

COUNTY AUDIT

GRADY COUNTY

For the fiscal year ended June 30, 2016



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



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

**GRADY COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Oklahoma State Auditor & Inspector

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

May 26, 2017

TO THE CITIZENS OF
GRADY COUNTY, OKLAHOMA

Transmitted herewith is the audit of Grady County, Oklahoma for the fiscal year ended June 30, 2016. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive, flowing style.

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

**GRADY COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**GRADY COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

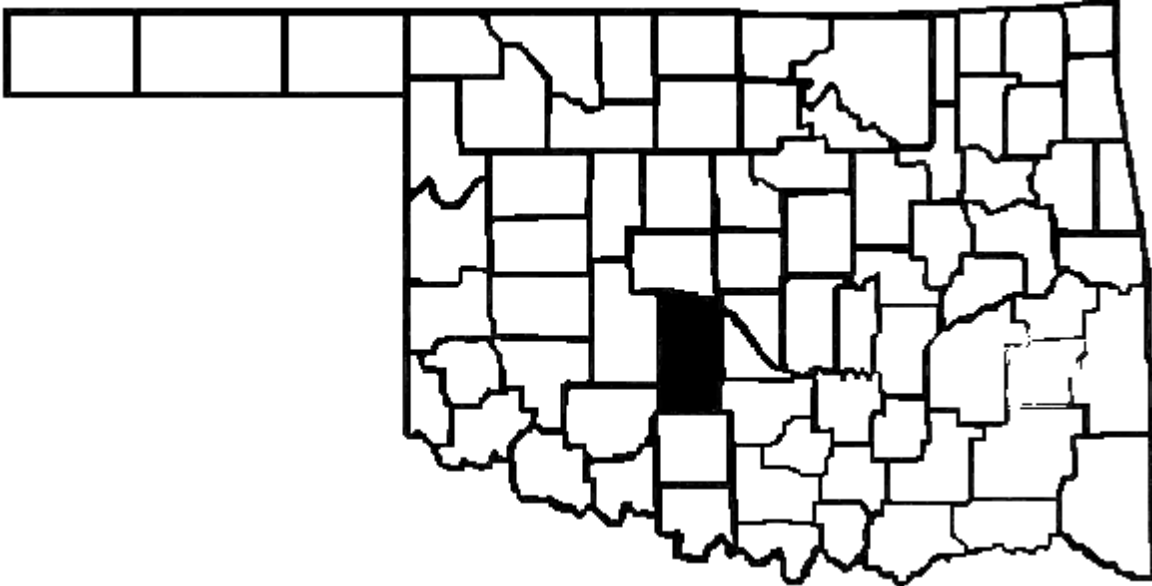
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**GRADY COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**



Grady County was created at statehood and named for Henry W. Grady, editor of the *Atlanta Constitution*. Chickasha, the county seat, was named for the Chickasaw Indians and is known as the “Queen City of the Washita” because of its strategic location.

In addition to the H.E. Bailey Turnpike and other highways, the Union Pacific and Stillwater Central railroads serve the transportation needs of the county.

Specialized educational needs are met by the Jane Brooks School for the Deaf and the University of Science and Arts of Oklahoma, all in Chickasha. Recreational opportunities are available at Lakes Burtschi and Chickasha.

Summer rodeos and swap meets attract visitors to the area, as does the annual Watermelon Festival at Rush Springs, the “Watermelon Capital of the World.” Other annual events include the Festival of Light, the Grady County Fair, the Firefighters Chili Cook-off, and the Veterans Parade.

Contact the Grady County Historical Society and the Chamber of Commerce for more information, or call the County Clerk’s office at 405/224-7388.

County Seat – Chickasha

Area – 1,105.30 Square Miles

County Population – 53,854
(2014 est.)

Farms – 1,666

Land in Farms – 583,322 Acres

Primary Source: Oklahoma Almanac 2015-2016

**GRADY COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Board of County Commissioners

District 1 – Windle Hardy
District 2 – Mike Lennier
District 3 – Ralph Beard

County Assessor

Bari Firestone

County Clerk

Sharon Shoemake

County Sheriff

Jim Weir

County Treasurer

Robin Burton

Court Clerk

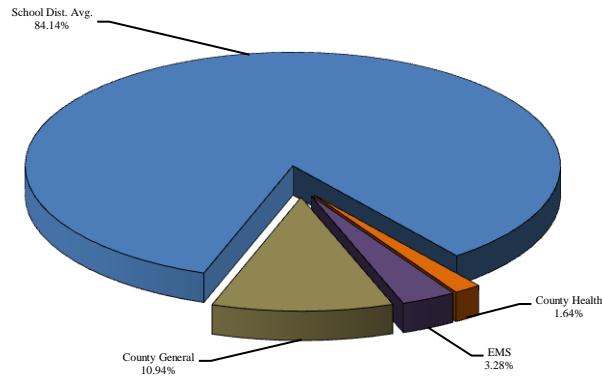
Lisa Hannah

District Attorney

Jason Hicks

**GRADY COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

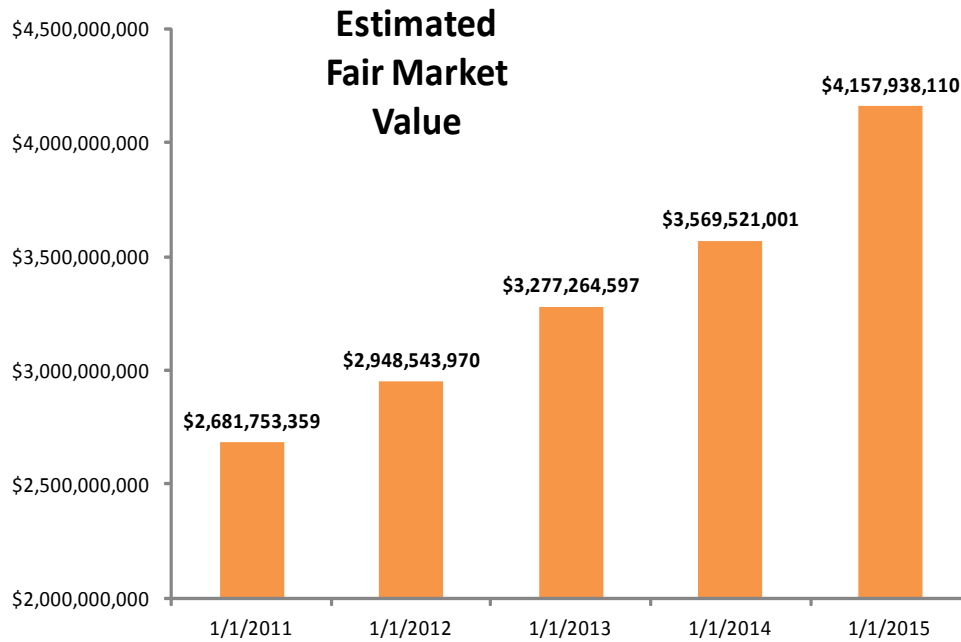
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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.	Career Tech	Common	Total
County General	10.33								
County Health	1.55	Chickasha	I-1	35.78	5.11	25.98	16.47	4.13	87.47
EMS	3.10	Minco	I-2	35.99	5.14	19.39	16.47	4.13	81.12
		Friend	I-37	36.57	5.22	9.39	16.47	4.13	71.78
		Ninnekah	I-51	36.37	5.20	25.80	16.47	4.13	87.97
		Alex	I-56	36.27	5.18	7.15	16.47	4.13	69.20
		Rush Springs	I-68	36.07	5.15	3.25	16.47	4.13	65.07
		Bridgecreek	I-95	36.44	5.21	29.82	11.38	4.13	86.98
		Middleberg	I-96	36.55	5.22	17.33	-	4.13	63.23
		Tuttle	I-97	36.25	5.18	24.51	16.47	4.13	86.54
		Verden	I-99	37.35	5.34	15.64	11.65	4.13	74.11
		Amber-Pocasset	I-128	36.20	5.17	18.44	16.47	4.13	80.41
		Pioneer	I-131	36.96	5.28	6.33	16.47	4.13	69.17
		McClain	J-1	36.69	5.24	41.66	11.38	4.13	99.10
		McClain	J-2	36.68	5.24	31.69	11.38	4.13	89.12
		McClain	J-29	36.92	5.27	51.07	11.38	4.13	108.77
		Comanche	J-3	37.48	5.35	15.39	14.61	4.13	76.96
		Comanche	J-9	35.10	5.01	11.97	14.61	4.13	70.82
		Stephens	J-3	36.96	5.28	21.8	12.19	4.13	80.36
		Stephens	J-34	35.18	5.03	32.00	12.19	4.13	88.53
		Stephens	J-42	35.41	5.06	7.34	12.19	4.13	64.13
		Garvin	J-9	36.35	5.19	10.49	11.38	4.13	67.54
		Caddo	J-160	36.40	5.20	22.25	11.65	4.13	79.63

**GRADY COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

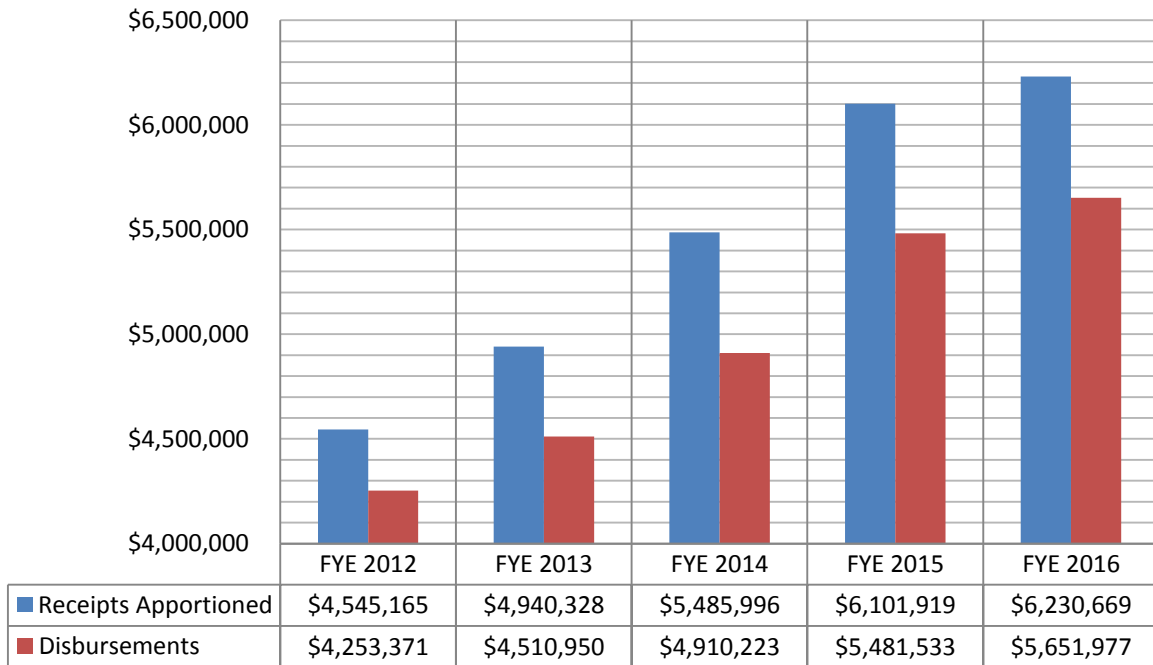
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2015	\$181,271,432	\$32,382,667	\$260,512,730	\$16,729,980	\$457,436,849	\$4,157,938,110
1/1/2014	\$134,017,259	\$29,791,278	\$244,889,839	\$16,273,377	\$392,424,999	\$3,569,521,001
1/1/2013	\$112,899,096	\$33,949,143	\$231,942,124	\$15,996,430	\$362,793,933	\$3,277,264,597
1/1/2012	\$86,501,913	\$33,404,917	\$221,756,782	\$15,916,899	\$325,746,713	\$2,948,543,970
1/1/2011	\$62,978,660	\$34,483,661	\$214,772,379	\$15,734,395	\$296,500,305	\$2,681,753,359



**GRADY COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

County General Fund

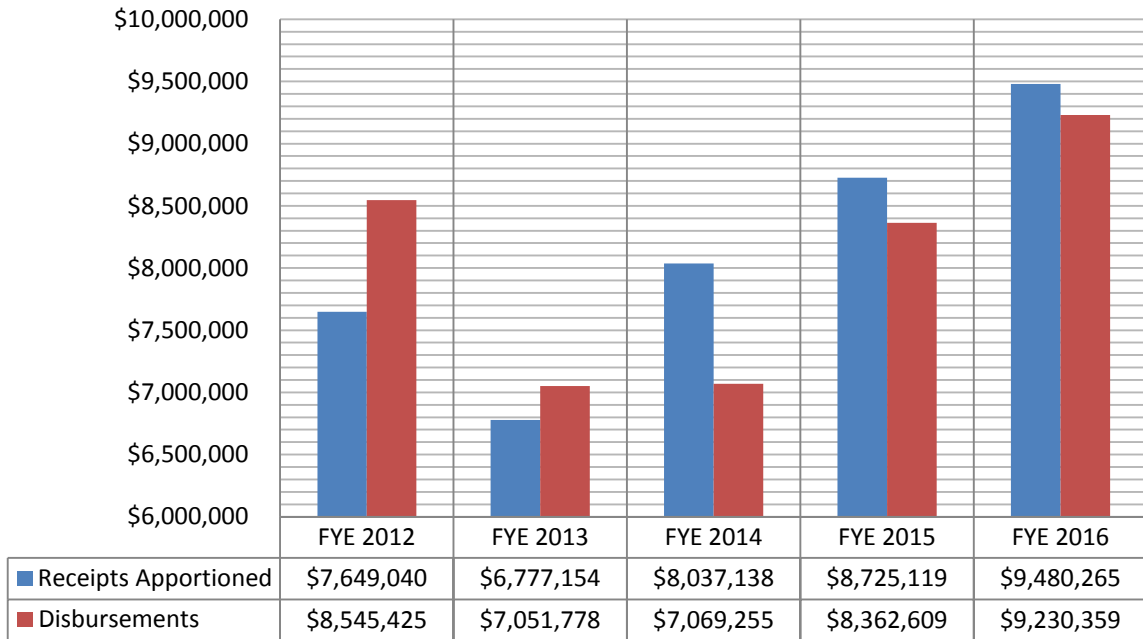
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.



**GRADY COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

County Highway Fund

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. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 123 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Independent Auditor's Report

TO THE OFFICERS OF
GRADY COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Grady County, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statement is prepared by Grady County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Grady County as of June 30, 2016, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Grady County, for the year ended June 30, 2016, in accordance with the basis of accounting described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2017, on our consideration of Grady County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Grady County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

May 22, 2017

REGULATORY BASIS FINANCIAL STATEMENT

GRADY COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
Major Funds:						
County General Fund	\$ 2,683,862	\$ 6,230,669	\$ 1,595,000	\$ 1,595,000	\$ 5,651,977	\$ 3,262,554
County Highway Fund	5,563,566	9,480,265	1,595,000	1,595,000	9,230,359	5,813,472
County Health Department	383,750	668,829	-	-	669,375	383,204
County Sales Tax	5,456,687	3,838,615	-	-	3,145,402	6,149,900
Burne Formula Grant	110	-	-	-	-	110
FEMA - Hazard Mitigation Grant	245	-	-	-	-	245
Emergency Management Grant	387	21,111	-	-	143	21,355
Local Emergency Management Grant - Planning	1,000	11,127	-	-	197	11,930
Home Finance Authorization Safe Room	18,409	129,217	-	-	139,771	7,855
FEMA - Personal Protective Equipment Grant	-	19,665	-	-	19,445	220
Sheriff Local Law Enforcement Block Grant - 2004	1	-	-	-	-	1
County Sinking	2	-	-	-	-	2
Safe Room Rebate	807	-	-	-	807	-
Community Development Block Grant - Rural Water District #2	-	52,976	-	-	47,516	5,460
Remaining Aggregate Funds	1,979,026	1,496,713	57,270	-	1,174,686	2,358,323
Combined Total - All County Funds, As Restated	\$ 16,087,852	\$ 21,949,187	\$ 3,247,270	\$ 3,190,000	\$ 20,079,678	\$ 18,014,631

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

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Grady County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. 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, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

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

B. Fund Accounting

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

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

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

County Highway Fund – accounts for state, local and miscellaneous receipts and disbursements are for the purpose of constructing and maintaining county roads and bridges.

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

County Sales Tax – accounts for the collection of sales tax revenue of which 50% is used for renovation and maintenance and operation of the county fairgrounds, 25% is used to operate and maintain the present seven senior nutrition centers (Alex, Chickasha, Minco, Ninnekah, Rush Springs, Tuttle, and Verden) and 25% is used to support the 20 fire departments (Minco, Tuttle, Bridge Creek, Harold, Pocasset, Amber, Blanchard, Naples, Friend, Chickasha, Verden, Pioneer, Ninnekah, Farwell, Alex, Bradley, Acme, Rush Springs, Bailey, and Cox City) in Grady County.

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Burne Formula Grant – accounts for grant monies received for the purchase of bulletproof vests, special uniforms, and gun holsters.

FEMA - Hazard Mitigation Grant – accounts for grant monies received and disbursed as restricted by grant agreement.

Emergency Management Grant – accounts for monies received from a state grant and expended for computer equipment for the Emergency Management Department.

Local Emergency Management Grant - Planning – accounts for monies received from the Department of Homeland Security and expended on computer equipment for the Emergency Management Department.

Home Finance Authorization Safe Room – accounts for monies received from the Home Finance Authority and expenditures are for the reimbursements for construction of storm cellars/safe rooms.

FEMA – Personal Protective Equipment Grant – accounts for monies received from a federal grant and matched at 5% by county funds and expended for bunker gear (coats and pants) for fire departments in Grady County.

Sheriff Local Law Enforcement Block Grant - 2004 – accounts for grant monies received and disbursed as restricted by the grant agreement.

County Sinking – accounts for the payment of interest and principal on the matured portion of long-term bonded debt and civil judgments. Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments. There is currently no long term debt.

Safe Room Rebate – accounts for grant monies received and disbursed as restricted by grant agreement.

Community Development Block Grant – Rural Water District #2 – accounts for grant monies received and disbursed as restricted by grant agreement for rural water district #2.

C. Basis of Accounting

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

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before May 31 of each year, each officer or department head submits an estimate of needs (budget) to the governing body. The budget is approved for the respective fund by office, or department and object. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or department and object.

E. Cash and Investments

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County’s books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

The County Treasurer has been authorized by the County’s governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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."

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. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

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

3. Other Information

A. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

B. Other Post Employment Benefits (OPEB)

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

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

C. Contingent Liabilities

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

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

D. Sales Tax

Grady County voters approved a 15 year extension of 1/4% sales tax on May 10, 2013. The proceeds derived from the sales tax are for acquiring, constructing, and equipping additions and improvements to the Grady County Fairgrounds, or to retire any bonds issued for such purposes, and to operate and maintain the Grady County Fairgrounds. Sales tax collections continue and will end on December 31, 2029. The sales tax is apportioned to the County Sales Tax fund for the designated purpose. During the fiscal year the County collected \$1,918,497 in sales tax for the Grady County Fairgrounds.

Grady County voters approved a 10 year 1/8% sales tax on November 4, 2014. The proceeds derived from the sales tax are for support of the twenty (20) fire departments in Grady County. Sales tax collections began April 1, 2015 and will end on March 30, 2025. The sales tax is apportioned to the County Sales Tax fund for the designated purpose. During the fiscal year the County collected \$959,249 in sales tax for the twenty (20) fire departments in Grady County.

Grady County voters approved a 5 year extension of 1/8% sales tax on November 10, 2015. The proceeds derived from the sales tax are for maintaining and operating the seven (7) Senior Citizen Centers in Grady County. Sales tax collections continue and will end December 31, 2020. The sales tax is apportioned to the County Sales Tax fund for the designated purpose. During the fiscal year the County collected \$959,249 in sales tax for the seven (7) senior citizen centers in Grady County.

E. Interfund Transfers

During the fiscal year, the County made the following transfer between cash funds.

- \$1,595,000 was transferred to the County General Fund from the County Highway fund to cover non-payable warrants issued from the County General Fund.

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- \$1,595,000 was transferred from the County General Fund to reimburse the County Highway fund after adequate ad valorem collections were apportioned to the County General Fund.
- \$57,270 was transferred from the Excess Resale fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131C.

F. Restatement of Prior Year Ending Cash Balance

During the fiscal year, the County had a reclassification of funds. Sheriff Estray Animal fund was reclassified as a trust and agency fund. This reclassification resulted in a decrease in the beginning cash balance of \$521.

Prior year ending balance, as reported	\$16,088,373
Funds reclassified as Trust and Agency Funds:	
Sheriff Estray Animal fund	<u>(521)</u>
Prior year ending balance, as restated	<u>\$16,087,852</u>

OTHER SUPPLEMENTARY INFORMATION

GRADY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,683,862	\$ 2,683,862	\$ -
Less: Prior Year Outstanding Warrants	(146,236)	(130,412)	15,824
Less: Prior Year Encumbrances	(130,412)	(92,025)	38,387
Beginning Cash Balances, Budgetary Basis	2,407,214	2,461,425	54,211
Receipts:			
Ad Valorem Taxes	4,295,748	4,373,884	78,136
Charges for Services	-	450,984	450,984
Intergovernmental Revenues	574,015	1,052,156	478,141
Miscellaneous Revenues	-	353,645	353,645
Total Receipts, Budgetary Basis	4,869,763	6,230,669	1,360,906
Expenditures:			
District Attorney County	15,000	14,947	53
County Sheriff	1,277,840	1,273,054	4,786
County Treasurer	398,663	387,176	11,487
County Commissioners	614	-	614
OSU Extension	157,714	145,389	12,325
County Clerk	663,782	660,026	3,756
Court Clerk	633,051	630,047	3,004
County Assessor	360,508	358,465	2,043
Revaluation of Real Property	497,820	467,679	30,141
General Government	740,787	670,049	70,738
Excise-Equalization Board	4,900	3,047	1,853
County Election Board	282,628	143,219	139,409
Charity	41,361	24,224	17,137
Civil Defense	191,565	189,659	1,906
Jail	600,000	600,000	-
Capital Improvements	250,000	130,017	119,983
Contingency Fund	879,369	13,762	865,607
County Audit Budget Account	281,375	45,744	235,631
Total Expenditures, Budgetary Basis	7,276,977	5,756,504	1,520,473
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	2,935,590	\$ 2,935,590
Operating Transfers:			
Operating Transfers In		1,595,000	
Operating Transfer Out		(1,595,000)	
Net Operating Transfers		-	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		225	
Add: Current Year Outstanding Warrants		165,455	
Add: Current Year Encumbrances		161,284	
Ending Cash Balance		\$ 3,262,554	

**GRADY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 383,751	383,750	\$ (1)
Less: Prior Year Outstanding Warrants	(50,571)	(50,571)	-
Less: Prior Year Encumbrances	(2,830)	(1,864)	966
Beginning Cash Balances, Budgetary Basis	330,350	331,315	965
Receipts:			
Ad Valorem Taxes	644,570	656,294	11,724
Charges for Services	-	12,535	12,535
Intergovernmental Revenues	11,947	-	(11,947)
Total Receipts, Budgetary Basis	656,517	668,829	12,312
Expenditures:			
Health and Welfare	986,867	729,416	257,451
Total Expenditures, Budgetary Basis	986,867	729,416	257,451
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	270,728	\$ 270,728
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		110,768	
Add: Current Year Outstanding Warrants		1,708	
Ending Cash Balance		\$ 383,204	

GRADY COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Remaining Aggregate Funds:						
911 County-Wide Emergency	\$ 50,943	\$ 348,875	\$ -	\$ -	\$ 359,254	\$ 40,564
Resale Property	856,790	362,929	57,270	-	173,704	1,103,285
Resale Investment	150,000	-	-	-	-	150,000
Treasurer Mortgage Tax Certification Fee	9,930	10,315	-	-	3,817	16,428
County Clerk Lien Fee	286,640	192,355	-	-	86,937	392,058
County Clerk Record Preservation Fund	234,767	113,385	-	-	175,716	172,436
Assessor Revolving Fee	18,969	15,729	-	-	8,181	26,517
Assessor Visual Inspection	188	-	-	-	-	188
Sheriff Service Fee	238,623	375,050	-	-	356,990	256,683
Sheriff Training	79	-	-	-	-	79
Sheriff D.A.R.E. Donation	140	-	-	-	140	-
Sheriff Drug Forfeiture	1,432	-	-	-	-	1,432
Sheriff Drug Buy	673	-	-	-	-	673
Sheriff K-9 Donation	2,740	2,950	-	-	1,174	4,516
Sheriff Public Donation	1,309	500	-	-	918	891
Littering Reward Fund	603	208	-	-	-	811
County Highway Application	125,200	74,417	-	-	7,855	191,762
Combined Total - Remaining Aggregate Funds	\$ 1,979,026	\$ 1,496,713	\$ 57,270	\$ -	\$ 1,174,686	\$ 2,358,323

**GRADY COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

1. Budgetary Schedules

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

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

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

911 County-Wide Emergency – accounts for the collection of fees imposed on the residents within the boundaries of Grady County from the telephone company and to be disbursed for maintaining an emergency telephone system.

Resale Property – accounts for the collection of interest and penalties on delinquent taxes and disbursement of funds as restricted by state statute.

Resale Investment – accounts for investment of monies collected from interest and penalties on delinquent taxes and disbursement of funds as restricted by state statute.

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

County Clerk Lien Fee – accounts for lien fee collections and disbursement of funds as restricted by state statute.

County Clerk Record Preservation Fund – accounts for fees collected for instruments filed in the County Clerk's office and disbursement of funds as restricted by state statute for preservation of records.

Assessor Revolving Fee – accounts for the collection of fees for copies and disbursement of funds as restricted by state statute.

**GRADY COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Assessor Visual Inspection – accounts for the collection and disbursement 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 state statute.

Sheriff Training – accounts for the collection of proceeds from the sale of unclaimed property and the disbursement of funds restricted by state statute.

Sheriff D.A.R.E. Donation – accounts for grant monies and donations received by the Sheriff's office for the D.A.R.E. program.

Sheriff Drug Forfeiture – accounts for proceeds from forfeited drug cases and disbursed for drug enforcement.

Sheriff Drug Buy – accounts for monies received from forfeitures and disbursed for drug enforcement.

Sheriff K-9 Donation – accounts for donations made to the Sheriff's office to provide care for the K-9 dogs.

Sheriff Public Donation – accounts for monies received from donations and fundraisers and disbursements are for the operation of the Sheriff's office.

Littering Reward Fund – accounts for monies received from donations and expended for information that leads to the capture of those illegally dumping trash.

County Highway Application – accounts for monies received from permits for pipeline crossings and disbursed for construction and maintenance of roads and bridges.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

TO THE OFFICERS OF
GRADY COUNTY, OKLAHOMA

We have audited, in accordance with the 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, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Grady County, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprises Grady County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated May 22, 2017.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2016, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Grady County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Grady County's internal control. Accordingly, we do not express an opinion on the effectiveness of Grady County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We

consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness: 2016-1.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2016-10.

Compliance and Other Matters

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

We noted certain matters regarding statutory compliance that we reported to the management of Grady County, which are included in Section 2 of the schedule of findings and responses contained in this report.

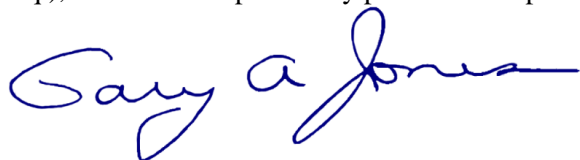
Grady County's Responses to Findings

Grady County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Grady County's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

May 22, 2017

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 2016-01 - Inadequate County-Wide Controls and Disaster Recovery Plan (Repeat Finding)

Condition: When assessing the county-wide controls, the following weaknesses were noted:

- County management has not designed and implemented internal controls regarding Risk Assessment and Monitoring.
- The County Assessor has not designed a Disaster Recovery Plan over information systems operating within the office.
- District 1 County Commissioner has a Disaster Recovery Plan; however, it is only maintained on the District computer.

Cause of Condition: Policies and procedures have not been designed to address risks of the County. Furthermore, policies and procedures have not been designed and implemented to develop and implement a Disaster Recovery Plan for all County offices.

Effect of Condition: This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds. This condition could also result in the loss of data, the unreliability of data, and increase the risk that the County may not recover from an emergency situation and/or disaster. The lack of a formal plan could cause significant problems in ensuring county business could continue uninterrupted.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Further, OSAI recommends that each office develop a Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster. The Plan at a minimum should include the following:

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user documentation.
- Alternative work locations once IT resources are available.

Management Response:

Chairman, Board of County Commissioners: The Board of County Commissioners will work toward

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

assessing and identifying risks to design county-wide controls.

District 1 County Commissioner: District 1 now has a Disaster Plan stored offsite for access by the County Commissioner, District 1 Foreman, and the County Clerk.

County Assessor: The Assessor will work toward the design of a Disaster Recovery Plan.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

According to the standards of the Information Systems Audit and Control Association, (CobiT, Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

Finding 2016-10 – Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards (SEFA)

Condition: During our audit we identified federal programs that were not listed accurately on the County's Schedule of Expenditures of Federal Awards (SEFA). Federal expenditures were overstated by \$112,701.

The following misstatements were noted:

- Non-federal expenditures for Local Emergency Planning Commissioner (LEPC), a State of Oklahoma grant, were reported on the SEFA in the amount of \$197.

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- Non-federal expenditures received from the Grady County Home Finance Authority for assistance in safe room construction, were reported on the SEFA in the amount of \$147,626.
- The actual expenditures for the Emergency Management Performance Grant CFDA 97.042 were \$34,142 and the County reported \$143. The County understated the expenditures for CFDA 97.042 by \$33,999.
- The actual expenditures for the Hazard Mitigation Grant Program, CFDA 97.039 were \$807 and the County reported \$0. The County understated the expenditures for CFDA 97.039 by \$807.
- Expenditures for the Homeland Security Grant Program, CFDA 97.067 received by the County were not reported. Actual expenditures for CFDA 97.067 were \$315.

Reported Total Expenditures of Federal Award	\$785,267
Less: LEPC (State Grant)	(196)
Less: Home Finance Safe Room (Non-Federal)	(147,626)
Add: EMPG (CFDA #97.042)	33,999
Add: HMGP (CFDA # 97.039)	807
Add: HSGP (CFDA # 97.067)	<u>315</u>
Actual Federal Expenditures of Federal Awards	<u>\$672,566</u>
Original SEFA Overstated by	<u>\$112,701</u>

Cause of Condition: Policies and procedures have not been designed and implemented to ensure accurate reporting of expenditures for all federal awards.

Effect of Condition: This could result in the erroneous reporting and/or a material misstatement of the County's Schedule of Expenditures of Federal Awards, and increases the potential for material noncompliance.

Recommendation: OSAI recommends county officials and department heads gain an understanding of federal programs awarded to Grady County. Internal control procedures should be designed and implemented to ensure accurate reporting of expenditures on the SEFA and to ensure compliance with federal requirements.

Management Response:

Chairman, Board of County Commissioners: The BOCC will work to design and implement internal controls, and to ensure accurate reporting of expenditures on the Schedule of Federal Awards (SEFA) and also ensure compliance with federal requirements over federal awards.

Criteria: OMB 2 CFR 200, Subpart F, §___.510(a)(b) reads as follows:

Subpart F—Audit requirements

§___.510 Financial statements

The auditee shall:

- a) Prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. The

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

financial statements must be for the same organizational unit and fiscal year that is chosen to meet the requirements of this part.

(b) Prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended.

Further, accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

SECTION 2—This section contains a certain matter not required to be reported in accordance with *Government Auditing Standards*. However, we believe this matter is significant enough to bring to management's attention. We recommend that management consider this matter and take appropriate corrective action.

Finding 2016-12 - Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories (Repeat Finding)

Condition: Upon inquiry and observation of fixed assets inventory items, we noted the following weaknesses:

- The District 1 County Commissioner has not designed and implemented policies and procedures to perform and document an annual physical inventory verification of all fixed assets which should be filed with the County Clerk.
- Although, the District 2 County Commissioner and the County Sheriff perform and document an annual physical inventory verification of all fixed assets, said verification is not filed with the County Clerk.
- One person is responsible for maintaining the inventory records, as well as, performing the annual physical inventory verification of all fixed assets for the County Assessor.

Upon inquiry and observation of consumable inventory items for District 1 County Commissioner, we noted the following weaknesses:

- A monthly physical count of consumable inventory was not performed on all consumables (i.e., tires and grader blades.)
- Fuel usage is not reconciled on a monthly basis.

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Cause of Condition: Policies and procedures have not been adequately designed and implemented by county offices/departments to ensure the accurate reporting of fixed assets, and consumable inventory items, as well as adequate procedures to ensure equipment is properly identified in accordance with state statutes.

Effect of Condition: These conditions result in noncompliance with state statutes. Opportunities for loss and misappropriation of county assets may be more likely to occur when the County does not have procedures in place for accounting for fixed assets. Additionally, when consumable inventory items are not adequately documented and inadequate segregation of duties exist, the opportunity for the misappropriation and undetected errors could result.

Recommendation: OSAI recommends the County adopt policies and procedures to implement a system of internal controls over the fixed asset and consumable inventory records in accordance with 19 O.S. § 1504, 19 O.S. § 1502(A)(1), 19 O.S. § 1502(B)(1), and perform and document a periodic inventory of fixed assets in accordance with 19 O.S. § 178.1.

Management Response:

County Commissioner District 1: My prior secretary, who left last year, was not properly maintaining the inventory records in the computer, and under the vendor software system you cannot make changes so we have not been performing an inventory count and do not track consumables used.

County Sheriff: A copy of the inventory has been filed with the County Clerk.

County Assessor: Duties of maintaining the inventory will be segregated.

County Commissioner District 2: A copy of the inventory will be filed with the County Clerk.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Title 19 O.S. § 1502(A)(1), which requires a prescribed uniform identification system for all supplies, materials, and equipment of a county used for maintenance for roads and bridges.

Title 19 O.S. § 1502(B)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county not used in the construction and maintenance for roads and bridges.

Title 19 O.S. § 1504(A) requires the receiving officer to maintain a record be all items received, disbursed, stored and consumed by the department.



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