

COUNTY AUDIT

# ALFALFA COUNTY

For the fiscal year ended June 30, 2009



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



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

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

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# Oklahoma State Auditor & Inspector

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

May 16, 2011

TO THE CITIZENS OF  
ALFALFA COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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

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

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

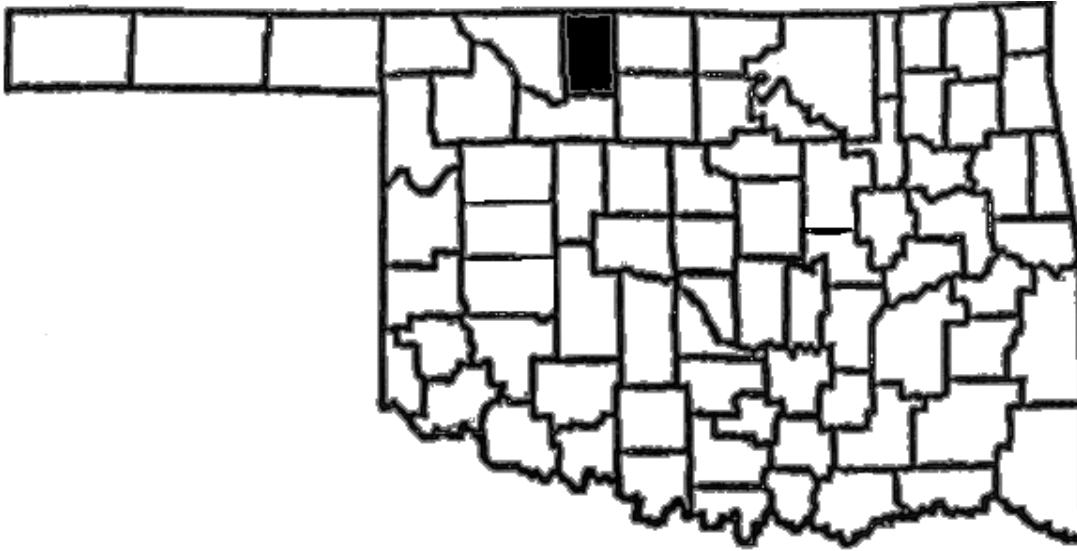
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**REPORT TO THE CITIZENS  
OF  
ALFALFA COUNTY, OKLAHOMA**

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Alfalfa County is named for William H. —Alfalfa Bill” Murray, president of the Oklahoma Constitutional Convention and ninth governor of the State of Oklahoma. Principal contributions to the county's economy are wheat and grain sorghums, cattle raising, and oil production. Alfalfa County boasts such attractions as the Cherokee Salt Plains, located on the Salt Fork of the Arkansas River east of Cherokee; the Great Salt Plains Recreation Area, famous for its camping facilities, fishing, boating and crystal digs; the Sod House Museum in Aline; and the Game Reserve, noted for its Canadian geese, whooping cranes and other waterfowl.

County Seat - Cherokee

Area – 881.44 Square Miles

County Population - 5,593  
(2007 est.)

Farms - 695

Land in Farms - 542,813 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor's report.

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

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**COUNTY ASSESSOR**  
Sonya Booher

The County Assessor has the responsibility to appraise and assess the real and personal property within the county for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the county. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

**COUNTY CLERK**  
Bruce Martin

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

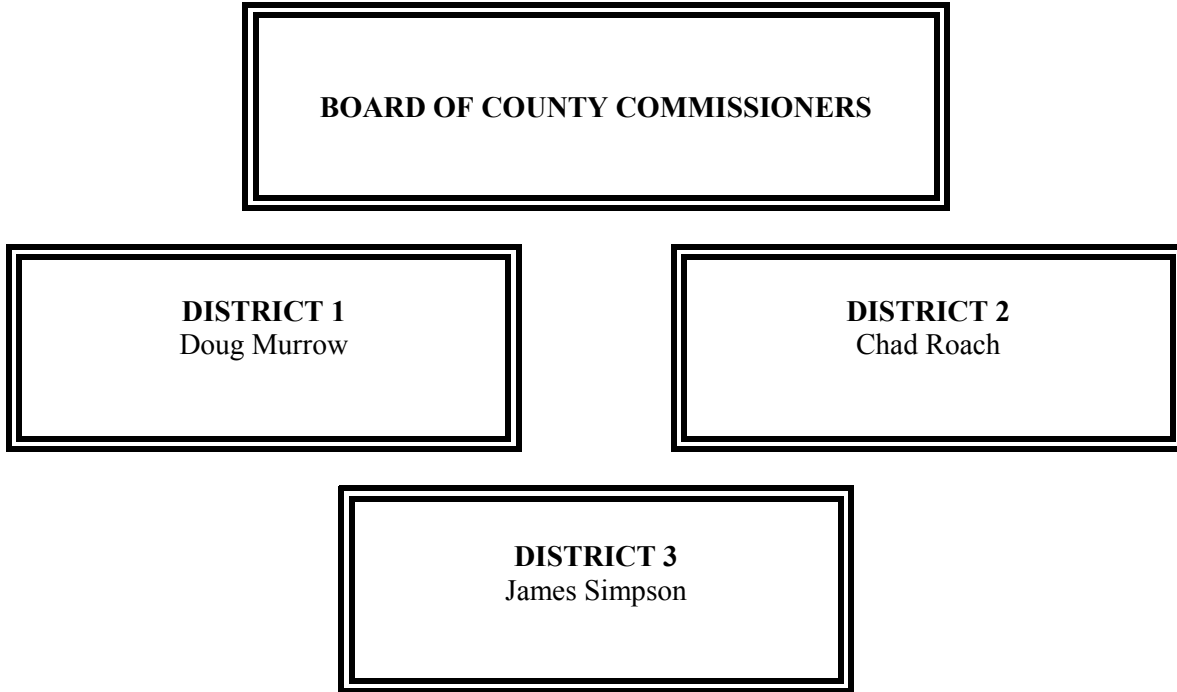
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as “~~open~~ records.” As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

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

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

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

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

See independent auditor's report.



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

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**COUNTY SHERIFF**  
Charles Tucker

The County Sheriff is responsible for preserving the peace and protecting life and property within the county's jurisdiction. As the county's chief law enforcement officer, the Sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the county jail.

The County Sheriff has the responsibility of serving warrants and processing papers ordered by the District Court.

**COUNTY TREASURER**  
Carolyn Stands

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

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

See independent auditor's report.

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

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**COURT CLERK**  
Lori Irwin

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

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

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

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

**DISTRICT ATTORNEY**  
Hollis Thorp

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

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

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**ELECTION BOARD SECRETARY**  
Joyce Thornburgh

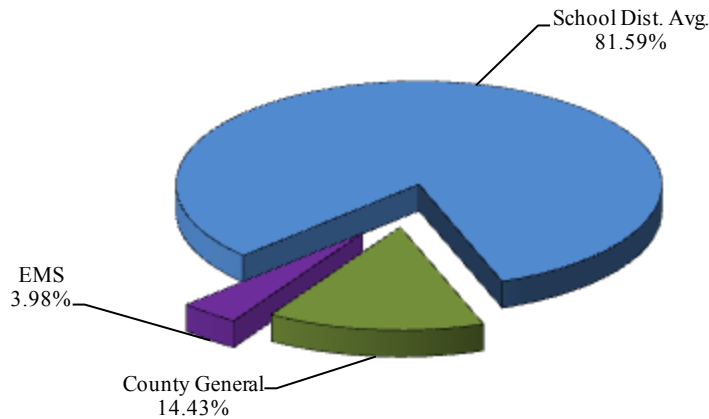
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

See independent auditor's report.

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

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



County-Wide Millages		School District Millages							
						Technology			
County General	10.87			Gen.	Bldg.	Skg.	Center	Common	Total
EMS	3.00	Byron, Amorita, Burlington	I-1	38.06	5.44			4.35	47.85
		Cherokee	I-46	39.03	5.58	15.95		4.35	64.91
		Helena, Jet, Goltry, Nash	I-93	38.15	5.45	7.59		4.35	55.54
		Ringwood	JT-1	35.28	5.04	20.07	13.65	4.35	78.39
		Carmen/Alva	JT-1	36.58	5.22	4.25	13.65	4.35	64.05
		Aline/Cleo	JT-4	37.06	5.29	17.14	13.65	4.35	77.49
		Wakita	JT-33	35.13	5.02	1.97		4.35	46.47
		Chisholm	JT-42	35.00	5.00	12.59		4.35	56.94

See independent auditor's report.

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

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Total net assessed value as of January 1, 2008		<u>\$ 51,128,469</u>
Debt limit - 5% of total assessed value		2,556,423
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 2,556,423</u>

See independent auditor's report.

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

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	2009
Estimated population	5,593
Net assessed value as of January 1, 2008	\$ 51,128,469
Gross bonded debt	
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

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

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Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2008	\$14,072,373	\$7,241,925	\$31,176,252	\$1,362,081	\$51,128,469	\$398,373,117

See independent auditor's report.

**FINANCIAL SECTION**





# Oklahoma State Auditor & Inspector

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

## Independent Auditor's Report

TO THE OFFICERS OF  
ALFALFA COUNTY, OKLAHOMA

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2011, on our consideration of Alfalfa County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, 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 basic financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

April 25, 2011

## **Basic Financial Statement**

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

	Beginning Cash Balances July 1, 2008	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2009
Combining Information:				
County General Fund	\$ 949,736	\$ 1,743,001	\$ 1,736,200	\$ 956,537
County Highway Cash	3,039,407	4,047,785	3,194,709	3,892,483
Emergency Medical Service District Sales Tax		157,383		157,383
Resale Property	93,268	11,354	27,619	77,003
Sheriff Service Fee	29,801	43,174	17,674	55,301
Sheriff Revolving Fee	37,119	24,157	21,260	40,016
Treasurer Mortgage Tax Certification Fee	1,685	1,060	1,858	887
County Clerk Lien Fee	41,937	13,458	3,525	51,870
Community Service Sentencing Program	3,017			3,017
County Clerk Records Preservation Fee	52,756	17,502	935	69,323
Assessor Visual Inspection	4,058	3,553	2,012	5,599
Assessor Revolving Fee	3,514	400	1,400	2,514
<b>Combined Total--All County Funds</b>	<u>\$ 4,256,298</u>	<u>\$ 6,062,827</u>	<u>\$ 5,007,192</u>	<u>\$ 5,311,933</u>

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

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

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

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

**B. Fund Accounting**

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

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

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

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

Emergency Medical Service District Sales Tax – accounts for sales tax collected and disbursed for the purpose of maintaining County emergency medical services.

Resale Property - accounts for the collection of interest and penalties on delinquent taxes and the disposition of same as restricted by statute.

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

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

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Sheriff Revolving Fee – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of maintaining the jail.

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

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

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

County Clerk Records Preservation Fee - accounts for fees collected for instruments filed in the Court Clerk's office as restricted by statute for preservation of records.

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

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

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

**C. Basis of Accounting**

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

**D. Budget**

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

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

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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.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

**E. Cash**

The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

**F. Investments**

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

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

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured.

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.

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

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**G. Compensated Absences**

The County's policy for leave benefits reads as follows:

Annual Leave - 80 hours of vacation benefits are earned by the employee on their anniversary date of employment. The employees have one full year to use their annual leave. No balances may be carried over from one year to the next.

Sick Leave - accrues at the rate of 8 hours for each full calendar month worked for the County. Each employee may accumulate up to a maximum of 30 days of sick leave.

**2. Ad Valorem Tax**

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

The assessed property value as of January 1, 2008, was approximately \$51,128,469.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.87 mills for general fund operations and 3.00 mills for county-wide emergency medical service. In addition, the County collects the ad valorem taxes assessed by school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

Current year tax collections for the year ended June 30, 2009, were approximately 98.09 percent of the tax levy.

**3. Fuel Tax**

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County



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

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population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the county highway fund.

**4. Risk Management**

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

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

ACCO-SIG – The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating member chooses a deductible amount (\$10,000, \$25,000, or \$50,000). The County has chosen a \$10,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the County's deductible amount. The pool has acquired specific excess insurance with retention limits of \$250,000 for property claims and \$500,000 for general liability claims. The pool has acquired reinsurance in the amount of \$2,000,000 for general liability and \$50,000,000 per occurrence for property to cover claims that exceed the pool's retention limits. If claims exceed pool assets, the County could be liable for its share of the pool's deficit. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

**5. Long-Term Debt**

**Capital Leases**

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

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

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**6. Pension Plan**

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 9.5% and 14.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 14.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2009, 2008, and 2007, were \$207,530, \$185,880, and \$167,455, respectively, equal to the required contributions for each year.

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

**8. 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.

**9. 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. Amounts, if any, of expenditures that may be disallowed by the grantor cannot be determined, although, the County expects such amounts, if any, to be immaterial.

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

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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.

**10. Sales Tax**

On July 27, 2004, the citizens of Alfalfa County voted on and approved a ½ cent sales tax for the purpose pertaining to the health and well-being of the people; a 3/8 cent sales tax for general operations and improvements of the government and library; and a 3/8 cent sales tax for construction and maintenance of the Alfalfa County fairgrounds. The total sales tax approved was 1¼ cent. Sales tax shall continue until December 31, 2008.

On July 29, 2008, the citizens of Alfalfa County voted on and approved a 2% sales tax, with 55% of the proceeds for the purpose pertaining to the health and well-being of the people and general operation of the Alfalfa County Emergency Medical Services; 22.5% of proceeds for the general operations and improvements of the government and library; and 22.5% of proceeds for the continued construction and general operations of the Alfalfa County Fairgrounds. The sales tax shall begin January 1, 2009, and continue for 48 months until December 2012.

**OTHER SUPPLEMENTARY INFORMATION**

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 1,051,482	\$ 1,051,482	\$ 949,736	\$ (101,746)
Less: Prior Year Outstanding Warrants	(167,349)	(167,349)	(65,603)	101,746
Less: Prior Year Encumbrances	(84,579)	(84,579)	(64,366)	20,213
Beginning Cash Balances, Budgetary Basis	<u>799,554</u>	<u>799,554</u>	<u>819,767</u>	<u>20,213</u>
Receipts:				
Ad Valorem Taxes	505,242	505,242	550,577	45,335
Sales Tax	533,000	704,723	648,692	(56,031)
Intergovernmental Revenues	53,250	53,250	50,829	(2,421)
Charges for Services	146,200	146,200	350,260	204,060
Miscellaneous Revenues	95,050	95,050	142,643	47,593
Total Receipts, Budgetary Basis	<u>1,332,742</u>	<u>1,504,465</u>	<u>1,743,001</u>	<u>238,536</u>
Expenditures:				
District Attorney	1,000	1,000	995	5
County Sheriff	301,954	302,298	276,082	26,216
County Treasurer	83,922	83,922	76,169	7,753
OSU Extension	19,600	19,600	19,560	40
County Clerk	92,221	92,221	87,819	4,402
Court Clerk	79,620	79,664	58,249	21,415
County Assessor	61,320	61,320	60,122	1,198
Revaluation of Real Property	61,500	61,500	45,158	16,342
General Government	191,502	332,319	323,582	8,737
Excise-Equalization Board	2,600	2,605	2,305	300
County Election Board	56,317	57,637	51,389	6,248
Insurance Benefits	242,000	254,488	254,027	461
Superintendent of Health	1	1	-	1
Public Health	1	1	-	1
Charity	1	1	-	1
Firefighting Services	250	250	168	82
County Audit Budget	5,000	5,113	1,127	3,986
Library	14,350	15,350	10,341	5,009
County Hospital	3,316	3,316	2,085	1,231

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Free Fair Budget	7,000	7,000	6,990	10
Sales Tax:				
Jet Responders	27,410	27,410	2,853	24,557
Carmen Rescue	32,911	32,911	2,133	30,778
Aline Fire & Rescue	26,284	26,284	-	26,284
Cherokee Fire & Rescue	13,817	13,817	7,936	5,881
Helena Rescue	25,278	25,278	7,446	17,832
Goltry Rescue	16,668	16,668	1,109	15,559
Amorita-Byron Rescue	18,556	18,564	6,872	11,692
Nescatunga Rescue	11,155	20,555	11,695	8,860
Burlington Fire & Rescue	27,476	27,476	9,866	17,610
Emergency Reserve	176,854	118,454	209	118,245
Cherokee Ambulance	142,387	161,051	159,557	1,494
Helana Emergency Medical Service	161,732	211,612	62,813	148,799
Fairground Improvement	208,614	208,614	155,763	52,851
Courthouse Improvement	19,679	15,719	13,372	2,347
Total Expenditures, Budgetary Basis	2,132,296	2,304,019	1,717,792	586,227
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	844,976	\$ 844,976
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			36,027	
Add: Current Year Outstanding Warrants			75,534	
Ending Cash Balance			\$ 956,537	

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

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

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**Budgetary Schedule**

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the 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.

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

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		\$ 100,480
National Wildlife Refuge Fund	15.659		<u>3,164</u>
Total U.S. Department of Interior			<u>103,644</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA 1803	<u>413,466</u>
Total U.S. Department of Homeland Security			<u>413,466</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed through Oklahoma Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	1313 CDBG07	<u>150,649</u>
Total U.S. Department of Housing and Urban Development			<u>150,649</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units of Local Government	16.804		4,493
Bulletproof Vest Partnership Program	16.607		<u>1,125</u>
Total U.S. Department of Justice			<u>5,618</u>
Total Expenditures of Federal Awards			<u>\$ 673,377</u>

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



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

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**Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

**B. Basis of Presentation**

The schedule of expenditures of federal awards includes the federal grant activity of Alfalfa County and is presented on the *cash basis of accounting*. The amount reported for FEMA Public Assistance is an estimate based on actual federal disaster and administration funds received during the fiscal year. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

See independent auditor's report.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
ALFALFA COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Alfalfa County, Oklahoma, as of and for the year ended June 30, 2009, which comprises Alfalfa County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated April 25, 2011. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2009-1, 2009-11.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 2009-2, 2009-3, 2009-4, 2009-5, 2009-7 and 2009-12

### Compliance and Other Matters

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

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

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. 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

April 25, 2011



# Oklahoma State Auditor & Inspector

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

## **Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133**

TO THE OFFICERS OF  
ALFALFA COUNTY, OKLAHOMA

### Compliance

We have audited the compliance of Alfalfa County, Oklahoma, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Alfalfa County's major federal programs for the year ended June 30, 2009. Alfalfa County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Alfalfa County's management. Our responsibility is to express an opinion on Alfalfa County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Alfalfa County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Alfalfa County's compliance with those requirements.

In our opinion, Alfalfa County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2009.

### Internal Control Over Compliance

Management of Alfalfa County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Alfalfa County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test

and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Alfalfa County's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-8 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs, as items 2009-9 and 2009-10 to be significant deficiencies.

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

This report is intended solely for the information and use of management, those charged with governance, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. 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

April 25, 2011

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

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**SECTION 1—Summary of Auditor’s Results**

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?..... No

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on  
compliance for major programs: ..... Unqualified

Any audit findings disclosed that are required to be reported  
in accordance with section 510(a) of Circular A-133?..... Yes

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Dollar threshold used to distinguish between Type A and Type B programs: .....	\$300,000
Auditee qualified as low-risk auditee?.....	No

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

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

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

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

Condition: The County Treasurer has two full-time deputies; however, the County Treasurer performs the duties of preparing the daily report, preparing the general ledger, preparing the monthly apportionment ledger, and reconciling all bank statements except for the official depository account. The County Treasurer and the two employees issue receipts, prepare the deposits and the County Treasurer makes the deposits with the financial institutions. There is no formal segregation of duties within the Treasurer's office.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and management review and approval of accounting functions.

Views of responsible officials and planned corrective actions: We will have two people examine and initial the reconciliations. In a three man office it is not easy to segregate duties. We will have more than one person do the jobs required for daily business.

**Finding 2009-2 – Bank Reconciliations (Repeat Finding)**

Criteria: Accountability is an overall goal of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of reconciling the county general ledger to the bank statements and the approval of the reconciliation should be segregated.



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

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Condition: Based on the observation of bank reconciliations at June 30, 2009, it was noted there is no review and approval of the reconciliation by someone other than the preparer.

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

Recommendation: OSAI recommends the Treasurer cross-train deputies to prepare bank reconciliations and that she then examine and approve those reconciliations to provide effective internal controls over cash balances.

Views of responsible officials and planned corrective actions: We will accept OSAI's recommendations. We will cross-train deputies to prepare bank reconciliations and the Treasurer will examine and two people will initial those reconciliations to provide effective internal controls over cash balances.

**Finding 2009-3 – Unsecured Treasurer's Office (Repeat Finding)**

Criteria: Accountability is an overall goal of management in the accounting of funds. To help ensure a proper accounting of funds, the offices of County Officers should not be left unattended at anytime during working hours of the Courthouse.

Condition: On October 28, 2010, at 1:35 p.m. the Treasurer's office was left unattended and unlocked with two bank bags visibly present on a desk and the cash box under the counter unsafeguarded.

Effect: The condition could result in funds being misappropriated.

Recommendation: OSAI recommends the Treasurer's office implement a policy of maintaining one person in the office at all times during working hours. Additionally, funds not yet deposited should be locked in the safe to provide effective internal controls over the county's assets.

Views of responsible officials and planned corrective actions: We regret the office was unsecured and money was left open to the public and the money box was unlocked and the door was unlocked with no employees in the office. This will not happen again.

**Finding 2009-4 – Timely Posting of Checks Paid (Repeat Finding)**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper cut off, accurate recording of dates is necessary when posting information to the disbursement system.

Condition: The County Treasurer's office uses the date of the bank reconciliation rather than the date that the check cleared the bank when posting information to the disbursement system.

Effect: This practice could result in the overstatement of cash balances.

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

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Recommendation: OSAI recommends the Treasurer use the date the checks cleared the bank when posting them as paid to provide an accurate recording of cash balances.

Views of responsible officials and planned corrective actions: We have already changed our procedure at the end of the month to include the warrants on the last day of business.

**Finding 2009-5 – Sales Tax Distribution Error for Health of Wellness**

Criteria: Effective internal controls include the County Treasurer follow the guidelines established by the vote of the citizens when apportioning sales tax to provide effective internal control over receipts.

On July 27, 2004, the citizens of Alfalfa County approved a 1/2 cent sales tax for the purpose pertaining to the health and well-being of the people; a 3/8 cent sales tax for the general operations and improvements of the government and library; and a 3/8 cent sales tax for the construction and maintenance of the Alfalfa County fairgrounds. The total sales tax approved was 1 1/4 cent. The sales tax continued until December 31, 2008.

On July 29, 2008, the citizens of Alfalfa County approved a 2% sales tax, with 55% of proceeds for the purpose pertaining to the health and well-being of the people and general operation of the Alfalfa County Emergency Medical Services; 22.5% of proceeds for the general operations and improvements of the government and library; and 22.5% of proceeds for the continued construction and general operations of the Alfalfa County fairgrounds. The sales tax collections began January 1, 2009, will continue for 48 months until December 31, 2012.

Condition: Sales tax for January 2009 was collected at the new rate; however, this collection was not distributed to the County by the Oklahoma Tax Commission until February 2009. The County Treasurer apportioned the January 2009 collections at the newly approved rate as stipulated on the sales tax ballot. As a result, the amount apportioned for the Health and Wellness was \$7,386.42 more than authorized by the Sales Tax Ballot. The amount apportioned to the County General Fund and the Fairgrounds Fund was \$3,693.21 less for each fund than was authorized by the Sales Tax Ballot.

Effect: The sales tax was not apportioned in accordance with the rates as set forth by the sales tax ballot.

Recommendation: OSAI recommends appropriate action be taken to correct the error in apportionment for the month of January 2009 to provide effective controls over the distribution of sales tax collections to the authorized entities as approved by the citizens on the Sales Tax Ballot.

Views of responsible officials and planned corrective actions: Correction will be made on the May 2010 apportionment. In receiving May sales tax the adjustment will be made to debit Health & Wellness \$7,386.42 and credit County General and Fairground Fund with \$3,693.21 for each fund.

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

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**Finding 2009-7 – Timesheets**

Criteria: Effective internal controls include county government establish policies and procedures to document payroll disbursements using standardized timesheets. Those timesheets should be signed by the employee and approved by an authorized supervisor or official.

Condition: The test of 22 timesheets revealed the following exceptions:

- One timesheet was not signed by an employee of the Sheriff’s office.
- One timesheet was not signed by the Assessor.
- One timesheet was not signed by the County Clerk.
- One employee did not complete a timesheet in the Assessor’s office.

Effect: Timesheets that are not approved by the employee and supervisor/officer could lead to incorrect time reporting including vacation and sick leave.

Recommendation: OSAI recommends the County employees prepare and sign monthly timesheets and that those timesheets be approved by the officer to provide effective internal controls over disbursements.

Views of responsible officials and planned corrective actions: We have approved a policy in a public meeting, stating that timesheets must be completely filled out and signed or no paycheck will be issued.

**Finding 2009-11 – Control Environment (Repeat Finding)**

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

Condition: As part of our risk assessment, we reviewed the county-wide controls and assessed the entity and its environment. Through conversation and interaction with county officials and employees it is our determination that there is a lack of communication and cooperation between the elected officials. Additionally, during the course of the audit, we had difficulty in obtaining complete and accurate documentation regarding the County’s federal grant expenditures for Disaster Grants-Public Assistance in order to report these expenditures on the County’s Schedule of Expenditures of Federal Assistance. The County Officials have not made a determination regarding the preparation of the Schedule of Federal Expenditures.

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

Recommendation: OSAI recommends management be aware of these conditions and realize the most effective controls lie in management’s attitude and operating style with regard to effective internal controls of which communication is an important part.

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

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Views of responsible officials and planned corrective actions: We have addressed this in a public meeting May 2, 2011. We have urged all County offices to cooperate and to get along when dealing with financial data and other record keeping.

**Finding 2009-12 – Footnote Disclosure (Repeat Finding)**

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

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

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

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

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

Views of responsible officials and planned corrective actions: We have attempted to contact a budget maker to prepare our financial statement, but he has not returned our calls yet. If he doesn't want to prepare a financial statement for us, we will hire someone qualified to prepare a statement.

**SECTION 3 — Findings related to the Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.**

**Finding 2009-8 – Federal Awards – Schedule of Expenditures of Federal Awards**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD YEAR:** 2009

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

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**CONTROL CATEGORY:** Reporting  
**QUESTIONED COSTS:** \$-0-

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

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

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

The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements...the schedule shall:

(6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

Condition: The County has not designed and implemented formal internal controls for the reporting of its major programs for Disaster Grants-Public Assistance received for the severe storms, tornadoes, and flooding that occurred in 2008, as required by OMB Circular A-133. In particular, the County has not designed an accounting system or year-end process to accumulate and report its ~~in-kind~~ labor and equipment charges.

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

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

Views of responsible officials and planned corrective actions: The Treasurer's office has placed a new procedure regarding federal monies received. A list of federal monies received daily for miscellaneous receipts is maintained and can be printed at any time. Our goal is to be cooperative in furnishing totals for the OSAI. We understand this is required for having or not having a federal audit in our County. It was decided in public meeting that the Commissioner's secretary will prepare the federal schedule of expenditures. Every office that received federal grants will submit the proper paperwork to her, so she can compile the information. It will be kept on file in the Commissioner's office.

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

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**Finding 2009-9 – Federal Awards – Schedule of Expenditures of Federal Awards**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD YEAR:** 2009

**CONTROL CATEGORY:** Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

Criteria: OMB Circular A-133 Compliance Requirement N, Special Test and Provisions states in part:  
...The specific requirements for Special Test and Provisions are unique to each Federal program and are found in the laws, regulations, and provisions of contract or grant agreements.

The Subgrant Application for PA-06-OK-1803-PW-00266 states the following requirements to prepare a bridge:

- Road and bridge repair including Concrete Class A (Structural) in the amount of \$16,200.00;
- Administrative fees of \$489.00;
- Hazard mitigation work of \$10,562.50.

The total project amount awarded was \$27,251.50.

Condition: When reviewing the County's schedule of projects, it was noted that the amount charged to the PW-0266 Project after completion was only \$940.80. Further investigation and physical examination of the project site revealed that the project was not completed in accordance with the grant specifications.

Effect: District 1 did not fulfill Compliance Requirement N, Special Tests and Provisions.

Recommendation: OSAI recommends that FEMA projects be completed as outlined in the Subgrant Application in order to comply with OMB Circular A-133 compliance requirements.

Views of responsible officials and planned corrective actions: The County Commissioners contacted Kathleen Shingledecker with Oklahoma State Public Assistance for FEMA. Shingledecker stated the following:

–As this was a small project and my conversation with FEMA we discussed the scope of work and best management practices (not the money) and determined the project meets the definition of a small project and the underage would off set the small projects that went over their estimated amount.

The reality is some small projects go over the estimate and some are under and FEMA finds with all the projects there is a tendency to break even in the end”.

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

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**Finding 2009-10 – Federal Awards – Schedule of Expenditures of Federal Awards**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD YEAR:** 2009

**CONTROL CATEGORY:** All

**QUESTIONED COSTS:** \$7,260

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

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

FEMA Public Assistance Guide; Chapter 5, page 137, Project Management, Record Keeping states in part:

It is critical that the applicant establish and maintain accurate records of events and expenditures related to disaster recovery work... This information should include the completed PW; completed Special Consideration Questions form; estimated and actual costs; force account labor; force account equipment, materials, and purchases; photographs of damage, work underway, and work completed; insurance information; environmental and/or historic alternatives and hazard mitigation opportunities considered; environmental review documents; receipt and disbursement documents; and record of donated goods and services, if any.

Condition: Of the twenty-two projects tested, we were unable to locate the documentation specifically relating to two projects.

District #	PW Number	PW Amount	Federal Amount
3	294	\$2,053.10	\$1,539.83
3	302	\$7,627.10	\$5,720.33

Effect: District 3 was unable to document how they complied with the compliance requirements for these specific projects.

Recommendation: OSAI recommends that FEMA files be maintained for each FEMA project to provide evidence that the auditee is properly managing the federal awards and is in compliance with OMB circular A-133's Matrix of Compliance Requirements.

Views of responsible officials and planned corrective actions: County chose not to respond.



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