

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

January 6, 2005

TO THE CITIZENS OF
GRANT COUNTY, OKLAHOMA

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

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

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

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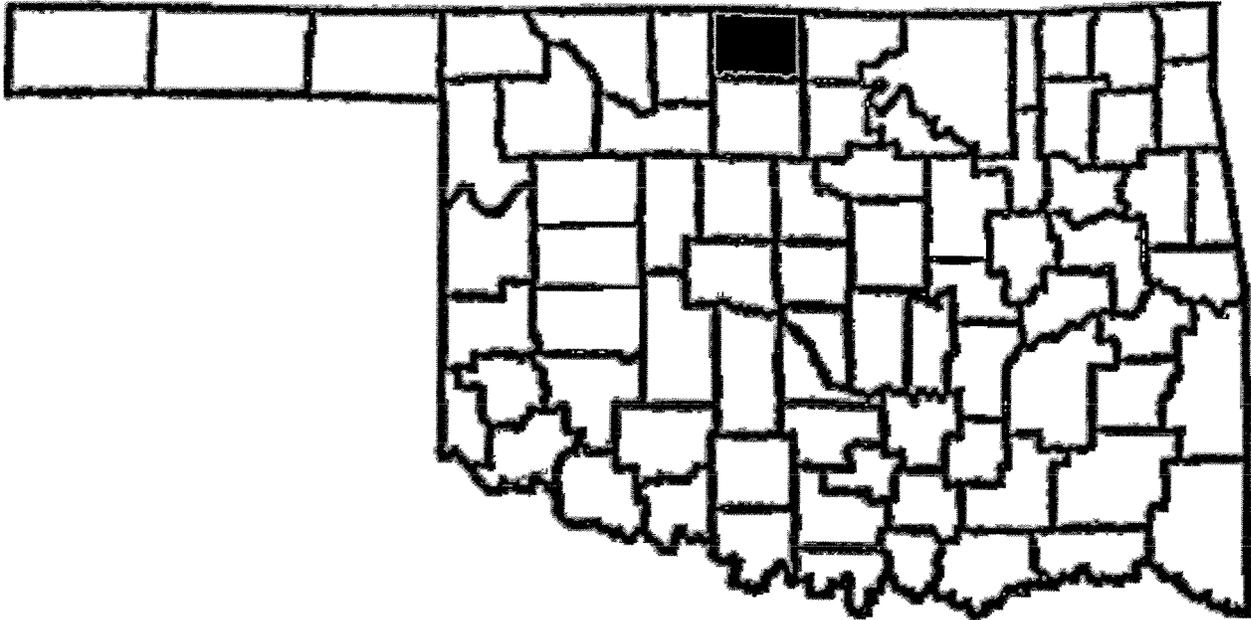
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**GRANT COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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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 – 1000.6 Square Miles

County Population – 5,144
(2000 est.)

Farms - 688

Land in Farms – 584,588 acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**GRANT 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

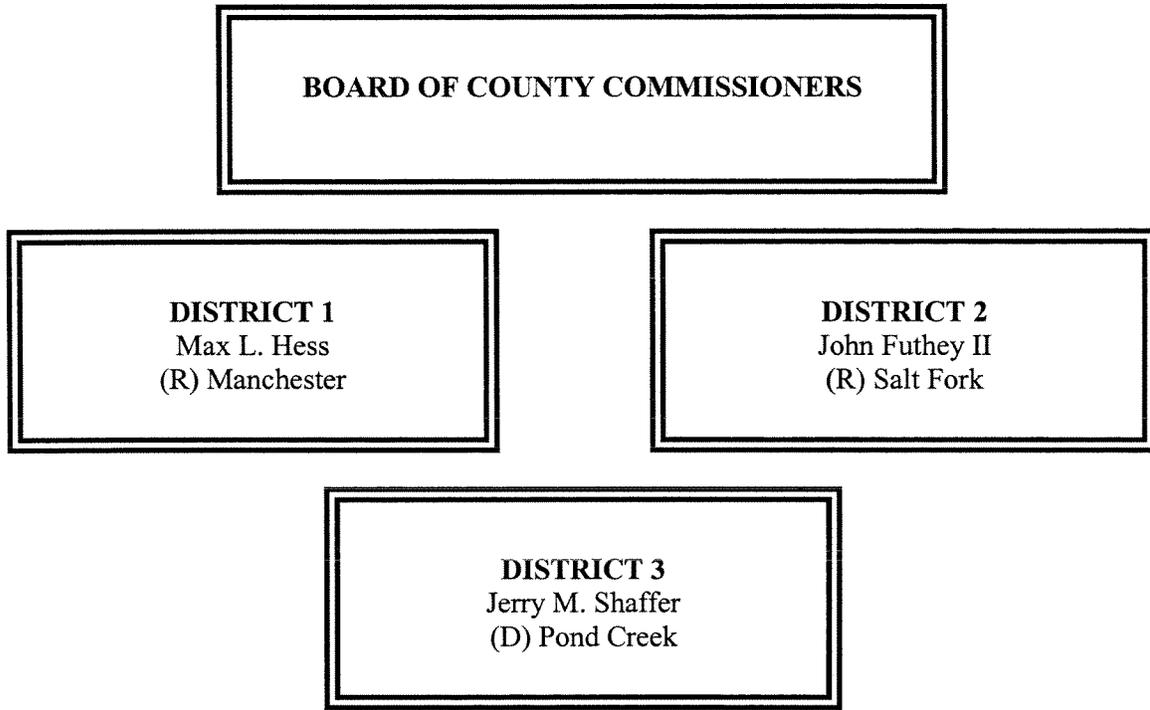
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**GRANT 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.

**GRANT 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.

**GRANT 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.

**GRANT COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

Harvey J. Bush
(D) Medford

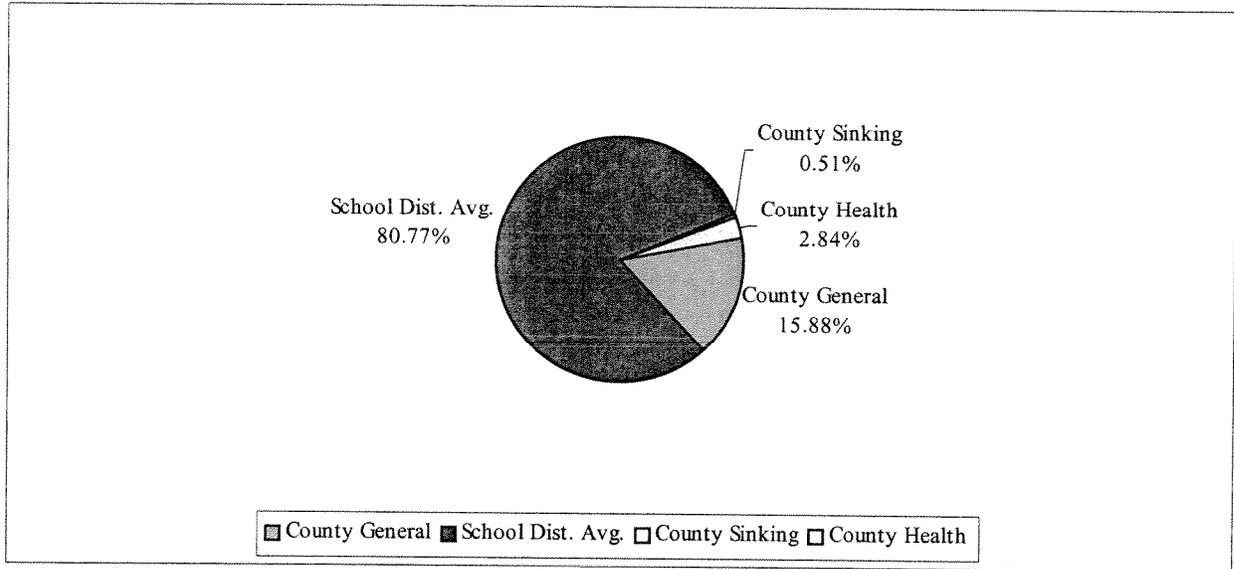
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

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



County-Wide Millages		School District Millages						
Co. General	10.00							
County Health	1.79	Medford	I-54	35.00	5.00	3.34	4.00	47.34
County Sinking	0.32	Pond Creek	I-90	35.00	5.00	6.81	4.00	50.81
		Wakita	I-33	35.00	5.00	1.35	4.00	45.35
		Deer Creek - Lamont	I-95	35.00	5.00	11.82	4.00	55.82
<u>City-Wide Millages</u>		Nash	I-93	35.00	5.00	4.98	4.00	48.98
Nash	9.07	Billings	JT-2	35.00	5.00	6.61	4.00	50.61
		Kremlin-Hillsdale	JT-18	35.00	5.00	13.13	4.00	57.13

See independent auditor's report.

Financial Section



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
GRANT COUNTY, OKLAHOMA

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

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Grant County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general and county health department funds 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, 2004, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2004, 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.

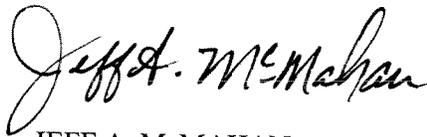
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Grant County, Oklahoma, taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we express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

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

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

December 6, 2004

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
County General Fund	\$ 310,838	\$ 977,577	\$ 1,037,339	\$	\$ 251,076
Highway Cash	533,983	2,941,485	3,044,807	\$	430,661
Bank Interest	579	1,747	1,787	\$	539
Resale Property	45,825	19,459	37,144	\$	28,140
County Health Department	164,680	145,494	146,498	\$	163,676
Assessor Revolving	1,858	13,430	6,915	\$	8,373
Assessor Visual Inspection	2,600	\$	\$	\$	2,600
Sheriff Service Fee	12,034	65,709	39,588	\$	38,155
Sheriff Teletype	9,645	4,350	4,200	\$	9,795
Sheriff Local Law Enforcement	11,111	4	10,995	\$	120
COPS	653	\$	\$	\$	653
Department of Corrections	71,621	54,544	63,300	\$	62,865
Court Clerk Trust Cash Voucher	13,077	137	\$	\$	13,214
Treasurer's Mortgage Tax Certification Fee	2,717	1,500	3,337	\$	880
Juvenile Detention	1,861	108	875	\$	1,094
Free Fair	169	3,239	3,408	\$	\$
REAP Grant	548	\$	531	\$	17
ARM Reap Grant	32,637	298	4,561	\$	28,374
Hazard Mitigation	\$	10,560	10,560	\$	\$
Health Department Grant	781	\$	\$	\$	781
Civil Emergency Management	4,329	\$	1,464	\$	2,865
Local Emergency Planning Committee	\$	1,120	424	\$	696
Community Service Sentencing Program	7,621	1,142	\$	\$	8,763
County Clerk Record's Management Fee	12,564	10,894	4,418	\$	19,040
County Clerk Lien Fee	3,294	2,724	2,143	\$	3,875
Grant County Property	105	\$	\$	\$	105
Fire Equipment Grant	86	\$	\$	\$	86
Sales Tax	263,253	240,891	102,913	\$	401,231
ARM-Muegge	36,824	324	20,397	\$	16,751
Courthouse Improvement	473	\$	\$	\$	473
Schools	6,394	3,974,324	3,976,265	\$	4,453
Cities and Towns	91,543	103,694	93,187	\$	102,050
Official Depository	94,655	754,202	795,480	28,964	82,341
Civil Emergency Management	156	7,342	7,498	\$	\$
Law Library	1,143	4,101	4,999	\$	245
Industrial Authority Sinking	24,475	25,680	27,045	\$	23,110
Protest Tax	678,251	195,058	66,964	\$	806,345
Tax Refund	\$	16	16	\$	\$
Cash on Hand	25	\$	\$	\$	25
Total County Funds	<u>\$ 2,442,408</u>	<u>\$ 9,561,153</u>	<u>\$ 9,519,058</u>	<u>\$ 28,964</u>	<u>\$ 2,513,467</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, 2004**

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 310,838	\$ 310,838	\$ 310,838	\$ -
Less: Prior Year Outstanding Warrants	(38,427)	(38,427)	(38,427)	
Less: Prior Year Encumbrances	(13,969)	(13,969)	(13,778)	191
Beginning Cash Balances, Budgetary Basis	<u>258,442</u>	<u>258,442</u>	<u>258,633</u>	<u>191</u>
Receipts:				
Ad Valorem Taxes	744,888	744,888	801,426	56,538
Charges for Services	53,366	53,639	72,698	19,059
Intergovernmental Revenues	85,935	85,935	87,029	1,094
Miscellaneous Revenues	11,525	11,525	16,424	4,899
Total Receipts, Budgetary Basis	<u>895,714</u>	<u>895,987</u>	<u>977,577</u>	<u>81,590</u>
Expenditures:				
District Attorney	7,266	7,266	5,046	2,220
Capital Outlay	200	200		200
Total District Attorney	<u>7,466</u>	<u>7,466</u>	<u>5,046</u>	<u>2,420</u>
County Sheriff	232,407	198,407	195,068	3,339
Capital Outlay	1	34,001	28,024	5,977
Total County Sheriff	<u>232,408</u>	<u>232,408</u>	<u>223,092</u>	<u>9,316</u>
County Treasurer	73,977	73,680	73,678	2
Capital Outlay	1,500	1,797	1,797	
Total County Treasurer	<u>75,477</u>	<u>75,477</u>	<u>75,475</u>	<u>2</u>
OSU Extension	14,979	13,107	12,826	281
Capital Outlay	1	1,873	1,716	157
Total OSU Extension	<u>14,980</u>	<u>14,980</u>	<u>14,542</u>	<u>438</u>
County Clerk	82,934	82,232	81,699	533
Capital Outlay	1	703	146	557
Total County Clerk	<u>82,935</u>	<u>82,935</u>	<u>81,845</u>	<u>1,090</u>
Court Clerk	59,277	59,277	59,066	211
Capital Outlay				
Total Court Clerk	<u>59,277</u>	<u>59,277</u>	<u>59,066</u>	<u>211</u>
County Assessor	67,277	63,009	62,901	108
Capital Outlay	1	4,269	4,227	42
Total County Assessor	<u>67,278</u>	<u>67,278</u>	<u>67,128</u>	<u>150</u>
Revaluation of Real Property	76,313	76,413	71,406	5,007
Capital Outlay	100			
Total Revaluation of Real Property	<u>76,413</u>	<u>76,413</u>	<u>71,406</u>	<u>5,007</u>
General Government	206,846	206,097	146,371	59,726
Capital Outlay	500	1,250	1,169	81
Total General Government	<u>207,346</u>	<u>207,347</u>	<u>147,540</u>	<u>59,807</u>
Excise-Equalization Board	5,000	5,000	4,407	593
Capital Outlay				
Total Excise-Equalization Board	<u>5,000</u>	<u>5,000</u>	<u>4,407</u>	<u>593</u>

continued on next page

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, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Election Board	\$ 39,762	\$ 40,015	\$ 36,005	\$ 4,010
Capital Outlay	1	1		1
Total County Election Board	39,763	40,016	36,005	4,011
Insurance - Benefits	249,870	249,889	216,428	33,461
Capital Outlay				
Total Insurance - Benefits	249,870	249,889	216,428	33,461
Charity	1,000	1,000		1,000
Capital Outlay				
Total Charity	1,000	1,000		1,000
Recording Account	12,001	12,001	11,364	637
Capital Outlay	1	1		1
Total Recording Account	12,002	12,002	11,364	638
Library	850	850	848	2
Capital Outlay				
Total Library	850	850	848	2
County Audit Budget	13,122	13,122	4,928	8,194
Capital Outlay				
Total County Audit Budget	13,122	13,122	4,928	8,194
Free Fair Budget	5,499	5,500	5,454	46
Capital Outlay				
Total Free Fair Budget	5,499	5,500	5,454	46
Provision for Interest on Warrants	3,469	3,469	1,394	2,075
Total Expenditures, Budgetary Basis	1,154,156	1,154,429	1,025,968	128,461
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	210,242	<u>\$ 210,242</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			13,554	
Add: Current Year Outstanding Warrants			27,280	
Ending Cash Balance			<u>\$ 251,076</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 FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	County Health Department			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 164,680	\$ 164,680	\$ 164,680	\$ -
Less: Prior Year Outstanding Warrants	(77)	(77)	(77)	
Less: Prior Year Encumbrances	(28,615)	(28,615)	(27,291)	1,324
Beginning Cash Balances, Budgetary Basis	<u>135,988</u>	<u>135,988</u>	<u>137,312</u>	<u>1,324</u>
Receipts:				
Ad Valorem Taxes	133,336	133,336	142,259	8,923
Charges for Services	676	676	1,739	1,063
Intergovernmental Revenue			17	17
Miscellaneous Revenues			1,479	1,479
Total Receipts, Budgetary Basis	<u>134,012</u>	<u>134,012</u>	<u>145,494</u>	<u>11,482</u>
Expenditures:				
Health and Welfare	220,000	220,000	127,024	92,976
Capital Outlay	50,000	50,000	3,637	50,000
Total Expenditures Budgetary Basis	<u>270,000</u>	<u>270,000</u>	<u>130,661</u>	<u>139,339</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	152,145	<u>\$ 152,145</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			11,260	
Add: Current Year Outstanding Warrants			271	
Ending Cash Balance			<u>\$ 163,676</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, 2004**

Beginning Cash Balance	<u>\$ 24,475</u>
Receipts:	
Ad Valorem Tax	25,560
Miscellaneous	120
Total Receipts	<u>25,680</u>
Disbursements:	
G.O. Bonds	20,000
Fiscal Agent Fees	445
Interest Paid	6,600
Total Disbursements	<u>27,045</u>
Ending Cash Balance	<u><u>\$ 23,110</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, 2004**

Official Depository Accounts	Beginning Cash Balances July 1, 2003	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
District Court Clerk	\$ 56,428	\$ 240,706	\$ 272,346	\$ 28,710	\$ 53,498
District Court Fund	19,597	125,608	135,139	26	10,092
Court Clerk Revolving	5,633	5,485	1,069		10,049
District Attorney Witness Fee	171	1,118	1,180	2	111
District Attorney Bogus Check			52	52	
County Sheriff	6,421	33,177	39,098		500
County Sheriff Livestock	2,867		2,867		
County Clerk		59,677	59,664		13
County Treasurer	3,342	203,150	203,198		3,294
County Treasurer Super Now		55,462	55,462		
County Election Board	196	13,789	9,375	174	4,784
County Health Department		2,599	2,599		
County Assessor		13,431	13,431		
Total Official Depository Accounts	\$ 94,655	\$ 754,202	\$ 795,480	\$ 28,964	\$ 82,341

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of 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 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. Funds presented are established by statute, and their operations are under the control of the County officials.

B. Fund Accounting

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

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

Summary of Significant Accounting Policies (continued)

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

The Comparative Statements of Receipts, Expenditures, and Changes in Fund Balances - Budget and Actual - for the General Fund and County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Fund 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 receipts and disbursements of other budgetary entities are not included in the County's Estimate of Needs.

E. Cash and Investments

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

F. Risk Management

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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability	The County participates in a public entity risk pool - Association of County Commissioners of Oklahoma-Self-Insured Group (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.
- Torts		
- Errors and Omissions		
- Law Enforcement Officers Liability		
- Vehicle		
Physical Plant		
- Theft		
- Damage to Assets		
- Natural Disasters		

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Worker's Compensation - Employees' Injuries	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
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 pool assets, the members would have surcharges assessed to pay the excess claims.

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$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 amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance to cover claims that exceed the pool's risk retention limits up to \$1,000,000. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Commercial Insurance - The County obtains commercial insurance coverage to pay legitimate worker's compensation claims. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

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

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

G. Compensated Absences

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

Summary of Significant Accounting Policies (continued)

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.

In management's opinion any unpaid vacation benefits accumulated are not material to the financial statements for the year ended June 30, 2004.

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 \$2,513,467 and the bank balance was \$3,124,185. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

Detailed Notes on Funds and Account Balances (continued)

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

B. Description of Funds

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

Highway Cash - accounts for state, local and miscellaneous receipts and disbursements are 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's 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 disbursement of sheriff process service fees as restricted by statute.

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

Sheriff Local Law Enforcement – accounts for the receipt of grant funds used for local law enforcement equipment of the Sheriff's office.

COPS – accounts for federal grants received and disbursements are for the purpose of salaries for Sheriff deputies

Department of Corrections - accounts for the collection of state held prisoners and disbursements are 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's 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.

Detailed Notes on Funds and Account Balances (continued)

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.

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.

Hazard Mitigation - accounts for monies received from the state for the implementation of policies and procedures for hazardous material.

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

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

Local Emergency Planning Committee – accounts for fees collected for disbursement in planning local emergency management.

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

County Clerk Records Management 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 – 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.

Detailed Notes on Funds and Account Balances (continued)

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 Grant 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 and for cemetery investments.

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.

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 GO Bonds issued by the Authority for industrial development.

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

Tax Refund – accounts for taxes paid in error and refunded to the taxpayer.

Cash on Hand – accounts for cash on hand to make change for citizens making transactions in cash.

The accounts within the Official Depository Fund are described as follows:

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

District Court Fund – accounts for fees transferred from 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 Fund – This account was established 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.

Detailed Notes on Funds and Account Balances (continued)

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

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

County Sheriff – accounts for all collections of foreign service fees and bond monies. Monies are disbursed at the end of the month to the Sheriff Service Fee Account and District Court Clerk Account.

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

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 collection vouchers to OTC, schools, and the County Treasurer Mortgage Certification Fee Account.

County Treasurer Super Now – accounts for the disbursement and collection of interest earned on the official depository account.

County Election Board – accounts for reimbursement of election cost by entities within the County and is disbursed for refunds 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 monies received from copies made and disbursements are made to the county assessor's revolving fund.

Detailed Notes on Funds and Account Balances (continued)

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2003, was approximately \$81,937,710.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10 mills (the legal maximum) for general fund operations, .32 mill for the industrial authority sinking, and 1.79 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, 2004, were approximately 95.6 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.

Detailed Notes on Funds and Account Balances (continued)

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.

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; 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 current fiscal year the County levied .32 mills.

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

Purpose	Interest Rate	Amount
Grant County G.O. Limited Tax Bonds	6%	<u>\$100,000</u>

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

Detailed Notes on Account Balances (continued)

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

Fiscal Year Ending June 30,	Series A		
	Principal	Interest	Total
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>\$100,000</u>	<u>\$15,600</u>	<u>\$115,600</u>

G. Fuel Tax

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

4. Contingent Liabilities

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

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

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:

Sales Tax (continued)

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 \$240,891 in sales tax for the year ending June 30, 2004.

Internal Control\Compliance Section



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
GRANT COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Grant County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 6, 2004. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2003-1, 2003-2 and 2003-3.

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

Compliance and Other Matters

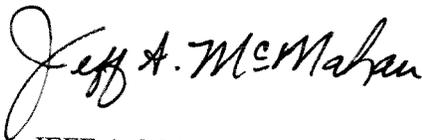
As part of obtaining reasonable assurance about whether Grant County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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*. However, we noted certain matters that we reported to management of Grant County and are included in Section 2 of the schedule of findings, contained within this report.

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

December 6, 2004

SECTION 1 - 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 2003-1 - All Offices - Segregation of Duties (Repeat Finding)

Criteria: Demonstration of accountability and stewardship are overall goals in evaluating management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

Condition: Based on inquiries and observation of County personnel, it was noted that the duties of receiving, receipting, recording, and depositing collections were not adequately segregated for offices handling cash transactions.

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

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

Management Response: We concur with the auditor's comments, and will conduct periodic reviews of office operations.

Finding 2003-2 - Payroll-Preparation of Timesheets and Leave Records (Repeat Finding)

Criteria: Effective internal controls include each employee submitting a standardized and approved timesheet in order to substantiate payroll claims. Additionally, leave records should be maintained reflecting accruals usages and balances. Amounts recorded on the timesheets should be verified to amounts reflected on the leave records.

Condition: The County Clerk, Sheriff and Commissioners' Districts did not submit authorized and approved timesheets detailing the leave used and accrued and the balance of accrued leave.

Recommendation: We recommend all Grant County employees prepare and sign their timesheets and that the officer sign the timesheets after reviewing for correctness and accuracy. We further recommend that leave records be maintained in detail and reconcile to the amounts used on the timesheet.

Management Response: The County will endeavor to use a standardized, approved timesheet with leave accrual and balances documented on the form.

Finding 2003-3 - Payroll - Leave Benefits (Repeat Finding)

Criteria: Effective internal controls include the Board of County Commissioners establishing guidelines with regard to the payment of accrued vacation benefits upon termination and the amount of accrued vacation and sick leave to be accumulated.

Condition: The Employee Personnel Handbook does not address whether accumulated annual leave balances will be paid upon termination of the employee. Neither does it address the amount of annual leave that may be accumulated. It does state however, on page 9, "an employee may not collect pay for accrued sick leave." We were unable to determine from records available if unused leave balances were paid upon termination.

Recommendation: We recommend that the Board of County Commissioners address these issues and document the decisions made in the Handbook.

Management Response: The Board of County Commissioners will approve an Employee Personnel Handbook documenting leave accruals and limits before January 2005.

SECTION 2 - Other Findings - This section contains findings not required to be reported in 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*, but which we believed were significant enough to bring to the County's attention. We recommend that the County consider these matters and take appropriate corrective action.

Finding 2003-4 - County Fixed Assets (Repeat Finding)

Criteria: Title 19 O.S. 2001, § 178.3 states, "The county clerk shall be custodian and repository of all inventory records, files, and reports."

Condition: While testing equipment inventory, it was determined that the Grant County Clerk did not have updated inventory lists of county-owned equipment and had not maintained accurate inventory lists for the fiscal year.

Recommendation: We recommend that the County Clerk implement policies and procedures to comply with Title 19 O.S. 2001, § 178.3, and that the records, files, and reports be accurately maintained.

Management Response: The County Clerk will endeavor to substantiate an inventory reporting system detailing inventory numbers, descriptions and costs of inventory items.

Finding 2003-5 - Fixed Assets - Properly Identified Inventory Equipment (Repeat Finding)

Criteria: Title 69 O.S. 2001, § 645 states, “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 marked in accordance with the provision of this section. County-owned automobiles, trucks, road machinery and equipment shall be conspicuously and legibly marked PROPERTY OF (name of county) COUNTY, and leased automobiles, trucks, road machinery and equipment shall be conspicuously and legibly marked LEASED BY (name of county) COUNTY, on each side, in upper case letters, on a background of sharply contrasting color.”

Condition: Some items at District #1 and District #2 were not properly marked with identifying stickers on rolling stockers.

Recommendation: We recommend the Grant County Commissioners implement policies and procedures to comply with Title 69 O.S. 2001, § 645 to ensure all county-owned and leased automobiles, trucks, road machinery and equipment are properly marked. Additionally, we recommend the County Commissioners comply with Chapter 10 of the Purchasing Handbook for Oklahoma Counties and ensure all fixed assets of the County are identified by the assigned county identification number.

Management Response: The Board of County Commissioners will mark all rolling stock with the proper identification.

Finding 2004-1 - Proper Encumbrance of Funds

Criteria: Title 62 O.S. 2001, § 310.1 A. states “Unless otherwise provided by ordinance, municipal officers, municipal boards, commissions and designated employees, hereinafter referred to as the purchasing officer, having authority to purchase or contract against all budget appropriation accounts as authorized by law shall submit all purchase orders and contracts prior to the time the commitment is made, to the municipality, who shall, if there be an unencumbered balance in the appropriation made for that purpose, so certify in the following form:...”

Title 62 O.S. 2001, § 310.2 states “... No purchase order shall be paid until approved by the officer, board or commission having charge of the office or department for which the appropriation for that purpose...”

Condition: While testing purchase orders for the fiscal year ended June 30, 2004, it was noted that 8 of the 19 (42%) purchase orders tested had an invoice date prior to the purchase order date.

Recommendation: We recommend the County officers comply with Title 62 O.S. 2001, § 310.1 A and encumber the funds before a purchase commitment is made.

Management Response: The Board of County Commissioners is planning on meeting with all new officers to discuss the proper method for encumbering funds.

Finding 2004-2 - Official Depository

Criteria: Title 19 O.S. 2001, § 682 requires that every county officer deposit daily all monies received. 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 for the Sheriff's office:

1. Receipts were not always marked as cash or check.
2. Receipts could not be located for 12 deposits during fiscal year 2004.
3. Receipt #1854 dated August 5, 2003, for \$500.00 did not appear to have been deposited.
4. Four out of thirty-five deposits reviewed were not deposited daily or within the next day of being received.

Recommendation: We recommend management take steps to ensure that all money collected by the Sheriff's office be receipted and deposited daily and receipts indicate the type of payment whether cash, check, money order, or cashier's check in accordance with Title 19 O.S. 2001, § 682 and Title 28 O.S. 2001, § 9.

Management Response: The Board of County Commissioners will meet with the newly elected Sheriff to discuss the proper procedures for receipting and depositing funds.

Finding 2004-3 - Cash Bonds

Criteria: Title 19 O.S. 2001, § 682 requires that every county officer deposit daily all monies received. Title 28 O.S. 2001, § 9 states, "every officer charging fees shall give a receipt therefore." Title 19 O.S. 2001, § 684 states, "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 treasurer, - 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."

Condition: While performing the cash bond test for the Sheriff's office, we were unable to locate receipts or corresponding deposit slips for eleven vouchers written to the Grant County Court Clerk for cash bonds. In addition, one voucher that we reviewed during our test work, had a receipt date of February 10, 2003, but was not disbursed to the Court Clerk until October 3, 2003.

Recommendation: We recommend management take steps to ensure that all money collected by the Sheriff's office be receipted and deposited daily and collections be disbursed to the appropriate office or account within the month of being received, in accordance with Title 28 O.S. 2001, § 9 and Title 19 O.S. 2001, § 684.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2004**

Management Response: The Board of County Commissioners will meet with the newly elected Sheriff to discuss the proper method for receipting and depositing of cash bonds.

**Statistical Data
(Unaudited)**

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

TAXPAYER	JANUARY 1, 2003 NET ASSESSED VALUATION	% OF TOTAL NET VALUATION
Koch Hydrocarbon	\$ 10,390,146	12.68%
Salt Plains Storage Inc.	6,366,305	7.77%
Western Gas Resources Inc.	4,126,115	5.04%
Southern Star Central Gas	3,104,731	3.79%
Missouri Gas Service Inc.	2,337,575	2.85%
Oklahoma Gas & Electric Co.	2,284,478	2.79%
Conoco Phillips Co.	1,903,850	2.32%
Kansas Gas Service Co.	1,221,415	1.49%
Pioneer Telephone Coop Inc.	1,161,966	1.42%
Oneok Energy Mkg & Trading LP	1,159,011	1.41%
Total	<u>\$ 34,055,592</u>	<u>41.56%</u>

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

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

Total net assessed value as of January 1, 2003		<u>\$ 81,937,710</u>
Debt limit - 5% of total assessed value		\$ 4,096,886
Total bonds outstanding	100,000	
Total judgments outstanding	-	
Less cash in sinking fund	<u>23,110</u>	<u>76,890</u>
Legal debt margin		<u>\$ 4,019,996</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, 2004
(UNAUDITED)**

	2004
Estimated population	5,144
Net assessed value as of January 1, 2003	\$ 81,937,710
Gross bonded debt	100,000
Less available sinking fund cash balance	23,110
Net bonded debt	\$ 76,890
Ratio of net bonded debt to assessed value	0.09%
Net bonded debt per capita	\$ 14.95

**GRANT COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/03	\$33,493,175	\$12,951,020	\$36,910,140	\$1,416,625	\$81,937,710	\$608,571,945