

**GRANT COUNTY, OKLAHOMA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2002**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

October 28, 2003

TO THE CITIZENS OF
GRANT COUNTY, OKLAHOMA

Transmitted herewith is the audit of Grant County, Oklahoma, for the fiscal year ended June 30, 2002. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

**GRANT COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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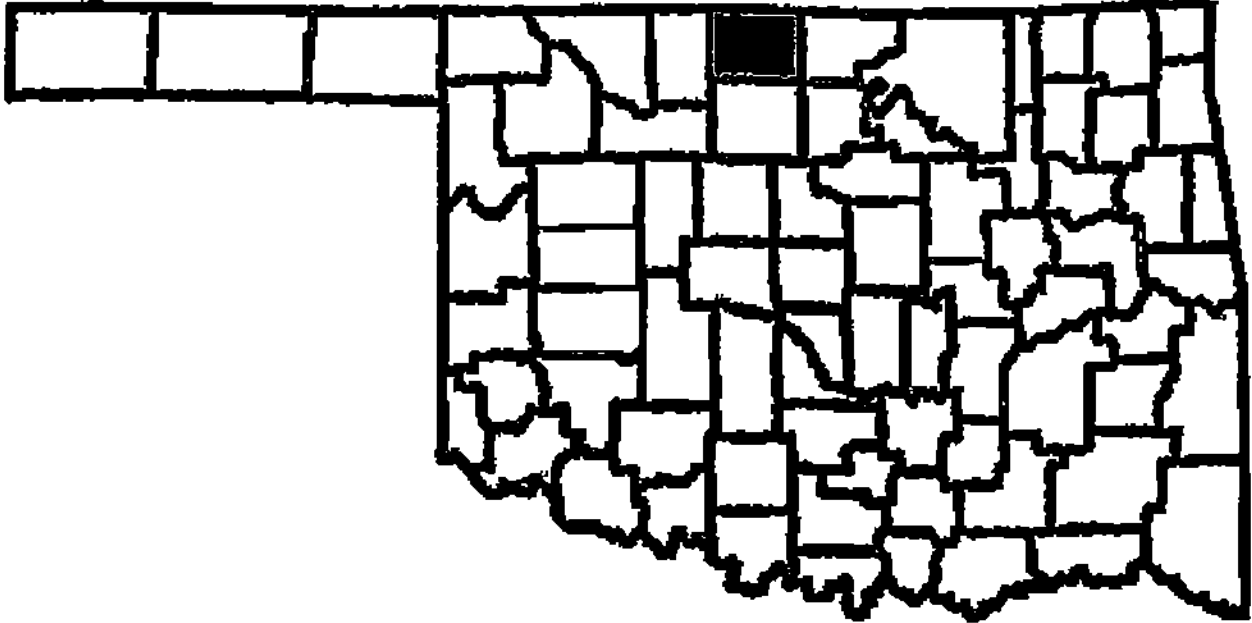
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**GRANT COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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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 - 1,000.6 Square Miles

County Population - 5,237
(1999 est.)

Farms - 688

Land in Farms - 584,588 acres

Source: Oklahoma Almanac 2001-2002

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Bill L. Schultz
(D) Medford

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
Becky Kretchmar
(R) Medford

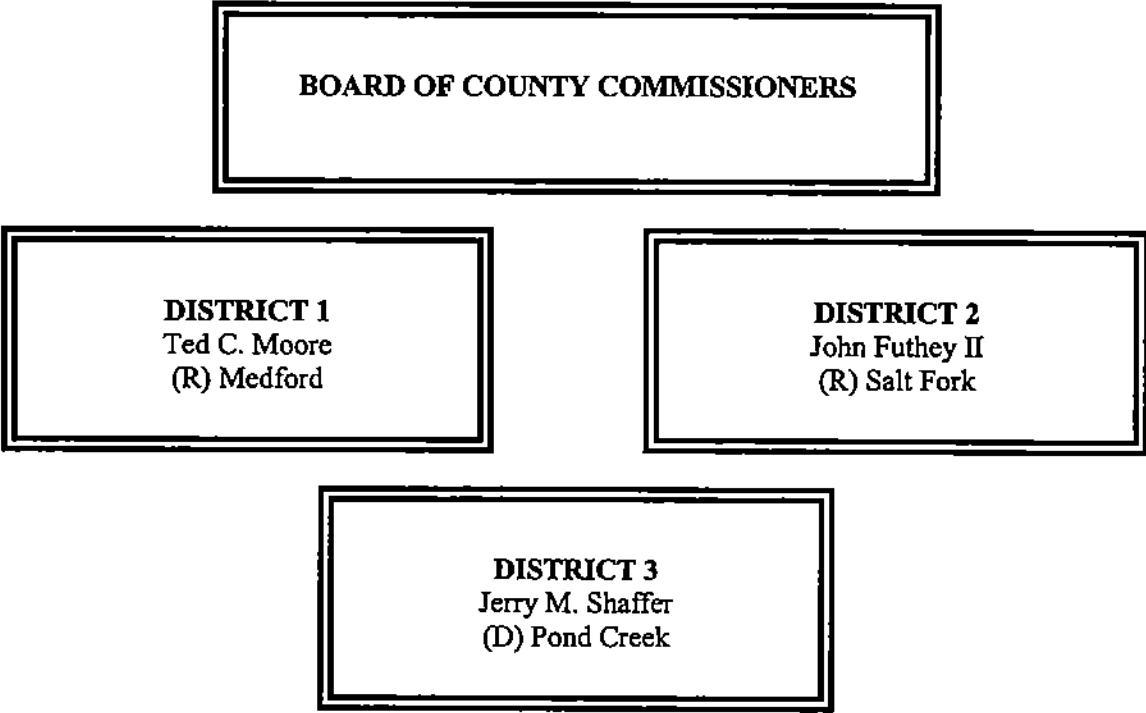
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**



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

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

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
Ryland E. Arthurs
(D) Medford

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
Elaine Webster
(D) Deer Creek

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.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Marion R. Magnus
(D) Medford

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
Cathy Stocker
(R) Enid

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.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY
Harvey J. Bush
(D) Medford

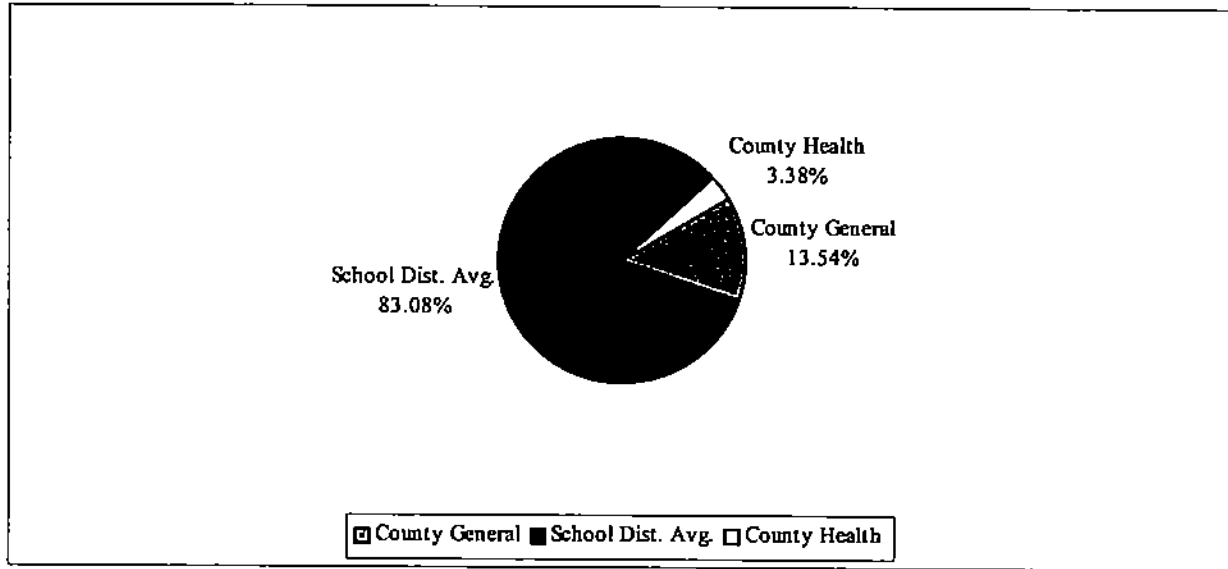
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

**AD VALOREM DISTRIBUTION
GRANT COUNTY, OKLAHOMA
SHARE OF THE AVERAGE MILLAGE**

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



County-Wide Millages		School District Millages						
				Gen.	Bldg.	Skg.	Common	Total
Co. General	10.00							
County Health	1.60							
		Medford	I-54	35.00	5.00		4.00	44.00
		Pond Creek	I-90	35.00	5.00	7.83	4.00	51.83
		Wakita	I-33	35.00	5.00	5.97	4.00	49.97
		Deer Creek - Lamont	I-95	35.00	5.00	5.14	4.00	49.14
		Nash	I-93	35.00	5.00	5.36	4.00	49.36
		Billings	Jt-2	35.00	5.00	6.97	4.00	50.97
		Kremlin - Hillsdale	Jt-18	35.00	5.00	13.99	4.00	57.99

See independent auditor's report.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
GRANT COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Grant County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These special-purpose financial statements are the responsibility of Grant County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Grant County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Grant County in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Grant County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, as of and for the year ended June 30, 2002, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

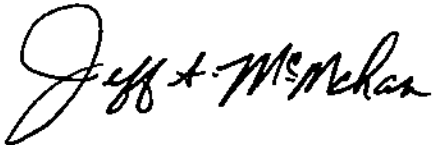
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Grant County, Oklahoma, taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we express no opinion on such data.

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

This report is intended solely for the information and use of the management of the County and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

September 22, 2003

Special-Purpose Financial Statements

**GRANT COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2002**

All County Funds	Beginning Cash Balances July 1, 2001	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2002
County General Fund	\$ 146,940	\$ 992,411	\$ 919,828		\$ 219,523
Highway Cash	590,455	3,023,358	3,148,268		465,545
Bank Interest	1,390	3,632	4,327		695
Resale Property	13,462	27,956	19,459		21,959
County Health Department	148,003	140,516	111,374		177,145
Assessor Revolving	1,167	989	245		1,911
Assessor Visual Inspection	2,682		82		2,600
Sheriff Service Fee	47,334	20,520	22,590		45,264
Sheriff Teletype	9,932	6,225	6,385		9,772
Sheriff - LLE	200				200
COPS Cash Fund	9,559	115	9,021		653
DCR Department of Corrections	85,834	69,145	92,785		62,194
Court Clerk Trust Cash Voucher	12,493	393			12,886
Treasurer Mortgage Tax Certification Fee	1,790	1,680	849		2,621
Juvenile Detention	230	418	526		122
Free Fair		8,055	8,055		
REAP Grant	7,147	3,084	9,549		682
"ARM" REAP Grant		50,507	18,146		32,361
Community Sentencing Service Program	2,322	5,400	2,351		5,371
County Clerk Preservation Fee		11,245			11,245
County Clerk Lien Fee	2,139	4,286	4,265		2,160
Grant County Property	105				105
Fire Equipment Grant	86				86
Sales Tax		171,905	11,925		159,980
"ARM" Muegge		51,001	14,542		36,459
Courthouse Improvement	473				473
Schools	14,848	3,867,411	3,874,831		7,428
Cities and Towns	93,261	85,186	86,386		92,061
Official Depository	71,935	1,906,312	1,921,224	6,648	63,671
Civil Emergency Management	300	300			600
Law Library	1,044	3,255	3,420		879
Industrial Authority Sinking	53,652	5,133	29,430		29,355
Protest Tax 2000	136,879	1,393,245	813,000		717,124
Special Assessment		360	360		
County Clerk Cash-on-Hand	25				25
Total County Funds	<u>\$ 1,455,687</u>	<u>\$ 11,854,043</u>	<u>\$ 11,133,223</u>	<u>\$ 6,648</u>	<u>\$ 2,183,155</u>

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

**GRANT COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 146,940	\$ 146,940	\$ 146,940	\$ -
Less: Prior Year Outstanding Warrants	(27,698)	(27,698)	(27,698)	
Less: Prior Year Encumbrances	(8,172)	(8,172)	(7,107)	1,065
Beginning Cash Balances, Budgetary Basis	<u>111,070</u>	<u>111,070</u>	<u>112,135</u>	<u>1,065</u>
Receipts:				
Ad Valorem Taxes	682,919	682,919	796,312	113,393
Charges for Services	38,343	38,343	45,959	7,616
Intergovernmental Revenues	119,664	120,029	127,213	7,184
Miscellaneous Revenues	16,500	16,500	22,927	6,427
Total Receipts, Budgetary Basis	<u>857,426</u>	<u>857,791</u>	<u>992,411</u>	<u>134,620</u>
Expenditures:				
District Attorney	6,770	6,770	4,176	2,594
Capital Outlay	1,000	1,000		1,000
Total District Attorney	<u>7,770</u>	<u>7,770</u>	<u>4,176</u>	<u>3,594</u>
County Sheriff	186,046	186,046	170,507	15,539
Capital Outlay	1	1		1
Total County Sheriff	<u>186,047</u>	<u>186,047</u>	<u>170,507</u>	<u>15,540</u>
County Treasurer	63,890	64,011	63,932	79
Capital Outlay	850	729	729	
Total County Treasurer	<u>64,740</u>	<u>64,740</u>	<u>64,661</u>	<u>79</u>
County Commissioners- OSU Extension	12,300	12,800	12,764	36
Capital Outlay	500			
Total County Commissioners-OSU Extension	<u>12,800</u>	<u>12,800</u>	<u>12,764</u>	<u>36</u>
County Clerk	74,669	75,728	74,590	1,138
Capital Outlay	1,000			
Total County Clerk	<u>75,669</u>	<u>75,728</u>	<u>74,590</u>	<u>1,138</u>
Court Clerk	52,695	52,695	51,869	826
Capital Outlay				
Total Court Clerk	<u>52,695</u>	<u>52,695</u>	<u>51,869</u>	<u>826</u>
County Assessor	55,620	55,661	55,661	
Capital Outlay	100			
Total County Assessor	<u>55,720</u>	<u>55,661</u>	<u>55,661</u>	<u>-</u>
Revaluation of Real Property	96,091	95,072	87,439	7,633
Capital Outlay	100	1,119	393	726
Total Revaluation of Real Property	<u>96,191</u>	<u>96,191</u>	<u>87,832</u>	<u>8,359</u>

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

**GRANT COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
General Government	137,729	143,742	140,900	2,842
Capital Outlay	500	2,000	1,180	820
Total General Government	<u>138,229</u>	<u>145,742</u>	<u>142,080</u>	<u>3,662</u>
Excise-Equalization Board	4,900	4,945	4,945	
Capital Outlay				
Total Excise-Equalization Board	<u>4,900</u>	<u>4,945</u>	<u>4,945</u>	<u>-</u>
County Election Board	40,321	40,660	36,107	4,553
Capital Outlay	1	1		1
Total County Election Board	<u>40,322</u>	<u>40,661</u>	<u>36,107</u>	<u>4,554</u>
Insurance - Benefits	202,117	194,585	184,428	10,157
Capital Outlay				
Total Insurance - Benefits	<u>202,117</u>	<u>194,585</u>	<u>184,428</u>	<u>10,157</u>
Charity	1	1		1
Capital Outlay				
Total Charity	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>
Recording Account	9,999	9,999	9,887	112
Capital Outlay	1	1		1
Total Recording Account	<u>10,000</u>	<u>10,000</u>	<u>9,887</u>	<u>113</u>
Library	1,000	1,000	848	152
Capital Outlay				
Total Library	<u>1,000</u>	<u>1,000</u>	<u>848</u>	<u>152</u>
County Audit Budget	12,295	12,295	12,295	
Capital Outlay				
Total County Audit Budget	<u>12,295</u>	<u>12,295</u>	<u>12,295</u>	<u>-</u>
Free Fair Budget	3,999	4,000	3,940	60
Capital Outlay	1			
Total Free Fair Budget	<u>4,000</u>	<u>4,000</u>	<u>3,940</u>	<u>60</u>
Provision for Interest on Warrants	4,000	4,000	2,827	1,173
Total Expenditures, Budgetary Basis	<u>968,496</u>	<u>968,861</u>	<u>919,417</u>	<u>49,444</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	185,129	<u>\$ 185,129</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			8,398	
Add: Current Year Outstanding Warrants			<u>25,996</u>	
Ending Cash Balance			<u>\$ 219,523</u>	

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

**GRANT COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL -
COUNTY HEALTH DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2002**

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 148,003	\$ 148,003	\$ 148,003	\$ -
Less: Prior Year Outstanding Warrants	(4,914)	(4,914)	(4,914)	
Less: Prior Year Encumbrances	(5,629)	(5,629)	(5,573)	56
Beginning Cash Balances, Budgetary Basis	<u>137,460</u>	<u>137,460</u>	<u>137,516</u>	<u>56</u>
Receipts:				
Ad Valorem Taxes	114,470	114,470	127,373	12,903
Charges for Services			6,559	6,559
Intergovernmental Revenues			15	15
Miscellaneous Revenues			6,569	6,569
Total Receipts, Budgetary Basis	<u>114,470</u>	<u>114,470</u>	<u>140,516</u>	<u>26,046</u>
Expenditures:				
Health and Welfare	174,000	215,930	102,829	113,101
Capital Outlay	77,930	36,000	2,905	33,095
Total Expenditures, Budgetary Basis	<u>251,930</u>	<u>251,930</u>	<u>105,734</u>	<u>146,196</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	172,298	<u>\$ 172,298</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			4,847	
Ending Cash Balance			<u>\$ 177,145</u>	

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

**GRANT COUNTY, OKLAHOMA
DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2002**

Beginning Cash Balance	\$ 53,652
Receipts:	
Ad Valorem Tax	3,060
Miscellaneous	<u>2,073</u>
Total Receipts	<u>5,133</u>
Disbursements:	
G.O. Bonds	20,000
Interest Paid	<u>9,430</u>
Total Disbursements	<u>29,430</u>
Ending Cash Balance	<u><u>\$ 29,355</u></u>

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

**GRANT COUNTY, OKLAHOMA
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES – OFFICIAL DEPOSITORY ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2002**

Official Depository Accounts	Beginning Cash Balances July 1, 2001	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2002
District Court Clerk	\$ 36,608	\$ 199,318	\$ 208,819	\$ 271	\$ 27,378
District Court Fund	24,246	114,261	123,240	64	15,331
Court Clerk Revolving	2,369	3,011	432		4,948
District Attorney Witness Fee	150	603	665	17	105
District Attorney Bogus Check	3,221	13,669	20,100	4,723	1,513
County Sheriff	2,909	8,685	7,530		4,064
County Sheriff Livestock	24	6,536	3,713		2,847
County Clerk		65,105	65,109	4	
County Treasurer	2,211	1,455,483	1,451,422	794	7,066
County Treasurer Super Now		15,714	15,714		
County Election Board	197	15,712	16,265	775	419
County Health Department		7,226	7,226		
County Assessor		989	989		
Total Official Depository Accounts	<u>\$ 71,935</u>	<u>\$ 1,906,312</u>	<u>\$ 1,921,224</u>	<u>\$ 6,648</u>	<u>\$ 63,671</u>

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

Notes to the Financial Statements

**GRANT COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

**GRANT COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

Summary of Significant Accounting Policies (continued)

Encumbrances outstanding at year-end are included in expenditures using the budgetary basis; however, they do not constitute expenditures using the cash basis. At the end of the year, unencumbered appropriations are lapsed.

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

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

E. Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2002.

F. Risk Management

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

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

**GRANT COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool; (See ACCO-SIG.)	If claims exceed authorized deductibles, the County would have to pay its share of the pool deficit.
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insured Fund. (See ACCO-SIF.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP)	If claims exceed authorized deductibles, the County would have surcharges assessed to pay the excess claims.

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating County will pay a deductible amount (\$1,000 to \$10,000; the County has a \$10,000 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

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

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. The pool has assessed additional premiums to be paid by its members in the current fiscal year.

**GRANT COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

The County does not accrue any liability for future vacation benefits. Vacation leave is accrued based upon the following schedule:

One day for every 22 days (176 hours) actually worked, (under 10 years of service) not to exceed 12 days for the calendar year. One and one-half days for every 22 days (176 hours) actually worked, (10 years or over of service) not to exceed 15 days for the calendar year.

The County does not record liability for sick leave. All regular employees will be allowed one-half day of sick leave for every 22 days (176 hours) actually worked. Sick leave may be accrued up to a maximum of 30 days.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$2,183,155 and the bank balance was \$2,193,425. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

Title 62 O.S. § 348.1 authorizes the County Treasurer to invest in:

- 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

**GRANT COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

Detailed Notes on Funds and Account Balances (continued)

B. Description of Funds

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

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

Bank Interest - accounts for the interest earned on bank deposits until they are apportioned.

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.

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

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

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

Sheriff LLE - accounts for the receipt of grant funds to be used for local law enforcement equipment of the Sheriff's office.

COPS Cash Fund - accounts for federal grants received and disbursed for the purpose of salaries for the Sheriff's deputies.

Department of Corrections - accounts for the collection of fees for state held prisoners and disbursed for the purpose of maintaining the jail.

Court Clerk Trust Cash Voucher - accounts for funds held in trust by the Court Clerk and disbursed in accordance with court orders.

Treasurer Mortgage Tax Certification Fee - accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursements 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.

**GRANT COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

Detailed Notes on Funds and Account Balances (continued)

Free Fair – accounts for the fees collected and used by the free fair.

REAP Grant – accounts for state grant funds received to be used for rural development.

“ARM” REAP Grant – accounts for grant funds received from the state, used for roads and bridges near and around the Atmospheric Radiation Measurement Facility.

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

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

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

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

Fire Equipment Grant – accounts for grant funds received to acquire fire equipment.

Sales Tax – accounts for the sales tax received for the use of the Medford, Pond Creek, Wakita, Manchester, Hawley, Nash, Deer Creek, and Lamont Ambulances and Fire Departments and for the Sheriff.

“ARM” Muegge – accounts for the appropriations of state funds used for maintaining the area around the Atmospheric Radiation Measurement Facility.

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

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

Cities and Towns - accounts for Oklahoma Tax Commission collections distributed to the cities of the County.

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

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

**GRANT COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

Detailed Notes on Funds and Account Balances (continued)

Law Library – accounts for monies received for disbursement from the state for the Law Library Board.

Industrial Authority Sinking – accounts for the ad valorem collections used to retire the G.O. Bonds issued by the Authority for industrial development.

Protest Tax – accounts for ad valorem tax collected under protest and held until the court decision to release or distribute taxes is made.

Special Assessments – accounts for the collection and distribution of special assessment taxes on behalf of other entities.

County Clerk Cash on Hand - is cash used to make change for citizens making transactions in cash.

Additionally, the Official Depository accounts are as follows:

District Court Clerk - accounts for the collection of bond money, court fines, and fees. Money is disbursed for overpayment of fees and restitution with a portion transferred to the District Court Fund.

District Court Fund - accounts for fees transferred from the District Court Clerk Account and interest. Money is disbursed for the purpose of fees for various entities, salaries, and the operation of the office.

Court Clerk Revolving - This account was established July 1, 1991, by Oklahoma Statute Title 19 § 220 for the collection of administrative fees collected by the Court Clerk to be used to defray costs incurred for the operation of the Court Clerk's office.

District Attorney Witness Fee – accounts for the collection of state reimbursements used to pay witness fees.

District Attorney Bogus Check Restitution Program – is money collected for fees and cost of bogus checks and the amount of the bogus check issued. Disbursements are made to merchants for the repayment of bogus check and for maintenance and operations of the bogus check program.

County Sheriff Livestock – accounts for the collection of money from the sale of livestock which has not been claimed. Disbursements are for the cost of advertising and boarding of animals. The remaining balance is transferred into the general fund.

**GRANT COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

Detailed Notes on Funds and Account Balances (continued)

County Sheriff - accounts for all collection of foreign service fees and bonds. Monies are disbursed at the end of the month to the Sheriff Service Fee Fund and District Court Clerk Account.

County Clerk - accounts for the collection of filing fees and disbursed to OTC and the County Clerk Lien Fee Account.

County Treasurer - accounts for all collections of pre-paid ad valorem taxes, pre-paid mobile homes, and the sale of motor vehicle stamps. Disbursements are for the purpose of refunds and vehicle collections vouchers to OTC, schools, and the County Treasurer Mortgage Certification Fee Account.

County Treasurer Super Now - accounts for the disbursements and collection of interest earned on the official depository bank account.

County Election Board - accounts for reimbursement of election cost by entities within the County and is disbursed for refund of election fees and cost of election.

County Health Department - accounts for the collection of charges for services performed by the health department. Disbursements are made to the Health Department Fund for budgeting purposes.

County Assessor - accounts for all collection for copies and proceeds from sale of ownership books to be disbursed at the end of the month and deposited in the Assessor Revolving Fund.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2001, was approximately \$75,121,099.

**GRANT COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

Detailed Notes on Funds and Account Balances (continued)

The County levied 10 mills (the legal maximum) for general fund operations, and 1.6 mills for the County Health Department. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2002, were approximately 91.1 percent of the tax levy.

D. Pension Plan

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

E. Capital Leases

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

F. General Obligation Bonds

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

**GRANT COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

Detailed Notes on Funds and Account Balances (continued)

In 1969, the County voters authorized the issue of \$1,500,000 in general obligation bonds. The Grant County Industrial Development Authority through the County government has issued \$250,000 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 in bonds and loaned \$202,068 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, then the payments stopped; 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 current fiscal year the County levied no mills because the funds were adequate to meet the current obligations.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Grant County G.O. Limited Tax Bonds	6%	<u>\$140,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Series A</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Ending June 30</u>			
2003	\$20,000	\$7,800	\$27,800
2004	20,000	6,600	26,600
2005	20,000	5,400	25,400
2006	20,000	4,200	24,200
2007	20,000	3,000	23,000
2008	20,000	2,400	22,400
2009	<u>20,000</u>	<u>600</u>	<u>20,600</u>
Total	<u>\$140,000</u>	<u>\$30,000</u>	<u>\$170,000</u>

Semi-annual interest on the \$250,000 General Obligations Limited Tax Bonds of 1993, August 16, 1993, is payable on October 1 and April 1 of each year, beginning June 1, 1993.

**GRANT COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

Detailed Notes on Funds and Account Balances (continued)

G. Fuel Tax

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

4. Contingent Liabilities

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

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

5. Sales Tax

A special election was held on April 3, 2001. The citizens of Grant County approved a one-cent sales tax to be collected for the period beginning May 1, 2001, and ending April 30, 2006. The sales tax is for the purpose of providing County Sheriff, Rural Fire, and Emergency Medical Service to the County through the 12 following 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 EMS
7. Medford Fire Department
8. Nash Fire Department
9. Pond Creek EMS
10. Pond Creek Fire Department
11. Wakita EMS
12. Wakita Fire Department

Grant County received \$171,905 in sales tax for the year ending June 30, 2002.

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
GRANT COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Grant County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 22, 2003. Our report contains an explanatory paragraph discussing that the financial statements are not intended to be a complete presentation of the financial position and results of operations of those funds of Grant County. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Grant County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Finding 2002-1 – Proper Encumbrance of Funds

Criteria: Title 62 O.S. 2001, § 310.2 requires that purchase orders be encumbered prior to the receipt of goods or services.

Condition: Three of 25 purchase orders tested had invoices that predated the encumbrance date.

P.O. #	Fund	Paid to	Date	Purpose	Warrant #
1087	General	Grant County News	10/15/01	Publication	347
335	Highway-CBIF	Rowe-Porterfield	08/13/01	Survey	285
2757	Highway	Clyde Coop	04/01/02	Rent to park Grader	2053

Recommendation: We recommend that the County adhere to 62 O.S. 2001, § 310.2 and secure a purchase order prior to receiving goods or services.

Finding 2002-2 – Maintenance of Purchase Orders

Criteria: Title 19 O.S. 2001, § 1505.C.4. requires the County Clerk’s office to maintain one copy of the purchase order and related claims and supporting documents for all purchases of the County.

Condition: We were unable to locate three of the 25 purchase orders tested. The appropriation ledger revealed the purchase orders were for the following items:

P.O. #	Purpose
2765	Blanket for parts
3534	For rock
2181	Garnishment of payroll

Effect: Proper documentation of payments made has not been maintained in accordance with state statutes.

Recommendation: We recommend that the County comply with 19 O.S. 2001, § 1505.C.4. and maintain adequate information for documentation of expenditures.

Finding 2002-3 – Purchase of Rock from Quarry

Criteria: Title 19 O.S. 2001, § 1501.A.3.f. states that the purchasing agent does not have to utilize the bidding procedures “when materials for road or bridge improvements do not exceed Three Dollars (\$3.00) per yard or per ton.” Additionally, 19 O.S. 2001, § 1505.E.4. states in part, “the receiving officer shall obtain a delivery ticket, bill of lading, or other delivery document,” for items purchased.

Condition: The Grant County Commissioners contracted with Kay County Limestone to lease a “rock quarry.” The contract states that the price of the shale is \$0.50 per ton. The County remitted \$24,437.06 to the Kay County Limestone during the fiscal year. None of the 17 purchase orders issued to Kay County Limestone had delivery documents to substantiate the tonnage of rock removed from the quarry. The amount paid per ton varies from \$0.50 to \$4.80.

Effect: The County appears to have exceeded the \$3.00 limit on non-bid road materials and has paid in excess of contracted amounts. Additionally, the County has paid purchase orders that do not have all the necessary documentation to support the expenditure of funds.

Recommendation: We recommend that the County adhere to 19 O.S. 2001, §1501.A.3.f. and 19 O.S. 2001, § 1505.E.4. to provide proper controls over the purchase of “non bid” items and the receipt of such items.

Finding 2002-6 – Excess Accumulation of Leave

Criteria: The Employee Personnel Policy Handbook on page 9 states, “Sick leave may be accrued up to 30 days” and further states, “When terminating employment with the County, an employee may not collect pay for accrued sick leave.” Additionally, 19 O.S. 2001, § 1301 states, “Any leave plan adopted by a county shall not extend benefits to any employee in excess of level benefits available to a regular state employee in classified service.” Title 74 O.S. 2001, § 840-2.20 has set the annual leave accumulation limit at 60 days for state employees.

Condition: One employee retired from the County effective June 1, 2003. However, the employee was paid for 30 days (240 hours) of sick leave for the month of April 2003, and was paid for 60 days (480 hours) of annual leave in the months of January, February and March 2003. The time records reflected only 133 days of accumulated vacation leave as of January 2003. Additionally, records revealed that the last day worked was January 2, 2003.

It appears that the employee was paid excess vacation leave in violation of 74 O.S. 2001, § 840-2.20, and the employee was also paid sick leave benefits in violation of the County policy.

Recommendation: We recommend that the County adhere to Oklahoma Statutes that set forth limitations on the accumulation of vacation leave and we further recommend the County adhere to County policies regarding the pay out of sick leave.

Finding 2002-7 – Retirement Benefits

Criteria: According to 74 O.S. 2001, § 902(14), an employee who is eligible for retirement benefits is someone whose “employment is not seasonal or temporary and whose employment requires at least 1000 hours of work per year.” Part-time employees who work in excess of 1000 hours are considered in the permanent employee category for purposes of benefit eligibility.

Condition: For the year ended June 30, 2003, there were two part-time employees who worked more than 1000 hours for the year, but did not receive retirement benefits.

Treasurer’s Office Deputy	Fiscal Year 2002	1240 hours worked
Highway Deputy	Fiscal Year 2002	1900 hours worked

Recommendation: We recommend that the County withhold and pay retirement benefits for all employees who work at least 1000 hours within one year in accordance with 74 O.S. 2001, § 902(14).

Finding 2002-8 – Equipment Inventory

Criteria: Title 69 O.S. 2001, § 645 states in part, “The board of county commissioners shall cause each piece of county-owned, rented or leased road machinery and equipment, and each automobile and truck, to be conspicuously and legibly marked with the county’s name on each side in upper case letters, on a background of sharply contrasting color. Further, Title 19 O.S. 2001, § 1502, provides for a uniform identification system for county equipment.

Condition: District #3 did not mark any of the County-owned equipment with County identification numbers nor were machinery, equipment, and vehicles marked with the County's name.

In District #2, 41 items out of 192 items physically verified were not marked with County identification numbers nor were machinery, equipment, and vehicles marked with the County's name.

Effect: County equipment could be used for unauthorized reasons without being detected.

Recommendation: We recommend that county identification numbers be assigned to capital assets over \$250 and identification permanently affixed in accordance with 19 O.S. 2001, §1502 and 69 O.S. 2001, §645.

Finding 2002-9 – Daily Deposit and Receipt of Funds

Criteria: Title 19 O.S. 2001, § 682 states that every county officer shall deposit all money received daily. Title 28 O.S. 2001, § 9 states, "every officer charging fees shall give a receipt therefore."

Condition: The following exceptions were noted when performing cash compositions on the official depository receipts of the Sheriff's office:

1. Receipts were not always marked "cash" or "check."
2. There were no receipts written for 3 deposits made in the Sheriff's account for the year.

<u>Purpose</u>	<u>Deposit Date</u>	<u>Receipt</u>
Cash Bond	June 20, 2002	\$ 250.00
Winter Livestock	August 13, 2001	\$5,411.89
Cherokee Sales	May 29, 2002	\$1,123.00

3. The following receipts were written for bonds; however, we could find no evidence these funds were deposited.

<u>Receipt #</u>	<u>Date</u>	<u>Amount</u>
1775	10-14-01	\$1,220.50
1776	10-21-01	41.50
1787	10-29-01	500.00
1794	01-03-02	100.00
1795	01-04-02	162.00
1818	04-19-02	632.00

Recommendation: We recommend that all money collected be receipted and deposited daily in accordance with 19 O.S. 2001, § 682 and 28 O.S. 2001, § 9. If refunds are necessary, they should be made by voucher and all receipts should indicate mode of payment (cash, money order, cashier's check, or check).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grant County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming

to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described below.

Finding 2002-4 – Formal Leave Records

Criteria: The Employee Personnel Policy Handbook on page 6 states, "Each elected official shall be responsible for keeping records of the leave taken by his or her employees and shall make monthly reports to the County Clerk. Such records should include type and length of leave."

Condition: Formal records of employee leave (annual and sick) are not maintained by officers.

Recommendation: We recommend the County officers maintain records of employee leave to comply with the Employee Personnel Policy Handbook. Additionally, the County should adopt standardized forms to be used for each employee to track leave usage, accrual, and balances. We further recommend that the form include pay rate, employment date, and value of leave remaining.

Finding 2002-5 - Timesheets

Criteria: Effective accounting procedures include standardized and approved timesheets be submitted by each employee to the appropriate officer in order to substantiate on formal documents payroll claims, payroll changes, and proper authorization.

Condition: The employees of Grant County do not complete monthly timesheets. Some time records of the hours worked were maintained, but they were not signed by the employee nor were the records used to prepare the payroll claim. Additionally, the County did not utilize written formalized payroll change forms.

Recommendation: We recommend the County adopt standardized forms to be used for each employee to track hours worked and the use of leave balances. We further recommend that the timesheets be used to prepare the monthly payroll and that payroll changes be documented in writing.

Finding 2002-10 – Segregation of Duties

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation is an important element of effective internal control over government assets and resources. The most effective controls lie in management's knowledge of County operations and a periodic review of operations.

Condition: The Assessor's office, Sheriff's office, and County Health Department each had one employee who performed all duties of balancing and posting receipts.

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. Under these conditions, the most effective controls lie in management's knowledge of County operations and a periodic review of operations.

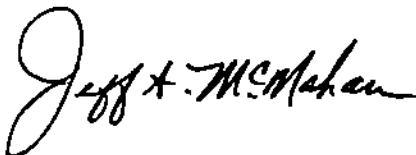
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2002-10 to be a material weakness.

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

This report is intended solely for the information and use of the management of the County and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

September 22, 2003

Management Response

Grant County Clerk
Post Office Box 167
Medford, Oklahoma 73759
Phone 580-395-2274 Fax 580-395-2086

Oklahoma State Auditor and Inspector
Weatherford District
1401 Lera, Suite 9
Weatherford, Oklahoma 73096

Dear Ms. Merle:

In response to the Audit Findings I would like to state the following plan of action.

Finding 1.
Proper Encumbrance of Funds.

The County Clerk/Purchasing Agent will attempt to ensure purchase orders are encumbered before goods are ordered.

Finding 2.
Purchase of Rock.

Commissioners have already corrected this misunderstanding.

Finding 3.
Formal Leave Records.

Employee Personnel Policy Handbook is being updated to clarify language and SA&I recommended forms have been implemented.

Finding 4.
Timesheets.

Employee Personnel Policy Handbook is being updated to clarify language and SA&I recommended forms have been implemented.

Finding 5.
Excess Accumulation of Leave.

Employee Personnel Policy Handbook is being updated to clarify language and SA&I recommended forms have been implemented.

Finding 6.
Retirement Benefits.

Adam Honeyman – Sheriff's Office – has been placed on a full time basis.

Judy Miller – Treasurer's Office – will be placed on a full time/part time basis or will not be allowed to work more than 1000 hours in any twelve month period.

Finding 7.
Daily Deposit and Receipt of Funds.

Receipts will be monitored more carefully as to whether cash or check was received. Deposits will be made on a timely manner and receipts will be written for all deposits.

Finding 8.
Segregation of duties.

Grant County is a small county. Duties are segregated as best as they can be. Cross training will be further implemented.

Thank you for your recommendations. It is the wish of Grant County to comply with state laws and SA&I recommendations.

Sincerely,



Becky Kretchmar
Grant County Clerk



GRANT COUNTY SHERIFFS OFFICE

219 N. FIRST
Medford, Oklahoma 73759

Phone (580)395-2356
Fax (580)395-2548

September 22, 2003

Grant County Clerk
112 E. Guthrie
Medford, OK 73759

Dear Becky,

Enclosed is the response that was requested for the state auditor's findings and recommendations.

Finding 2002-7--Retirement Benefits

Robert Adam Honeyman has been hired as a full time employee with the Grant County Sheriff's Office and is now receiving retirement benefits as required in Title 74 section 902(14).

Finding 2002-9

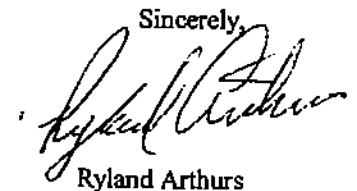
1 & 2) It has been discussed with each employee of the Grant County Sheriff's Office that anytime an employee collects money for the Sheriff's Office, a receipt must be completed and given to the individual that we have accepted the money from and all receipts must have either cash or check and check number written on the receipt in compliance with Title 28 section 9

3) It has been discussed with the appropriate employees of the Grant County Sheriff's Office that any and all money that comes into the Sheriff's Office shall be receipted and deposited daily in compliance with Title 19 O.S. 2001, section 682 and Title 28 O.S. 2001, section 9. If it is a weekend or the Treasurer's Office is closed, the money shall be locked up until the following business day and on that business day, should be taken and deposited. From now on, if a refund is to be given, the money will be deposited first, then a voucher will be written.

Finding 2002-10

Although only two employees of the Grant County Sheriff's Office have been designated to balance and post receipts for our department, the operations of these employees are often reviewed by the Sheriff and/or Undersheriff to ensure proper control of all funds.

Sincerely,



Ryland Arthurs

**Statistical Data
(Unaudited)**

**GRANT COUNTY, OKLAHOMA
TOP TEN TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2002
(UNAUDITED)**

<u>TAXPAYER</u>	<u>JANUARY 1, 2001 NET ASSESSED VALUATION</u>	<u>% OF TOTAL NET VALUATION</u>
1 Koch	\$ 10,607,107	14.12%
2 Manchester Pipeline	5,636,750	7.50%
3 Western Gas	4,656,085	6.20%
4 Williams Gas	3,578,521	4.76%
5 Missouri Gas	2,185,600	2.91%
6 OG&E	1,866,915	2.49%
7 Conoco Inc.	1,292,916	1.72%
8 Pioneer	1,009,279	1.34%
9 Aquila Energy	871,345	1.16%
10 City Utilities Springfield	679,745	0.91%
Total	<u>\$ 32,384,263</u>	<u>43.11%</u>

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

**GRANT COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2002
(UNAUDITED)**

Total net assessed value as of January 1, 2001		<u>\$ 75,121,099</u>
Debt limit - 5% of total assessed value		\$ 3,756,055
Total bonds outstanding	140,000	
Total judgments outstanding	-	
Less cash in sinking fund	<u>29,355</u>	<u>110,645</u>
Legal debt margin		<u>\$ 3,645,410</u>

**GRANT COUNTY, OKLAHOMA
 RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
 VALUE AND NET BONDED DEBT PER CAPITA
 FOR THE YEAR ENDED JUNE 30, 2002
 (UNAUDITED)**

	2002
Estimated population	5,237
Net assessed value	\$ 75,121,099
Gross bonded debt	140,000
Less available sinking fund cash balance	29,355
Net bonded debt	\$ 110,645
Ratio of net bonded debt to assessed value	0.15%
Net bonded debt per capita	\$ 21.13

**GRANT COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE YEAR ENDED JUNE 30, 2002
(UNAUDITED)**

<u>Tax Year</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
2001	\$27,309,590	\$12,640,524	\$36,621,745	\$1,450,760	\$ 75,121,099	\$555,164,180