</u>	<u>509</u>
County Sheriff	<u>270,740</u>	<u>270,739</u>	<u>249,348</u>	<u>21,391</u>
County Treasurer	<u>77,655</u>	<u>77,655</u>	<u>77,048</u>	<u>607</u>
OSU Extension	<u>16,200</u>	<u>16,500</u>	<u>16,385</u>	<u>115</u>
County Clerk	<u>87,553</u>	<u>87,803</u>	<u>87,315</u>	<u>488</u>
Court Clerk	<u>64,003</u>	<u>65,145</u>	<u>65,122</u>	<u>23</u>
County Assessor	<u>70,304</u>	<u>70,433</u>	<u>68,816</u>	<u>1,617</u>
Revaluation of Real Property	<u>81,798</u>	<u>82,092</u>	<u>78,897</u>	<u>3,195</u>
General Government	<u>192,229</u>	<u>191,056</u>	<u>142,426</u>	<u>48,630</u>
Excise-Equalization Board	<u>4,200</u>	<u>4,200</u>	<u>3,296</u>	<u>904</u>
County Election Board	<u>54,156</u>	<u>55,083</u>	<u>47,549</u>	<u>7,534</u>
Insurance	<u>296,690</u>	<u>295,648</u>	<u>279,633</u>	<u>16,015</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.

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

continued from previous page

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Charity	250	250	-	250
Recording Account	10,500	10,500	5,582	4,918
Library	850	850	850	
Audit Budget	9,307	9,307	-	9,307
Free Fair	7,301	7,010	7,000	10
Provision for Interest on Warrants	10,000	10,000	2,659	7,341
Total Expenditures, Budgetary Basis	<u>1,259,643</u>	<u>1,260,178</u>	<u>1,137,324</u>	<u>122,854</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	169,996	<u>\$ 169,996</u>
Other Sources				
Transfer In			<u>100</u>	
Total Other Sources			<u>100</u>	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			6,581	
Add: Current Year Outstanding Warrants			<u>7,587</u>	
Ending Cash Balance			<u>\$ 184,264</u>	

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

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

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 134,316	\$ 134,316	\$ 134,316	\$ -
Less: Prior Year Outstanding Warrants	(6,159)	(6,159)	(6,105)	54
Less: Prior Year Encumbrances	(675)	(675)	(675)	
Beginning Cash Balances, Budgetary Basis	<u>127,482</u>	<u>127,482</u>	<u>127,536</u>	<u>54</u>
Receipts:				
Ad Valorem Taxes	170,672	170,672	176,974	6,302
Miscellaneous Revenues	3,679	3,679	11,224	7,545
Total Receipts, Budgetary Basis	<u>174,351</u>	<u>174,351</u>	<u>188,198</u>	<u>13,847</u>
Expenditures:				
Health and Welfare	301,833	301,833	180,515	121,318
Total Expenditures, Budgetary Basis	<u>301,833</u>	<u>301,833</u>	<u>180,515</u>	<u>121,318</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	135,219	<u>\$ 135,219</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			19,627	
Add: Current Year Outstanding Warrants			<u>12,933</u>	
Ending Cash Balance			<u>\$ 167,779</u>	

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

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

Beginning Cash Balance	<u>\$ 20,154</u>
Receipts:	
Interest	<u>584</u>
Total Receipts	<u>584</u>
Disbursements:	
G.O. Bonds	20,000
Interest and Fiscal Agent Fee	<u>738</u>
Total Disbursements	<u>20,738</u>
Ending Cash Balance	<u>\$ -</u>

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

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

1. Budgetary Schedule

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.

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

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance	97.036	PA 1775	\$ 135,035
Disaster Grants - Public Assistance	97.036	PA 1803	<u>393,401</u>
Total CFDA #97.036			<u>528,436</u>
 Total Expenditures of Federal Awards			 <u>\$ 528,436</u>

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

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

Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Grant County and is presented on the *cash basis of accounting*. The amount reported for FEMA Public Assistance is an estimate based on actual federal disaster and administration funds received during the fiscal year. 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



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
GRANT COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Grant County, Oklahoma, as of and for the year ended June 30, 2009, which comprises Grant County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 31, 2011. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grant County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2009-1 and 2009-4

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 2009-2 and 2009-6

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grant 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*.

We noted certain matters that we reported to the management of Grant County, which are included in Section 3 of the schedule of findings and responses contained in this report.

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

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

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

January 31, 2011



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
GRANT COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Grant County, Oklahoma, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Grant 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 Grant County's management. Our responsibility is to express an opinion on Grant 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 Grant County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Grant County's compliance with those requirements.

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

Internal Control Over Compliance

The management of Grant County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Grant County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Grant County's internal control over compliance.

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-3 to be a significant deficiency.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected by the entity's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs to be a material weakness.

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

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



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

January 31, 2011

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

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) 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?..... Yes
- Significant deficiency(ies) 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?..... Yes

Identification of Major Programs

CFDA Number(s)
97.036

Name of Federal Program or Cluster
Disaster Grants - Public Assistance

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

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

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

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

Finding 2009-1 – Segregation of Duties (Repeat Finding)

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Condition: The County Treasurer's office has one full time employee. The County Treasurer also has two part time deputies that work on alternating days. Her deputies issue receipts and prepare the deposits. All employees use the same cash drawer to make change. The County Treasurer makes the deposits with the financial institutions. The County Treasurer prepares the bank reconciliations. The monthly bank reconciliations are not approved by another employee or an official or employee from another office. Nominal oversight of segregation of duties exists in these procedures.

Effect: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of these conditions 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 overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Views of responsible officials and planned corrective actions:

Treasurer - There are now two part-time deputies in the Treasurer's office that work in a "job-sharing" situation. The two employees are cross-trained to add enough diversity for the integrity of the office and as a better means of proper accountability. It has been recommended that each deputy have their own cash drawer and I will take that under consideration.

County Clerk - To assist the Treasurer with Segregation of Duties, my office Purchasing Agent keeps record of paid warrants. We periodically compare our paid report with their report.

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

Board of County Commissioners - Commissioners will work with the County Treasurer to see that “Segregation of Duties” is brought into compliance with the re-assignments of duties made with current and/or future employees in the County Treasurer’s office.

Finding 2009-2 – Footnote Disclosures (Repeat Finding)

Criteria: The County’s management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. Statement on Auditing Standards (SAS) No. 115 indicates that a control deficiency exists when management does not have adequate expertise to apply accounting principles to the financial statements or to review financial statements prepared on their behalf by others, to ensure they are prepared in accordance with these principles. Professional audit standards preclude the external financial statement auditor from performing any part of management’s control activities or be a component of the internal controls over financial reporting as this would impair their independence.

Condition: Internal controls have not been developed to prevent or detect misstatements in timely manner or to ensure all required disclosures are presented with the financial statement.

Effect: The potential exists for misstatements to go undetected, specifically for the completeness of financial statement disclosures.

Recommendation: OSAI recommends the County consider one or more of the following controls:

- Having at least one staff member with sufficient skills necessary to understand the application of accounting principles in regards to the preparation of financial statements.
- Contract an outside firm or individual to review or prepare the financial statements and accompanying notes to the financial statements to ensure appropriate disclosures are presented.

Views of responsible officials and planned corrective actions:

County Clerk - I believe the county will employ an individual capable of preparing the financial statement for the County.

Board of County Commissioners - Commissioners will work with the County Treasurer to ensure that a competent and skilled person be enlisted and approved that can provide “Footnote Disclosures” for future financial statements.

Finding 2009-4 – Control Environment (Repeat Finding)

Criteria: An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the environment established by management. In addition, management attitude, qualifications, and operating style become the foundation of all other internal control components.

Condition: As part of our risk assessment, we reviewed the county-wide controls and assessed the entity

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and its environment. Included in the assessment, was a review of prior year recommendations to the findings. We noted that some of the prior year recommendations had not been implemented. Additionally we reviewed the County's minutes of the County Commissioner's meetings. The tone of the minutes resulted in our determination that there is a lack of communication and cooperation between the elected officials and the Board of County Commissioners. Additionally, during the course of the audit, we were unable to obtain complete and accurate documentation of completed projects associated with the County's federal grant expenditures for Disaster Grants-Public Assistance in order to report these expenditures on the County's Schedule of Expenditures of Federal Assistance.

Effect: This lack of cooperation and communication has resulted in the County's inability to initiate, authorize, record, process, or report financial data reliably.

Recommendation: OSAI recommends management be aware of these conditions and realize the most effective controls lie in management's attitude and operating style with regard to effective internal controls.

Views of responsible officials and planned corrective actions:

County Clerk - As to the lack of communication for receiving grant disbursement information, the County Clerk has created a form that outlines what she needs to complete the required documentation from her office. This form has been given to each commissioner secretary. If it is completed properly and returned to the clerk, I will be able to do my job.

County Treasurer - I understand and appreciate the need for internal controls. Officers meetings have been scheduled on a quarterly basis and it is my desire to see all of the elected officials work together for the good of Grant County.

Board of County Commissioners – Commissioners will work with the County Clerk, County Treasurer, County Court Clerk, County Assessor and County Sheriff to establish an environment that supports communication, cooperation, trust and an overall supportive collaboration between each department.

Quarterly Officers meetings have been established and the Commissioners will develop an agenda that will help direct a better "Control Environment" for this organization.

Finding 2009-6 – Timesheets (Repeat Finding)

Criteria: Effective internal controls include that monthly payroll disbursements be supported by signed and approved original timesheets.

Condition: During the test of internal controls over the payroll process, the following exceptions were noted:

1. The Sheriff only submits a summary of the timesheets. There are no employee signatures on the summary.

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2. The Treasurer's employees submit a copy of an annual timesheet on a monthly basis. The Treasurer initials her approval.
3. The County Clerk prepares an annual timesheet for her employees and they initial their agreement on a monthly basis.
4. The Assessor's employees submit monthly timesheets, but there is no indication of officer approval.

Effect: This condition could result in wages being paid in incorrect amounts, incorrect time periods, or ghost employees being paid.

Recommendation: OSAI recommends timesheets be signed by the employees and the approving supervisor/officer and that the original timesheets be forwarded to the County Clerk's office.

Views of responsible officials and planned corrective actions:

Sheriff - A form replacing the "summary" has been implemented which bears the employee's signature. Our process will be further refined with the actual copy of the timesheet bearing the employee's and supervisor's signature being submitted.

Assessor - The Assessor's employees have been submitting monthly timesheets, but without officer approval. It is my intent to start that practice, starting immediately. No timesheets will be submitted without approval.

Treasurer - It was recommended that timesheets need to be signed by both the employee and officer in charge. To correct this problem, two more columns are being added to the timesheets in my office for both parties to initial each month.

County Clerk - With the employment of the office manager in the Sheriff's Office, the timesheets have been revised and now reflect the information needed by the clerk. The Treasurer, Assessor, and County Clerk will change the timesheet procedure to comply with the auditor request.

Board of County Commissioners - Prior to approval of county payroll, the Commissioners will review all county timesheets to ensure that these timesheets have been signed by each employee and by the approving supervisor and /or the county officer. Commissioners will also check to ensure that the original timesheets are held by the County Clerk.

SECTION 3—This section contains a certain matter not required to be reported in accordance with *Government Auditing Standards*. However, we believe this matter is significant enough to bring to management's attention. We recommend that management consider this matter and take appropriate corrective action.

Finding 2009-5 – Transfer of Official Depository Receipts to the Cash Fund (Repeat Finding)

Criteria: Title 19 O.S. § 684 states:

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All monies that shall be received during any calendar month by any county officer, county board, county commission or the members or employees of either thereof, accruing as a part of the funds of the county or municipal subdivision thereof, shall be paid into the county treasury, - that is, transferred from the official account of the officer, board, commission or employee of either thereof depositing the same, to the fund or funds of the county or municipal subdivision thereof to which the same belongs, - by the authority so receiving the same on or before the second Monday following the close of the calendar month in which such monies shall have been received; and it shall be the further duty of all such officers, boards, commissions, and the members and employees of either thereof, to make and file with the county clerk on or before the second Monday of each month, a verified report in writing showing the several sources, classes and amounts of money received by virtue or under color of office during the preceding calendar month, together with an itemized statement of the amount and purpose of all vouchers issued in disbursement, distribution and transfer thereof.

Condition: The Sheriff's office did not transfer \$12,623.42 in official depository receipts to the County Treasurer's office for the fiscal year ending June 30, 2009. This amount was dispersed on official depository vouchers.

Subsequent test work revealed that the Sheriff's office did not transfer \$99,668.72 in official depository receipts to the County Treasurer's office for the fiscal year ending June 30, 2010. This amount was dispersed on official depository vouchers.

Effect: Understatement of revenue and disbursements on financial statements and override of internal controls over disbursements.

Recommendation: OSAI recommends that all monies be transferred monthly from the official depository as provided by 19 O.S. § 684.

Views of responsible officials and planned corrective actions:

Sheriff - All future depository receipts will be disbursed from the Officer's Account into a Cash Account prior to spending the money.

Board of County Commissioners - Commissioners will review all depository funds from all County Officials more closely to make sure that the "Transfer of Funds from the Depository Fund" is received and transferred to appropriate funds as required by Title 19 O.S. section 684.

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SECTION 4—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 2009-3 – Federal Awards – Schedule of Expenditures of Federal Awards

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management
FEDERAL AGENCY: United States Department of Homeland Security
CFDA NO: 97.036
FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance
FEDERAL AWARD YEAR: 2009
CONTROL CATEGORY: Reporting
QUESTIONED COSTS: \$-0-

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

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

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

The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements...the schedule shall:
(6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

Condition: The County has not designed and implemented formal internal controls for the reporting of its major programs for Disaster Grants - Public Assistance received, as required by OMB Circular A-133. In particular, the County has not designed an accounting system or year-end process to accumulate and report its “in-kind” labor and equipment charges. It was also noted that the supporting documentation of the in-kind charges was not always signed.

Effect: This condition resulted in the amount of federal expenditures for the Disaster Grants - Public Assistance not being able to be adequately reported on the Schedule of Expenditures of Federal Awards.

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

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Views of responsible officials and planned corrective actions:

Board of County Commissioners - Commissioners will work with the County Clerk and make themselves aware of OMB Circular A-133 to ensure that reporting of major programs for Disaster Grants –Public Assistance received is adequately reported on the Schedule of Expenditures of Federal Awards.

County Treasurer – The Treasurer has created and distributed a form to be used by any entity delivering money to my office to create a miscellaneous receipt.

County Clerk - The Treasurer has created a new fund source to keep State and Federal Awards separate. The in-kind labor and equipment charges will be reported on the form supplied by the Clerk to each district.



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