

COUNTY AUDIT

BLAINE 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

**BLAINE 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

October 24, 2011

TO THE CITIZENS OF
BLAINE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Blaine County, Oklahoma for the fiscal year ended June 30, 2009. A report of this type can be 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.

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

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

Sincerely,

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

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

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

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

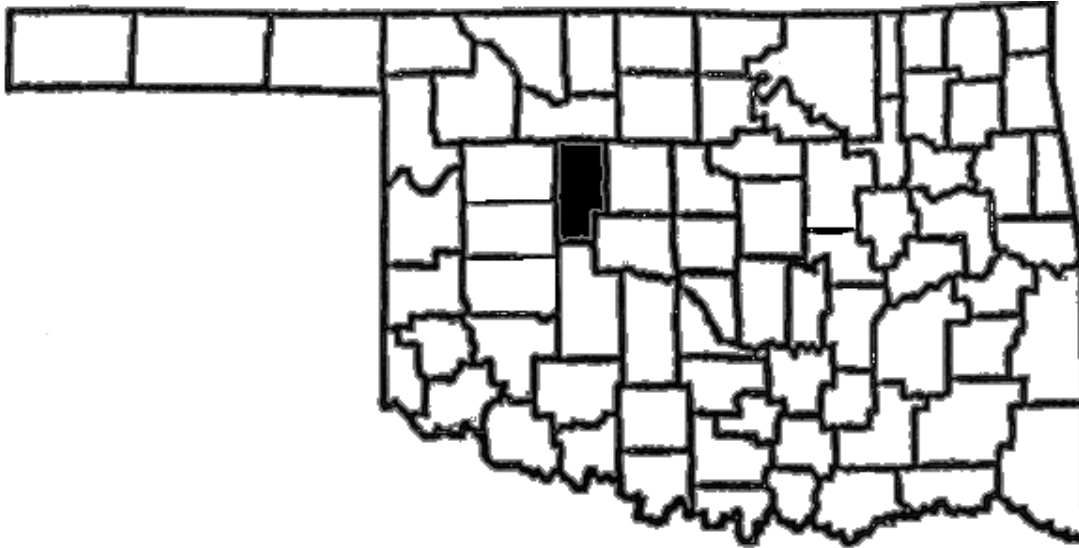
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**REPORT TO THE CITIZENS
OF
BLAINE COUNTY, OKLAHOMA**



Originally designated as “C” County in 1890, Blaine was adopted as the county name in November 1892, in honor of James G. Blaine, U.S. Senator, House Speaker, and Republican presidential candidate in 1884.

Blaine County is the site of the first gypsum mill in Oklahoma Territory, the Ruby Stucco Mill. Southard, located in the north central part of the county, is the site of one of the purest gypsum deposits in the United States. The U.S. Gypsum Company is the largest industrial plant in the county.

The International Association of Rattlesnake Hunters has headquarters in Okeene, which is also the site of its Jaycees Annual Rattlesnake Hunt. The Canton Lake Walleye Pike Rodeo and Fishing Derby occur annually. Roman Nose State Park is located seven miles north of Watonga.

County Seat - Watonga

Area – 938.88 Square Miles

County Population – 12,475
(2007 est.)

Farms – 862

Land in Farms – 585,908 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor’s report.

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

COUNTY ASSESSOR
Rosemary Neely

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
Linda McPherson

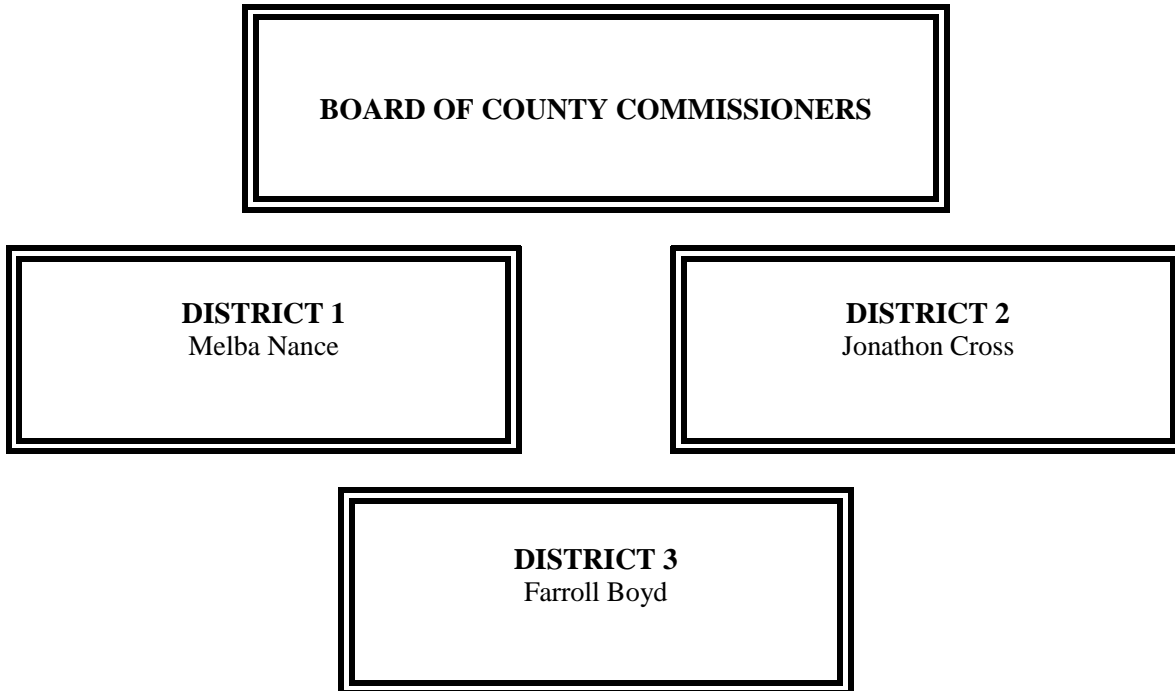
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

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



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.

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

COUNTY SHERIFF
Rick Ainsworth

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
Donna Hoskins

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.

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

COURT CLERK
Rebekah Martin

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
Cathy Stocker

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.

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

ELECTION BOARD SECRETARY
Jane Crawford

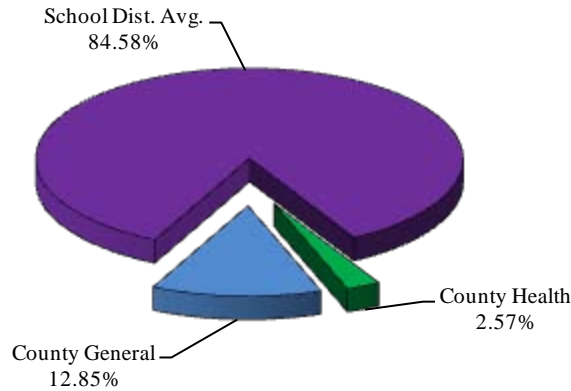
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

**BLAINE 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								
					Career					
		Gen.	Bldg.	Skg.	Tech	EMS	Common	Total		
County General	10.62									
County Health	2.12									
		Okeene	I-9	36.89	5.27	23.43		3.16	4.25	68.75
		Okeene HR	I-9	36.89	5.27	23.43	12.53	3.16	4.25	81.28
		Watonga	I-42	36.82	5.26	6.63	12.53		4.25	61.24
		Geary	I-80	38.31	5.47			3.28	4.25	47.06
		Canton	I-105	37.03	5.29	9.95	13.75	3.17	4.25	69.19
		Major	I-84	36.88	5.27	12.32	13.75		4.25	68.22
		Major	I-92	35.00	5.00	7.61	15.00		4.25	62.61
		Kingfisher	J-3	37.37	5.34	14.86	12.53		4.25	70.10
		Custer	J-7	37.03	5.29	18.93			4.25	61.25
		Caddo	J-1	37.68	5.38	15.13	11.81		4.25	70.00
		Caddo	J-3	35.17	5.02	23.36	11.81	3.08	4.25	78.44

See independent auditor's report.

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

Total net assessed value as of January 1, 2008		<u>\$ 71,331,366</u>
Debt limit - 5% of total assessed value		3,566,568
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>53</u>	<u>-</u>
Legal debt margin		<u>\$ 3,566,568</u>

See independent auditor's report.

BLAINE 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)

	2009
Estimated population	12,475
Net assessed value as of January 1, 2008	\$ 71,331,366
Gross bonded debt	-
Less available sinking fund cash balance	53
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

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

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2008	\$22,106,980	\$7,474,283	\$44,107,186	\$2,357,083	\$71,331,366	\$634,657,174

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
BLAINE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Blaine 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 Blaine 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 Blaine 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 Blaine 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 September 19, 2011, on our consideration of Blaine 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

September 19, 2011

Basic Financial Statement

BLAINE 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	Transfer In	Transfer Out	Disbursements	Ending Cash Balances June 30, 2009
Combining Information:						
County General Fund	\$ 1,187,862	\$ 2,076,939	\$ 2,957	\$	\$ 1,958,041	\$ 1,309,717
County Highway Cash	2,695,271	3,869,353			4,274,866	2,289,758
County Building Fund	38,250	9,750			40	47,960
County Clerk Records Preservation Fee	14,633	28,000			32,271	10,362
County Clerk Lien Fee	32,693	37,696			40,438	29,951
Treasurer Mortgage Tax Certification Fee	7,407	2,175				9,582
Sheriff Service Fee	45,754	116,262			97,344	64,672
Sheriff Prisoner Revolving (D.O.C. Fund)	30,548	54,826			42,368	43,006
County Health Department	82,964	153,927			132,793	104,098
Insurance Disaster Fund	124,540	36,508			160,053	995
Assessor Visual Inspection	1,721					1,721
Resale Property	40,324	29,960			27,297	42,987
Canton Lake Patrol	2,700	16,680			14,999	4,381
General Obligation Bond Sinking	2,957	53		2,957		53
Crossing Permit Fund	2,672	17,200				19,872
Lodging Tax	57,149	49,667			48,398	58,418
Sheriff Seizure (Drug Seizure)	1,189	1,900				3,089
Emergency Management	30,589	19,275			34,656	15,208
Northern Oklahoma Development Authority		22,744			22,744	
Enhanced 911	13,807	72,634			62,384	24,057
Assessor's Revolving	4,170	3,105			2,507	4,768
Combined Total--All County Funds	\$ 4,417,200	\$ 6,618,654	\$ 2,957	\$ 2,957	\$ 6,951,199	\$ 4,084,655

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

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

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 Blaine County, Oklahoma. The financial statement referred to includes only the primary government of Blaine 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.

County Building Fund - accounts for collections of rent on county owned buildings.

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

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

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

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.

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

Sheriff Prisoner Revolving (D.O.C. Fund) - accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of maintaining the jail.

County Health Department - accounts for monies collected on behalf of the County Health Department from ad valorem taxes and state and local revenue.

Insurance Disaster Fund - accounts for the insurance proceeds received for damage to the courthouse and expended for courthouse repairs.

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

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

Canton Lake Patrol - accounts for the monies used to pay to have the Canton Lake area patrolled.

General Obligation Bond Sinking - receipts are derived generally from a special ad valorem tax levy. The levy is not on current year ad valorem because the debt has been paid. The amount collected is for delinquent taxes that are subsequently transferred to the County General Fund.

Crossing Permit Fund - accounts for collection for road crossing permits from oil and utility companies.

Lodging Tax - accounts for a 5% hotel/motel tax used only for maintenance of the fairgrounds.

Sheriff Seizure (Drug Seizure) - accounts for property forfeited to the Sheriff from the arrest involving illegal use of drugs.

Emergency Management - accounts for the receipts and disbursement of funds from state and local government for civil defense purposes.

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

Northern Oklahoma Development Authority - accounts for grant funds received and disbursed according to the guidelines of the grant.

Enhanced 911 - accounts for the collection and remittance of tax, to be used for emergency contacts.

Assessor's Revolving - 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 cities and towns 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 is approved by fund, office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

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

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

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.

G. Compensated Absences

The County's policy for leave benefits reads as follows: Employees are entitled to vacation leave with pay based on length of service. Scheduling of vacation leave will be left to the discretion of each department head.

Years of Service	Vacation Leave	Accumulation Limit
0 to 7 years	10 days (6.67 hrs per month)	10 days
7+ years	15 days (10 hrs per month)	15 days

Annual Leave - Vacation must be earned before it is taken. No vacation leave shall be accumulated beyond the accumulation limit.

Upon separation, an employee will be paid for the balance of accrued annual leave up to the accumulation limit. Accumulation of employee's length of service will be based on a 52 week year. Termination of employment will automatically cancel length of service for accumulation of vacation leave with pay.

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

Sick Leave - Employees will earn 8 hours of sick leave per calendar month employed. Sick leave must be earned before it is taken. Employees may accumulate up to 130 days of sick leave. When terminating employment with the County, an employee may not collect pay for accrued 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 \$71,331,366.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.62 mills for general fund operations and 2.12 mills for county health department. In addition, the County collects the ad valorem taxes assessed by school districts and emergency medical 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 96.82 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 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 related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The County participates in a

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

public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group (ACCO-SIG). If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.

CompSource Oklahoma – The workers' compensation program is fully insured through a third party (CompSource Oklahoma). The program pays all legitimate workers' compensation claims. Under the program, the County has no deductible and no liability for deficits. There have been no significant reductions in coverage from the prior fiscal year.

5. Long-term Obligations

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.

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 \$299,557, \$271,671, and \$221,753, respectively, equal to the required contributions for each year.

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

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.

7. 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.

8. Contingent Liabilities

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

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

9. Sales Tax

The County began collecting a .25 percent (.0025) county sales tax on January 1, 2003, and continuing until January 1, 2018. The sales tax is administered by the Blaine County Criminal Justice Authority for the purpose of erecting, furnishing, equipping, operating, and maintaining a new county jail and acquiring a site therefore owned or operated by Blaine County.

On November 1, 2005, the voters of Blaine County voted to renew the .10 percent (.0010) county sales tax effective January 1, 2006, and continue until December 31, 2014. The sales tax is dedicated to 12 county rural fire departments.

10. Residual Equity Transfer

Residual equity transfers consist of a transfer of funds to the County General Fund from the General Obligation Bond Sinking Fund in the amount of \$2,957 as allowed by 62 O.S. § 445.

OTHER SUPPLEMENTARY INFORMATION

BLAINE 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	\$ 1,187,862	\$ 1,187,862	\$ 1,187,862	\$ -
Less: Prior Year Outstanding Warrants	(68,050)	(68,050)	(68,050)	
Less: Prior Year Encumbrances	(58,442)	(58,442)	(56,106)	2,336
Beginning Cash Balances, Budgetary Basis	<u>1,061,370</u>	<u>1,061,370</u>	<u>1,063,706</u>	<u>2,336</u>
Residual Equity Transfer In			2,957	2,957
Receipts:				
Ad Valorem Taxes	688,672	688,672	748,114	59,442
Sales Tax	350,069	350,069	827,114	477,045
Charges for Services	77,063	77,063	103,552	26,489
Intergovernmental Revenues	99,362	99,362	260,371	161,009
Miscellaneous Revenues	10,800	10,800	137,788	126,988
Total Receipts, Budgetary Basis	<u>1,225,966</u>	<u>1,225,966</u>	<u>2,076,939</u>	<u>850,973</u>
Expenditures:				
District Attorney	15,002	15,002	10,764	4,238
County Sheriff	517,818	517,818	500,553	17,265
County Treasurer	99,218	99,218	97,319	1,899
County Commissioners	331,675	331,675	162,825	168,850
OSU Extension	16,500	16,500	16,031	469
County Clerk	131,756	131,756	130,624	1,132
Court Clerk	113,756	113,756	113,755	1
County Assessor	102,811	102,811	101,616	1,195
Revaluation of Real Property	194,104	194,104	158,978	35,126
Juvenile Shelter Bureau	23,800	23,800	7,607	16,193
General Government	257,146	255,166	149,482	105,684
Excise-Equalization Board	5,850	5,850	3,003	2,847
County Election Board	66,163	67,143	66,497	646
Insurance Benefits	404,100	405,100	391,129	13,971
County Audit Budget	7,133	7,133	7,133	-

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

**BLAINE 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
Charity	1	1	-	1
Civil Defense	3	3	-	3
Provision for Interest on Warrants	500	500	-	500
 Total Expenditures, Budgetary Basis	 2,287,336	 2,287,336	 1,917,316	 370,020
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 \$ -	 1,226,286	 \$ 1,226,286

Reconciliation to Statement of Receipts,
Disbursements, and Changes in Cash Balances

Add: Current Year Encumbrances	18,608
Add: Current Year Outstanding Warrants	64,823
Ending Cash Balance	<u>\$ 1,309,717</u>

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

BLAINE 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, 2009

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 82,964	\$ 82,964	\$ 82,964	\$ -
Less: Prior Year Warrants	(789)	(789)	(789)	
Less: Prior Year Encumbrances	(1,560)	(1,560)	(910)	650
Beginning Cash Balances, Budgetary Basis	<u>80,615</u>	<u>80,615</u>	<u>81,265</u>	<u>650</u>
Receipts:				
Ad Valorem Taxes	137,475	137,475	149,341	11,866
Intergovernmental Revenue			1,505	1,505
Miscellaneous			3,081	3,081
Total Receipts, Budgetary Basis	<u>137,475</u>	<u>137,475</u>	<u>153,927</u>	<u>16,452</u>
Expenditures:				
Health and Welfare	215,300	215,300	152,540	62,760
Capital Outlay	2,790	2,790	1,535	1,255
Total Expenditures, Budgetary Basis	<u>218,090</u>	<u>218,090</u>	<u>154,075</u>	<u>64,015</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	81,117	<u>\$ 81,117</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			12,091	
Add: Current Year Outstanding Warrants			10,890	
Ending Cash Balance			<u>\$ 104,098</u>	

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

BLAINE COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Beginning Cash Balance	<u>\$ 2,957</u>
Receipts:	
Ad Valorem Tax	<u>53</u>
Total Receipts	<u>53</u>
Disbursements:	
Total Disbursements	<u>-</u>
Transfer to General Fund	<u>2,957</u>
Ending Cash Balance	<u><u>\$ 53</u></u>

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

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

1. Budgetary Schedules

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

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

2. Sinking Fund Schedule

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.

**BLAINE 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 Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed through the Oklahoma State Treasurer:			
Payments to States in Lieu of Real Estate Taxes	12.112		\$ 5,728
Total U.S. Department of Defense			<u>5,728</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed through the Department of Commerce:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		22,744
Total U.S. Department of Housing and Urban Development			<u>22,744</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		30,921
Total U.S. Department of Interior			<u>30,921</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through Oklahoma Department of Emergency Management:			
Emergency Management Performance Grants	97.042	PA 1150	19,013
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.042	PA 1678	2,000
Total CFDA #97.042			<u>21,013</u>
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA 1707	134,005
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA 1712	35,582
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA 1718	1,010,960
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA 2799	1,732
Total CFDA #97.036			<u>1,182,279</u>
Total U.S. Department of Homeland Security			<u>1,203,292</u>
Total Expenditures of Federal Awards			<u>\$ 1,262,685</u>

The accompanying note is an integral part of this schedule.
See independent auditor's report.

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

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Blaine County, and is presented on the *cash basis of accounting*. 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
BLAINE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Blaine County, Oklahoma, as of and for the year ended June 30, 2009, which comprises Blaine County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated September 19, 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 Blaine 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 Blaine 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. 2009-4, 2009-5, 2009-7

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. 2009-1, 2009-2, 2009-6

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Blaine 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*.

We noted certain matters that we reported to the management of Blaine County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

Blaine 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 Blaine County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of Blaine County, 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.

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

September 19, 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
BLAINE COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Blaine 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 the County's major federal program for the year ended June 30, 2009. Blaine County's major federal program is 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 its major federal program is the responsibility of Blaine County's management. Our responsibility is to express an opinion on Blaine 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 Blaine 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 Blaine County's compliance with those requirements.

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

Internal Control Over Compliance

Management of Blaine 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 Blaine 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 Blaine 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.

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.

Blaine 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 Blaine County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management of Blaine County, 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.

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

September 19, 2011

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

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 that are not considered to be material weaknesses? Yes

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? No

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 Program

CFDA Number(s)
97.036

Name of Federal Program or Cluster
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

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

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 – IT Security-County Clerk and County Treasurer

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Condition: After interviewing the County Treasurer and the County Clerk it was noted that there doesn't appear to be adequate controls in place to safeguard data from unauthorized modification, loss or disclosure. The computers in the offices of the County Treasurer and the County Clerk do not automatically log off after periods of inactivity and employees do not log off or lock their systems when they are away from their desk. The system does not require that passwords be changed.

Effect: This condition could result in someone working under another person's ID, therefore compromising the security for the computer, and computer programs, and reducing the effectiveness of identifying errors and their cause.

Recommendation: OSAI recommends the County work with their IT personnel or in conjunction with software vendors to put controls in place that will log off or lock computers after periods of inactivity or when the user is away from their computer and that the system also prompts users to change their passwords. OSAI recommends controls be implemented that would limit employees access to programs that are not used in their job duties. OSAI recommends that the County Clerk require the use of complex passwords using multi-case letters, numbers, and special characters with a minimum length of eight.

Views of responsible officials and planned corrective actions:

County Clerk: We have been in contact with TM Consulting and Kellpro to work on our computer programs to automatically log off.

County Treasurer: My IT personnel have made changes to our system that locks the computer if not in use. The passwords are changed every month.

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

Finding 2009- 2 - Fuel Purchases

Criteria: Effective internal controls dictate that a comparison of the signed fuel sales invoices be compared to a detailed end of month statement and that all documentation be attached to the purchase order.

Condition: During our review of 278 fuel tickets, the following was noted:

1. District 1 had 25 fuel tickets that did not have the signature of the person receiving the fuel. It was also noted that there were two fuel tickets that were signed by an employee of the Cooperative instead of by a County employee.
2. A detailed monthly statement was not included on the documentation attached to the purchase order.

Effect: These conditions could result in undetected erroneous charges on the County's account.

Recommendation: OSAI recommends that all purchase orders for fuel have the sales invoices attached along with a detailed end-of-month statement from which to pay for fuel purchases.

Views of responsible officials and planned corrective actions:

District 1 Commissioner: A detailed end of month statement will be included with the individual sales invoices. There will be strict adherence to the policy of County employees signing fuel tickets at the time of purchase. An approved list of authorized personnel to make purchases has been supplied to Wheeler Brothers Grain.

Finding 2009-4 – Footnote Disclosures

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 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.

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

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: The budget-maker for Blaine County will prepare External Financial Statements.

Finding 2009-5 – Segregation of Duties

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Condition: The County Treasurer has one full-time deputy and one part-time deputy. The County Treasurer and the two employees issue receipts, maintain one cash drawer, and the person preparing the deposit issues receipts and reconciles the bank accounts.

Effect: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

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:

County Treasurer: Each employee has a cash drawer of \$100/drawer and the County Treasurer has \$200. The County Treasurer will do random check and balances on each drawer. Two employees will do the deposits and one of us will take it to the bank. The one that goes to the bank will give the bank deposit with the Teller's stamp to the other employees, so that they can verify the deposit was made.

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2009-6 – Purchasing – Signed Receiving Report

Criteria: Effective internal controls include purchase orders be paid only when all necessary signatures and approvals are received.

Condition: Of 42 purchase orders viewed, 1 purchase order was not signed.

Fund/Account	Warrant No.	PO No.	Paid To	Amount	Purpose	Missing Signature
General/3063	220	2521	Progressive Windows	\$95,621.00	Courthouse Windows	Receiving Officer

Effect: This condition could result in unauthorized payments for items not received.

Recommendation: OSAI recommends that the purchase orders have all required signatures and all supporting documentation to provide effective internal control over the disbursement process.

Views of responsible officials and planned corrective actions:

County Clerk: Purchase order #2521 was pulled and the receiving report was signed by appropriate receiving clerk. Greater diligence will be applied, to ensure that all receiving reports are signed by the appropriate receiving clerk.

Finding 2009-7 – Segregation of Duties - Payroll

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: Internal controls seem to be in place regarding time reporting. However, the payroll clerk has the responsibility of entering new hires, posting withholdings, maintaining personnel files, reviewing timesheets, printing payroll, preparing OPERS reports, and preparing 941s.

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

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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:

County Clerk: Two or more employees will be assisting and reviewing payroll with emphasis on cross-training.

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 – FEMA Files – Documentation of Federal Expenditures

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 NUMBER: 1707 DR, 1712 DR, 1718 DR, and 2799 DR

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: All

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 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.

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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 adequately reported on the Schedule of Expenditures of Federal Awards on a timely basis.

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: Blaine County has established internal controls to ensure all Federal awards are properly accounted for and reported on the Schedule of Expenditures of Federal Awards in a timely manner. Additional training is being made available to ensure that this form is completed timely and correctly.

SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards* or OMB A-133. 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 2009-9 – Custody of Inmate Funds

Criteria: Title 19 O.S. § 531 states in part:

...the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account", to be managed by the county sheriff.

It also states in part:

The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account...

Condition: The inmate funds for commissary items are not being accounted for by the Sheriff, but by a privately owned grocery store.

Effect: The absence of appropriate accounting records reduces effective custodial control over inmate trust funds and may increase the risk of errors going undetected and possible misappropriation of funds.

Recommendation: OSAI recommends that the Sheriff establish an Inmate Trust Fund Checking Account in accordance with 19 O.S. §531 and issue pre-numbered duplicate receipts for all inmate funds received and deposit those funds on a timely basis.

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Views of responsible officials and planned corrective actions: The funds for commissary of the inmates are received by the provider from the person purchasing the commissary. The funds are not received by the Sheriff's Department. When an inmate requests to use monies that he was booked in with, the procedure to do so requires a written request from the inmate with the money amount documented. Documentation of transferred monies to the provider is given to the inmate and a copy placed in the book-in file. The Sheriff's Department is meeting with Tiger's Commissary as a way to provide commissary. The start-up date should be February 1, 2012. The start-up date involves contract changes that have to be honored with the present inmate phone system.

Finding 2009-10 – Segregation of Duties - Court Clerk

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: After interviewing the County Court Clerk, the following was noted:

District Court – All employees receipt money from the same cash drawer. The following morning one employee balances the cash drawer, prepares the deposit, and takes the deposit to the Treasurer.

Court Fund – The Court Clerk handles all transactions for the Court Fund Accounts. She prepares the claims, calculates the amount to disburse, prepares the voucher, and reconciles the account.

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 the Court Clerk adopt and implement policies and procedures to properly segregate duties in order to properly safeguard the assets of the office.

Views of responsible officials and planned corrective actions:

Receipting Procedures: All Deputy Court Clerks who receipt for cash, record the number and denominations of monies received and change given on each receipt.

Daily Deposit Procedures: One deputy is now responsible for counting the cash drawer and initialing the cash reconciliation ticket. Another deputy will prepare, sign the deposit report, and reconcile the total amount to be deposited. A third deputy will be responsible for accounting for total receipts, reconciling that amount to the daily deposit amount and taking the deposit to the County Treasurer.



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV