



GRADY COUNTY

Financial Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**GRADY COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

February 27, 2020

TO THE CITIZENS OF
GRADY COUNTY, OKLAHOMA

Transmitted herewith is the audit of Grady County, Oklahoma for the fiscal year ended June 30, 2018. 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 "Cindy Byrd". The signature is fluid and cursive, with the first and last names clearly legible.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**GRADY COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Board of County Commissioners

District 1 – Windle Hardy
District 2 – Kirk Painter
District 3 – Ralph Beard

County Assessor

Bari Firestone

County Clerk

Jill Locke

County Sheriff

Jim Weir

County Treasurer

Robin Burton

Court Clerk

Lisa Hannah

District Attorney

Jason Hicks

**GRADY COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

TABLE OF CONTENTS

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information).....	4
Notes to the Financial Statement.....	5

SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	12
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	13
Note to Supplementary Information	14

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	15
Schedule of Findings and Responses	17

FINANCIAL SECTION

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, 2018, 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 this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free 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 misstatement 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 statement 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, 2018, 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, 2018, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

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

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2020, 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 solely 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grady County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

February 24, 2020

REGULATORY BASIS FINANCIAL STATEMENT

GRADY COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:						
County General Fund	\$ 3,252,309	\$ 7,794,303	\$ 1,595,000	\$ 1,595,000	\$ 7,341,232	\$ 3,705,380
County Highway Fund	5,990,020	12,997,325	1,936,617	1,595,000	10,372,244	8,956,718
County Health Department	305,598	808,876	-	-	484,824	629,650
County Sales Tax	6,125,284	8,074,132	-	-	7,243,340	6,956,076
FEMA - Hazard Mitigation Grant	245	-	-	-	-	245
Emergency Management Grant	3,011	33,125	-	-	14,263	21,873
Local Emergency Management Grant - Planning	3,589	3,000	-	-	3,237	3,352
County Sinking	2	-	-	-	-	2
FEMA - Personal Protective Equipment Grant	220	-	-	-	220	-
911 County-Wide Emergency	269,033	1,065,288	-	-	491,146	843,175
Resale Property	1,408,190	324,634	24,862	-	241,066	1,516,620
Treasurer Mortgage Tax Certification Fee	11,844	10,190	-	-	4,785	17,249
County Clerk Lien Fee	652,188	463,155	700,000	700,000	663,824	451,519
County Clerk Record Preservation Fund	261,559	140,770	700,000	700,000	300,047	102,282
Assessor Revolving Fee	25,451	20,905	-	-	8,658	37,698
Assessor Visual Inspection	188	-	-	-	-	188
Sheriff Service Fees	196,585	331,674	-	-	343,893	184,366
Sheriff Training	79	-	-	-	-	79
Sheriff Drug Forfeiture	4,549	-	-	-	4,228	321
Sheriff Drug Buy	473	-	-	-	-	473
Sheriff K-9 Donation	3,194	7,025	-	-	5,800	4,419
Sheriff Public Donation	3,518	590	-	-	1,079	3,029
Littering Reward Fund	811	304	-	-	-	1,115
County Highway Application for Permit	210,617	131,000	-	341,617	-	-
Community Development Block Grant						
- Rural Water District #2	7,800	-	-	-	7,800	-
Court Fund Payroll	-	133,279	-	-	133,279	-
Grady County Drug Court	75,093	111,843	-	-	116,047	70,889
Combined Total - All County Funds	\$ 18,811,450	\$ 32,451,418	\$ 4,956,479	\$ 4,931,617	\$ 27,781,012	\$ 23,506,718

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, 2018**

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, libraries, 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 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 which is used for renovation and maintenance and operation of the county fairgrounds, to operate and maintain the present seven senior nutrition centers, to operate and maintain the 20 fire departments in Grady County, and to operate and maintain Grady County Memorial Hospital.

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

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

County Sinking – accounts for the payment of interest and principal on the matured portion of long-term bonded debt and civil judgements. 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.

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

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.

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.

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 Fees – 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.

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 disbursements for information that leads to the capture of those illegally dumping trash.

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

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.

Court Fund Payroll – accounts for monies received from Court Clerk’s Court Fund for the disbursement of payroll to Court Fund employees.

Grady County Drug Court – accounts for monies collected from the Oklahoma Department of Mental Health and Substance Abuse Services and from monies collected for drug testing and is disbursed for maintenance, operations, and administering of the drug court.

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.

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 with all other funds included in the audit presented in the aggregate

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

D. Budget

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

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 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

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

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

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

The voters of Grady County 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. 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.

The voters of Grady County 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 March 30, 2025. The sales tax is apportioned to the County Sales Tax fund for the designated purpose.

The voters of Grady County 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 Nutrition Centers in Grady County. Sales tax collections continue and will end on December 31, 2020. The sales tax is apportioned to the County Sales Tax Fund for the designated purpose.

The voters of Grady County approved a 20-year 1/4% sales tax on February 9, 2016. The proceeds derived from the sales tax are for the construction, support, and operation of health care facilities, equipment, and services serving the residents of Grady County, as specifically set out in Grady Memorial Hospital Tax Resolution of 2016 as adopted and approved by the Board of County Commissioners of Grady County. The sales tax apportioned to the County Sales Tax fund for the designated purpose.

E. Tax Abatements

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County does have \$1,130,214 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2018.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

F. Interfund Transfers

During the fiscal year, the County made the following transfers between cash funds:

- \$1,595,000 was transferred to the County General Fund from County Highway Fund for the purpose of funding operating expenses as allowed by 68 O.S. § 3021.
- \$1,595,000 was transferred to the County Highway Fund from County General Fund to reimburse the County Highway Fund to repay the operating transfer as required by 68 O.S. § 3021.
- \$6,412 was transferred from the Excess Resale fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131C.
- \$17,966 was transferred from Hot Checks and \$484 was transferred from Individual Redemption (both trust and agency funds) to the Resale Property fund by BOCC Resolution to close the fund.
- \$341,617 was transferred from the County Highway Application for Permit fund to the County Highway Fund by BOCC Resolution to close the fund.
- \$700,000 was transferred to the County Clerk Record Preservation Fund from the County Clerk Lien Fee fund for the purpose of a loan to purchase new land record equipment as allowed by 68 O.S. § 3021.
- \$700,000 was transferred to the County Clerk Lien Fee fund from County Clerk Record Preservation Fund to repay the loan for the purchase of new land records equipment as allowed by 68 O.S. § 3021.

G. Special Items

The State Auditor and Inspector's Office conducted a special investigative audit concerning the Grady County Officials salaries for the period of July 1, 2008 through July 31, 2018. The results of this audit did not have a material effect on the financial statement of the County. The audit is titled Grady County Special Investigative Audit and may be viewed at www.sai.ok.gov.

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, 2018

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 3,252,309	\$ 3,252,309	\$ -
Less: Prior Year Outstanding Warrants	(160,497)	(160,497)	-
Less: Prior Year Encumbrances	(1,248,985)	(815,957)	433,028
Beginning Cash Balances, Budgetary Basis	1,842,827	2,275,855	433,028
 Total Receipts, Budgetary Basis	 6,123,329	 7,794,303	 1,670,974
 Total Expenditures, Budgetary Basis	 7,966,156	 6,586,895	 1,379,261
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 3,483,263	 \$ 3,483,263
 Net Operating Transfers		-	
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		729	
Add: Current Year Outstanding Warrants		121,823	
Add: Current Year Encumbrances		99,565	
Ending Cash Balance		\$ 3,705,380	

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, 2018

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 305,600	\$ 305,598	\$ (2)
Less: Prior Year Outstanding Warrants	(6,050)	(6,050)	-
Less: Prior Year Encumbrances	(7,234)	(3,883)	3,351
Beginning Cash Balances, Budgetary Basis	<u>292,316</u>	<u>295,665</u>	<u>3,349</u>
 Total Receipts, Budgetary Basis	 <u>809,488</u>	 <u>808,876</u>	 <u>(612)</u>
 Total Expenditures, Budgetary Basis	 <u>1,101,804</u>	 <u>614,632</u>	 <u>487,172</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 489,909	 <u>\$ 489,909</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		67,920	
Add: Current Year Outstanding Warrants		71,821	
Ending Cash Balance		<u>\$ 629,650</u>	

**GRADY COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 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.

INTERNAL CONTROL AND COMPLIANCE SECTION

**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 Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Grady County, Oklahoma, as of and for the year ended June 30, 2018, 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 February 24, 2020.

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, 2018, 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.

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. 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.



Our consideration of internal control was for the limited purpose described in the first 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. We did identify a certain deficiency in internal controls, described in the accompanying schedule of findings and responses that we consider to be a material weakness: 2018-001.

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 Response to Findings

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

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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

February 24, 2020

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 2018-001 – Lack of County-Wide Controls (Repeat Finding 2010-009, 2011-005, 2012-001, 2013-001, 2014-001, 2015-001, 2016-001, 2017-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls regarding Risk Assessment and Monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed and implemented to address the risks of the County.

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design and implement 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.

Management Response:

Chairman, Board of County Commissioners: We will work toward assessing and identifying risks to design written county-wide controls to address the seventeen (17) principles as outlined in the Standards for Internal Control in the Federal Government, (green book). The Board of County Commissioners will also work to set up quarterly meetings with all elected officials to discuss and take action regarding risk management and monitoring.

Criteria: The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 states in part:

Definition of Internal Control

Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

Components, Principles, and Attributes

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

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

Finding 2018-012 – Lack of Internal Controls and Noncompliance Over the Establishment of Salaries for Elected Officials and Employees (Special Audit Date August 31, 2018)

Condition: During our review and recalculation of the Grady County Officials' salaries, we noted the following:

- The Board of County Commissioners did not recalculate or set the elected Officials' salaries by resolution, for the fiscal year 2017-2018, as required by 19 O.S. § 180.74.
- Three Grady County Fairground employees were paid a salary totaling \$22,703.47 in excess of the maximum annual salary allowed by state statutes for county employees.
- Grady County Officials were paid a salary in excess of the maximum annual salary allowed by state statutes.

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Cause of Condition: Policies and procedures have not been designed and implemented to ensure County salaries are calculated correctly, are within the amounts allowed by state statutes, and are set by the BOCC annually.

Effect of Condition: This condition resulted in noncompliance with state statutes.

Recommendation: OSAI recommends that the BOCC set the salaries for county Officials within the limits allowed by statutes in accordance with 19 O.S. §§ 180.74 and 180.75.

Further, OSAI recommends Grady County review the salaries of county employees to ensure compliance with 19 O.S. § 180.81.

Management Response:

Chairman, Board of County Commissioners: The Board of County Commissioners have implemented controls to ensure that elected officials' salaries are recalculated and set by BOCC resolution each fiscal year. The issue regarding overpayment to Officials has been corrected. The salaries for all county Officials have been adjusted and are within the statutory limits. With regards to the salary paid to the Grady County Fairground employees, this matter has been turned over to the District Attorney. We will follow the advice of our District Attorney concerning this matter.

Criteria: Title 19 O.S. §§ 180.71 – 180.83 provides guidance for the calculation and setting of County Officials' and employees' salaries. Specifically, Title 19 O.S. §§ 180.74 and 180.75 defines the formula for the calculation of the minimum and maximum salary allowed for County Officials.



Cindy Byrd, CPA | State Auditor & Inspector

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