

COUNTY AUDIT

# NOBLE COUNTY

For the fiscal year ended June 30, 2013



*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

**NOBLE COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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

June 2, 2015

TO THE CITIZENS OF  
NOBLE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Noble County, Oklahoma for the fiscal year ended June 30, 2013. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

**NOBLE COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**NOBLE COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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INTERNAL CONTROL AND COMPLIANCE SECTION

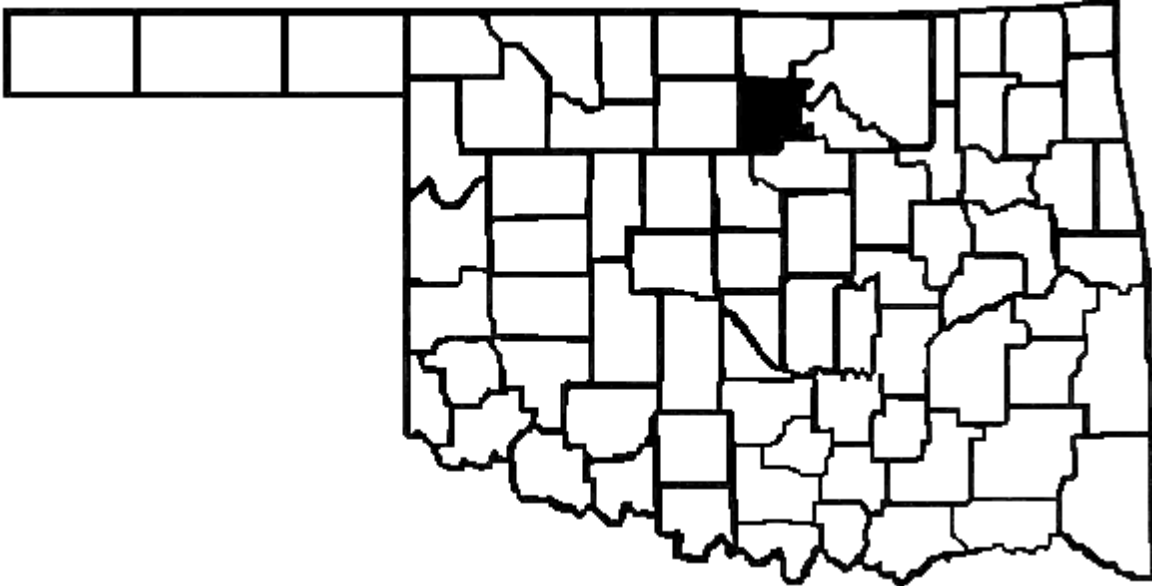
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**NOBLE COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Originally known as County “P,” the area was part of the original Cherokee Outlet and was opened for settlement by the land run on September 16, 1893. The county’s name came from Secretary of Interior John W. Noble.

The main source of income in Noble County is derived from agriculture and its character remains primarily rural. Industry consists of the Charles Machine Works, the world’s largest manufacturer of service line trenchers, located in Perry, the county seat. Also located in Perry are: the Cherokee Strip Museum, the Stage Couch Community Theater, the Perry Memorial Hospital, and a YMCA.

Noble County has seen several of its sons gain state and national office: two governors, Henry S. Johnston and Henry Bellmon; U.S. congressmen Manuel Herrick and Dick T. Morgan; and U.S. Senator Henry Bellmon.

Several books have been written about Noble County. They include *History of Noble County, First Generation, History of Perry,* and *Perry: pride of the Prairie*. Two historical societies, Billings Historical Society and Noble County Cherokee Strip Historical Society, are located in the county. Annual events include the Cherokee Strip Celebration in September, Wheatheart Festival in September, and the Otoe Powwow in July. For more information, call the county clerk’s office at (580) 336-2141.

County Seat – Perry

Area – 742.44 Square Miles

County Population – 11,522  
(2012 est.)

Farms – 838

Land in Farms – 466,947 Acres

Primary Source: Oklahoma Almanac 2013-2014

**NOBLE COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Board of County Commissioners**

District 1 – Mark Sanders  
District 2 – Larry Montgomery  
District 3 – Lance West

**County Assessor**

Mandy Snyder

**County Clerk**

Sandra Richardson

**County Sheriff**

Charlie Hanger

**County Treasurer**

Rena Clark-Wheatley

**Court Clerk**

Hillary Vorndran

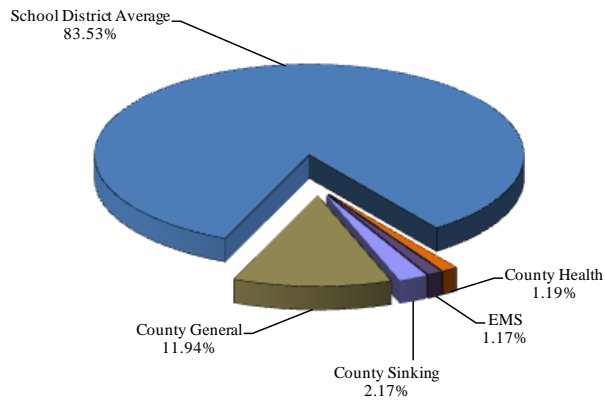
**District Attorney**

Bryan Hermanson



**NOBLE COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

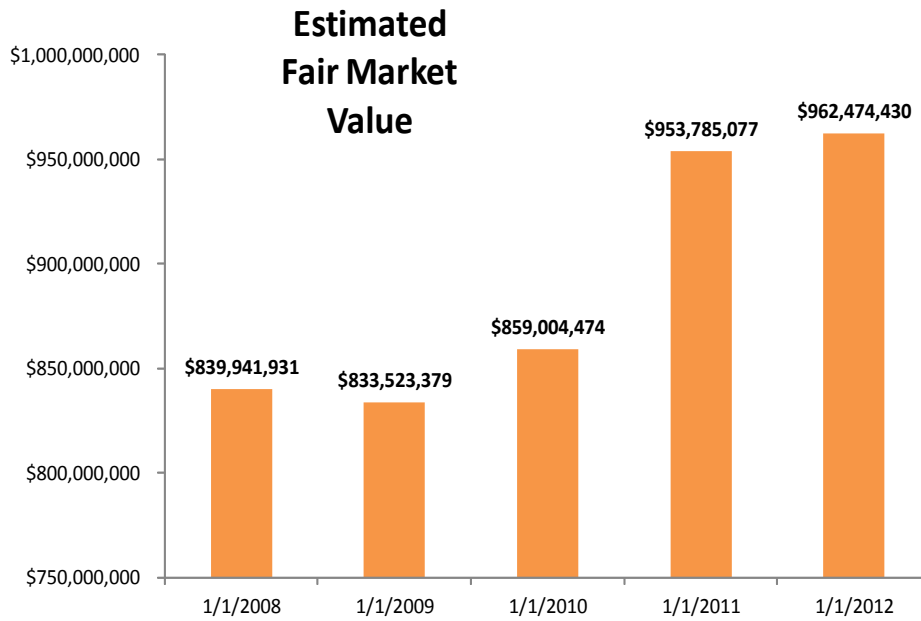
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	Career Tech Gen	Career Tech Bldg	Common	Total
County General	10.24	Perry	I-1	36.38	5.20	30.72	10.42	5.21	4.10	92.03
County Health	1.02	Billings	I-2	36.27	5.18	6.00	-	-	4.10	51.55
County Sinking	1.86	Frontier	I-4	35.28	5.04	8.53	-	-	4.10	52.95
EMS	1.00	Morrison	I-6	36.77	5.25	21.15	10.42	5.21	4.10	82.90
		Garfield	JT-47	35.37	5.05	22.30	10.34	5.17	4.10	82.33
		Garfield	JT-94	36.31	5.19	9.84	10.34	5.17	4.10	70.95
		Kay	JT-71	36.80	5.26	22.14	-	-	4.10	68.30
		Kay	JT-87	35.21	5.03	13.23	-	-	4.10	57.57
		Logan	JT-3	36.48	5.21	8.97	10.42	5.21	4.10	70.39
		Payne	JT-16	36.94	5.28	23.34	10.42	5.21	4.10	85.29
		Payne	JT-101	37.29	5.33	10.99	10.42	5.21	4.10	73.34

**NOBLE COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

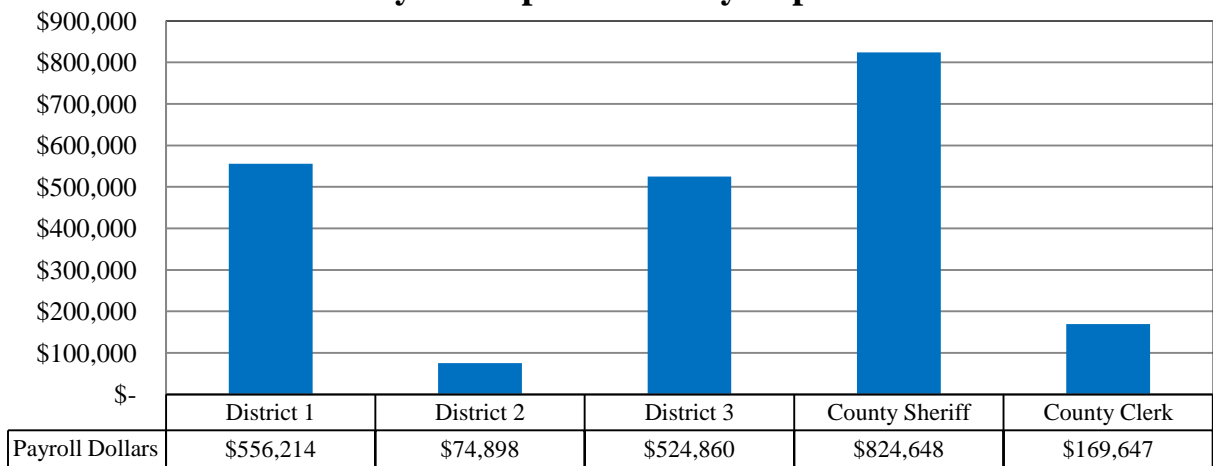
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$15,134,347	\$88,995,905	\$50,072,226	\$3,008,977	\$151,193,501	\$962,474,430
1/1/2011	\$13,835,811	\$91,787,487	\$49,025,557	\$3,029,302	\$151,619,553	\$953,785,077
1/1/2010	\$13,684,060	\$71,954,111	\$48,266,223	\$3,010,983	\$130,893,411	\$859,004,474
1/1/2009	\$14,085,061	\$68,381,998	\$46,714,450	\$3,056,361	\$126,125,148	\$833,523,379
1/1/2008	\$15,981,946	\$69,945,501	\$44,682,593	\$3,097,120	\$127,512,920	\$839,941,931



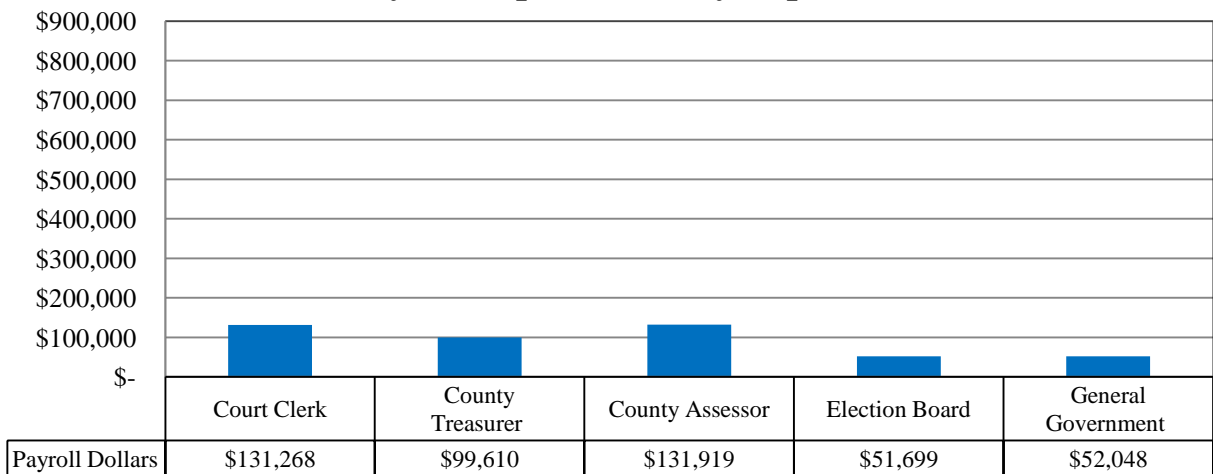
**NOBLE COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2013.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

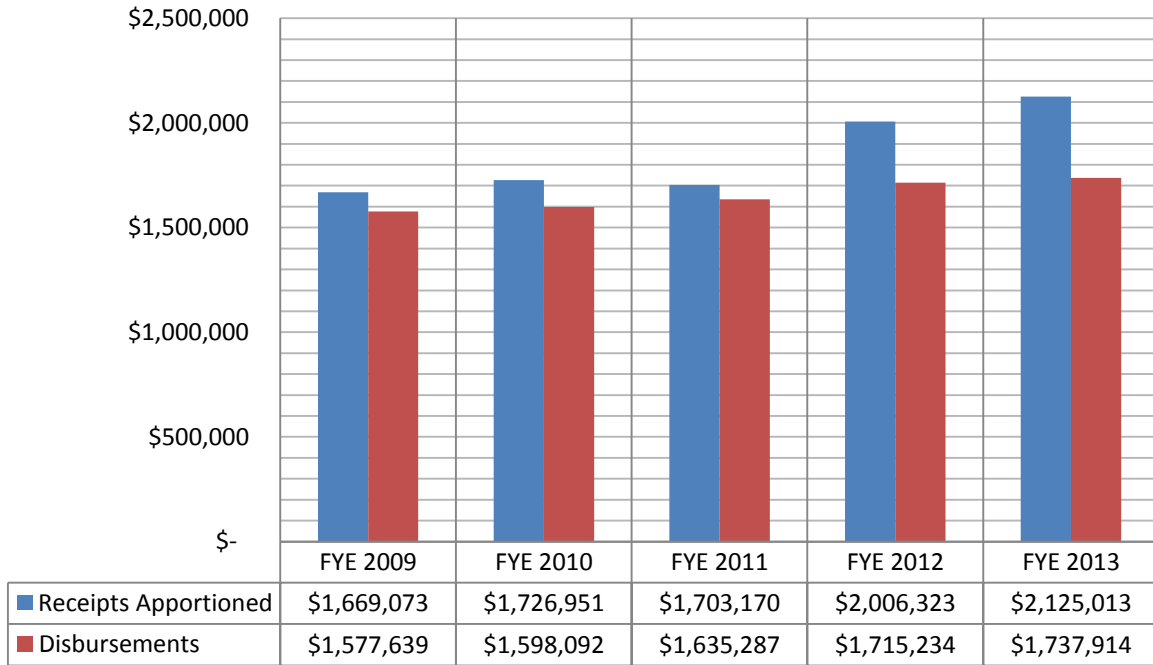


**NOBLE COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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## County General Fund

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

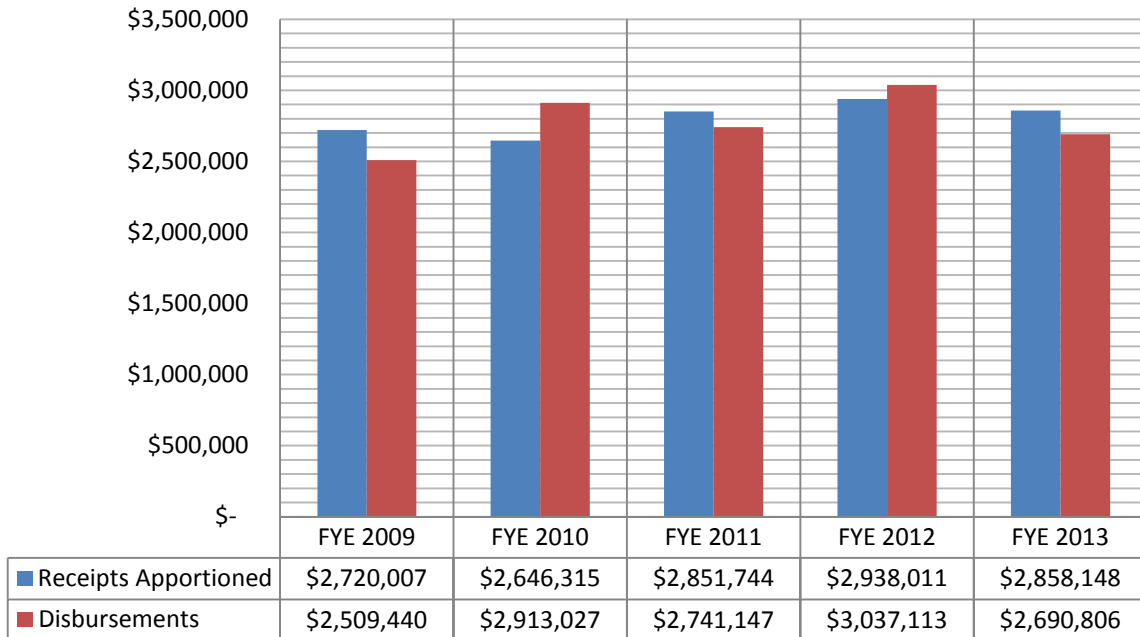


**NOBLE COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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## County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



## **FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

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

## **Independent Auditor's Report**

TO THE OFFICERS OF  
NOBLE COUNTY, OKLAHOMA

### ***Report on the Financial Statement***

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Noble County, Oklahoma, as of and for the year ended June 30, 2013, listed in the table of contents as the financial statement.

### ***Management's Responsibility for the Financial Statement***

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

### ***Auditor's Responsibility***

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

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

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

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

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

### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Noble County as of June 30, 2013, or changes in its financial position for the year then ended.

### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Noble County, for the year ended June 30, 2013, on the basis of accounting described in Note 1.

### ***Other Matters***

#### ***Other Information***

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

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2015, on our consideration of Noble County’s internal control over financial reporting and on our tests of its



compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Noble County's internal control over financial reporting and compliance.

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

June 1, 2015

**REGULATORY BASIS FINANCIAL STATEMENT**

**NOBLE COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**(WITH COMBINING INFORMATION)—MAJOR FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:				
Major Funds:				
County General Fund	\$ 1,366,629	\$ 2,125,013	\$ 1,737,914	\$ 1,753,728
County Highway Cash	1,203,550	2,858,148	2,690,806	1,370,892
County Bridge and Road Improvement Fund 105	833,278	228,855	495,065	567,068
County Health	329,753	153,553	85,347	397,959
Free Fair Sales Tax	165,013	434,287	163,751	435,549
OSU Extension Sales Tax	198,282	185,037	96,677	286,642
Rural Fire Sales Tax	619,611	617,972	141,454	1,096,129
Jail Sales Tax	1,777,812	1,853,522	966,457	2,664,877
Ambulance District Sales Tax	-	389,553	240,203	149,350
County Sinking	182,147	280,791	310,210	152,728
Remaining Aggregate Funds	1,084,301	408,466	190,049	1,302,718
<b>Combined Total - All County Funds</b>	<b>\$ 7,760,376</b>	<b>\$ 9,535,197</b>	<b>\$ 7,117,933</b>	<b>\$ 10,177,640</b>

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

**NOBLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

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

**B. Fund Accounting**

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

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

County General Fund – accounts for revenues from ad valorem, sales tax, officer's fees, interest earnings and miscellaneous collections of the County. Disbursements are for the general operations of the County.

County Highway Cash – accounts for revenues from state imposed fuel taxes and disbursements are for the maintenance and construction of county roads and bridges.

County Bridge and Road Improvement Fund 105 – accounts for state receipts and disbursements for the purpose of improving county roads and bridges.

County Health – accounts for revenues from ad valorem taxes, miscellaneous fees charged by the health department, and state and federal funds. Disbursements are for the operation of the county health department.

Free Fair Sales Tax – accounts for the free fair portion of the County sales tax.

**NOBLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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OSU Extension Sales Tax – accounts for OSU Extension’s portion of the County sales tax.

Rural Fire Sales Tax – accounts for fire departments’ portion of the County sales tax.

Jail Sales Tax – accounts for County sales tax for operations of the county jail and Sheriff’s office and to pay debt service on bonds issued to finance the construction and equipment of a county jail and Sheriff’s office.

Ambulance District Sales Tax – accounts for the emergency medical service portion of the County sales tax.

County Sinking – accounts for monies collected from ad valorem taxes for payment of bonds or judgments against the County.

**C. Basis of Accounting**

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

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

**D. Budget**

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

**NOBLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**E. Cash and Investments**

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

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

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

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

**2. Ad Valorem Tax**

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

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

**3. Other Information**

**A. Pension Plan**

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death

**NOBLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

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

**B. Other Post Employment Benefits (OPEB)**

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

**C. Contingent Liabilities**

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

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

**D. Long Term Obligations**

**1. General Obligation Bonds**

The government issued general obligation bonds to provide funds for the construction of a new county jail. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 20 years from the date of issue.

**NOBLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Original Amount
General Obligation Bonds Series A	5.1 - 3.65%	\$ 840,000
General Obligation Bonds Series B	3.7 - 4.00%	<u>1,700,000</u>
Total		<u>\$2,540,000</u>

Beginning Balance	Additions	Reductions	Ending Balance	Amount due within one year
\$2,750,000	\$ -0-	\$210,000	\$2,540,000	\$210,000

During fiscal year 2013, payments included \$210,000 for principal, \$99,710 interest, and \$500 for fees.

Annual debt service requirements to maturity for general obligation bonds, including interest of \$600,193, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 210,000	\$ 92,675	\$ 302,675
2015	210,000	85,482	295,482
2016	210,000	78,133	288,133
2017	210,000	70,573	280,573
2018	210,000	62,855	272,855
2019-2023	1,050,000	152,105	1,202,105
2024-2025	440,000	58,370	498,370
Total	<u>\$2,540,000</u>	<u>\$600,193</u>	<u>\$3,140,193</u>

**E. Sales Tax**

The voters of Noble County approved a permanent one-quarter percent sales tax effective March 1, 2002. The sales tax was established to provide revenue for the following:

- Noble County Free Fair Board 70%
- OSU Extension Office in Noble County 30%

The voters of Noble County also approved a one-quarter percent sales tax effective January 1, 2003. This sales tax shall be of a limited duration of three years and shall terminate December 31, 2006. The sales tax was established to provide for revenue to be equally apportioned among all fire departments belonging to Noble County Public Safety Association in Noble County, Oklahoma. The voters of Noble County approved to extend the one-quarter percent sales tax effective January 1, 2006, for the fire departments. The sales tax was for a five-year duration and



**NOBLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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terminated on December 31, 2010. The voters of Noble County approved to extend the one-quarter percent sales tax again effective January 1, 2011 and shall terminate December 31, 2015.

The voters of Noble County approved a three quarter percent sales tax effective October 5, 2005. The sales tax shall continue for a period of ten years. The sales tax was established to provide revenue for the lawful operations of the County jail and Sheriff's office and to pay debt service on bonds issued to finance the construction and equipment of a County jail and Sheriff's office.

The voters of Noble County approved a one quarter percent sales tax effective July 1, 2012. The sales tax shall continue for a period of five years. The sales tax was established to provide revenue for the support, organization, operation, maintenance, and all lawful purposes of providing of an Emergency Medical Service District and its purpose of providing ambulance services and Emergency Medical First Responder service to all county residents.

These sales tax receipts and disbursements are accounted for in cash funds as reported on the County's financial statements as Free Fair Sales Tax, OSU Extension Sales Tax, Rural Fire Sales Tax, Jail Sales Tax, and Ambulance District Sales Tax.

**OTHER SUPPLEMENTARY INFORMATION**

**NOBLE 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, 2013**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,366,629	\$ 1,366,629	\$ -
Less: Prior Year Outstanding Warrants	(135,208)	(135,208)	-
Less: Prior Year Encumbrances	(12,718)	(5,841)	6,877
Beginning Cash Balances, Budgetary Basis	<u>1,218,703</u>	<u>1,225,580</u>	<u>6,877</u>
Receipts:			
Ad Valorem Taxes	1,407,474	1,534,402	126,928
Charges for Services	-	148,549	148,549
Intergovernmental Revenues	80,000	387,587	307,587
Miscellaneous Revenues	18,981	54,475	35,494
Total Receipts, Budgetary Basis	<u>1,506,455</u>	<u>2,125,013</u>	<u>618,558</u>
Expenditures:			
District Attorney - State	24,000	24,000	-
District Attorney - County	1,500	-	1,500
County Sheriff	394,574	299,480	95,094
County Treasurer	105,351	98,898	6,453
County Commissioners	48,898	46,539	2,359
County Clerk	140,701	134,126	6,575
Court Clerk	127,817	127,580	237
County Assessor	83,723	81,302	2,421
Revaluation of Real Property	114,238	106,451	7,787
Juvenile Shelter Bureau	7,000	5,733	1,267
General Government	253,744	186,293	67,451
Excise-Equalization Board	3,126	1,853	1,273
County Election Board	63,705	62,928	777
Insurance - Benefits	1,225,133	438,472	786,661
County Purchasing Agent	40,003	33,432	6,571
Charity	4,000	603	3,397
Recording Account	23,521	18,683	4,838
Civil Defense	11,002	7,446	3,556
Highway Budget	37,002	34,026	2,976
Audit	15,119	862	14,257
Cemetery	1,001	-	1,001
Total Expenditures, Budgetary Basis	<u>2,725,158</u>	<u>1,708,707</u>	<u>1,016,451</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	1,641,886	<u>\$ 1,641,886</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		77,480	
Add: Current Year Encumbrances		34,362	
Ending Cash Balance		<u>\$ 1,753,728</u>	

**NOBLE 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, 2013**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 329,753	\$ 329,753	\$ -
Less: Prior Year Outstanding Warrants	(2,469)	(2,469)	-
Less: Prior Year Encumbrances	(4,032)	(2,295)	1,737
Beginning Cash Balances, Budgetary Basis	323,252	324,989	1,737
Receipts:			
Ad Valorem Taxes	140,198	152,791	12,593
Charges for Services	539	539	-
Intergovernmental Revenues	-	223	223
Total Receipts, Budgetary Basis	140,737	153,553	12,816
Expenditures:			
County Health Budget Account	463,989	119,683	344,306
Total Expenditures, Budgetary Basis	463,989	119,683	344,306
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	358,859	\$ 358,859
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		21,689	
Add: Current Year Outstanding Warrants		17,411	
Ending Cash Balance		\$ 397,959	

**NOBLE COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
<b>Remaining Aggregate Funds:</b>				
BIA - STP Fund	\$ 57	\$ 13,319	\$ 12,824	\$ 552
Illegal Dump Reward Fund	4,749	-	-	4,749
County Road Improvement Fund	8,024	171	-	8,195
Resale Property	64,979	44,107	23,089	85,997
Health Cash Fund	975	-	-	975
Sheriff Service Cash Fund	338,086	80,567	7,420	411,233
Sheriff Prisoner Care	60,135	4,575	-	64,710
Sheriff Training Fund	83	-	-	83
County Clerk M&M Lien Cash Fund	146,370	63,244	26,213	183,401
County Clerk Records Preservation	71,387	33,100	20,515	83,972
Treasurer Mortgage Certification Fee	9,238	2,105	3,508	7,835
Assessor Fee Revolving Fund	10,417	9,050	2,433	17,034
Jail Building Bond Fund	361,431	1,931	-	363,362
Prepay E-911	7,940	7,854	-	15,794
Ambulance District (Ad Valorem)	-	148,443	94,047	54,396
Bureau of Indian Affairs B	430	-	-	430
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 1,084,301</b>	<b>\$ 408,466</b>	<b>\$ 190,049</b>	<b>\$ 1,302,718</b>

**NOBLE COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**1. Budgetary Schedules**

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

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

**2. Remaining County Funds**

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

BIA – STP Fund – accounts for revenues from the Bureau of Indian Affairs for road improvement.

Illegal Dump Reward Fund – accounts for rewards for illegal dump sites.

County Road Improvement Fund – accounts for extra accumulated highway cash collections for county road work.

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

Health Cash Fund – accounts for a special cash fund of the County Health Department.

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

Sheriff Prisoner Care – accounts for the Sheriff's expense of boarding prisoners.

Sheriff Training Fund – accounts for proceeds of property forfeitures used for training.

County Clerk M&M Lien Cash Fund – accounts for the lien collections and disbursements as restricted by statute.

**NOBLE COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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

Jail Building Bond Fund – accounts for revenues received from the sale of the General Obligation Bonds for the construction of a new jail. Actual construction began in the fall of 2006.

Prepay E-911 – accounts for monies received from telephone companies to maintain an emergency telephone system.

Ambulance District (Ad Valorem) – accounts for the EMS’ portion of ad valorem collections.

Bureau of Indian Affairs B – accounts for a contract for road improvement with the Bureau of Indian Affairs.

**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

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

TO THE OFFICERS OF  
NOBLE COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Noble County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Noble County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 1, 2015.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1 and 2013-6.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2013-9.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Noble County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-9.

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

### **Noble County's Responses to Findings**

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

### **Purpose of this Report**

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

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



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

June 1, 2015

**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Finding 2013-1 – Inadequate County-Wide Controls (Repeat Finding)**

**Condition:** The County has not addressed all of the components of an Internal Control Framework which are the control environment, risk assessment, control activities, information and communication, and monitoring.

**Cause of Condition:** This condition is a result of the County not being aware of how the process of identifying risk, implementing control activities, communicating pertinent information and monitoring could positively impact the operations and reporting of the County.

**Effect of Condition:** This condition does not allow the County to function in the most effective manner possible.

**Recommendation:** The Oklahoma State Auditor & Inspector (OSAI) recommends that the County design procedures to document their Internal Control Framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps to take to properly communicate pertinent information in a timely manner and the methodology to monitor the quality of performance over time.

**Management Response:**

**BOCC:** The Noble County Officers will conduct Officers' Meetings on at least a quarterly basis. These meetings will have posted agendas and will have recorded minutes. We have reviewed the COSO internal control diagram and are working towards implementing suggested practices for each control. As a county, we met on March 24, 2014 and reviewed the first level of control: Control Environment. We implemented a new policy/procedure manual and are working towards identifying needed procedures and creating written procedures for our county duties/responsibilities. This meeting was very informative and promoted county-wide communication.

**County Clerk:** This office has followed the policies and procedures set forth by our County Commissioners. The elected officers have met and are now in the process of creating a Policy Handbook to have more controls over the County issues and reduce risk of county problems.

**County Treasurer:** I have reviewed the COSO outline provided by the Auditor's office and see the risks, controls, communication and monitoring that Noble County needs to address. With much group effort, I hope that through office meetings we can address these with success.

**County Sheriff:** The county officers will be working together to come up with solutions and/or policies in an effort to address the internal controls of all county operations. This will be done in the form of quarterly county officer meetings with a posted agenda to seek answer and guidance from each other to

**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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resolve problems, solve any potential or perceived issues in our individual offices or that involve county government as a whole. The joint decisions of these meetings will be shared with our employees in the presentation of new policies or procedures designed to make county government function in a smooth and uniform manner with the laws that govern our offices.

**County Assessor:** This finding was a county-wide issue, not necessarily an issue in the Assessor’s office. This issue may begin to be resolved by better county-wide communication by the officers. However, this will have to be communication given and received willingly and will take an effort on all the elected officials part in order to start to reach the intended goals. It is my intention to begin to meet with my fellow officers with an agenda in mind. I will try to communicate the needs of my office, my staff, and the needs of the county with transparency with the hopes that the others will do the same. It is my hope that we will begin to put policies in place to address the areas in which we fall short, communication being the highest priority.

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

**Finding 2013-6 – Inadequate Internal Controls and Over the Disbursement Process (Repeat Finding)**

**Condition:** We noted the following weaknesses regarding the disbursement process:

- The duties of processing payroll are not adequately segregated. The Payroll Clerk is responsible for enrolling new employees into the computer and entering monthly payroll information.
- The County Clerk’s signature stamp was used by the County Clerk’s deputy to stamp cities’ and towns’ warrants.
- In a review of blanket purchase orders, it was noted that 1 individual made purchases and completed the receiving report in the 3 instances.

Fund	Purchase Order Number	Warrant Number	Purpose
County General Fund	100	204	Supplies
County General Fund	607	195	Supplies
County General Fund	745	296	Supplies

**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Cause of Condition:** Procedures have not been designed over the disbursements process to strengthen internal controls and ensure compliance with state statutes due to the officials being unaware of the necessity of such procedures.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financials reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends that only authorized personnel be able to make purchases. Additionally, OSAI recommends that the processes regarding disbursements be adequately segregated and that an individual authorized as a requisitioning officer not be authorized to be a receiving officer.

OSAI recommends the following key accounting functions of the payroll process be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system,
- Maintaining personnel files,
- Performing the direct deposit, and
- Preparing end of month payroll reports.

**Management Response:**

**District 1:** I have reviewed purchasing laws and procedures with employees. This office will take all necessary steps to properly encumber all funds before purchases are made or services rendered. District 1 realizes that this is imperative to protect the assets of the county and to have adequate control and knowledge of available funds. District 1 and his Administrative Assistant will closely monitor all BIA-STP Fund monies and encumber them at the earliest possible date to assure that the funds have been received and are adequate to cover the specific project.

**District 2:** District 2 has reviewed these findings and realizes that nine of these findings are attributable to actions taken in the District. Furthermore, District 2 will respond for the OSU Extension office for the finding regarding their sales tax expenditure. District 2 will segregate the duties of purchasing items and receiving items, realizing that it is an inherent risk to allow the same person to do both duties. If the first deputy purchases the item, the County Commissioner will receive the item. Likewise, if the County Commissioner purchases the item, then another receiving officer will sign for the receipt of the item. OSU Extension Office is aware of the finding regarding their sales tax funds and will assure that all funds are properly encumbered prior to the funds being sent.

**District 3:** County Commissioner for District 3 has reviewed the findings and acknowledges that two of the deficiencies were this District's responsibility. I have reviewed purchasing laws and procedures with employees. District 3 will make a concerted effort to assure that all funds are properly encumbered BEFORE purchases are made in order to have adequate control and knowledge of available funds.

**County Clerk:** The County Clerk has divided the payroll processing among three employees to meet the segregation standards required by the auditors. All signature stamps have been removed from the office to meet security standards. Each office will have to meet the segregation of purchasing and receiving

**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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materials. This office will redline all purchase orders showing the same individual is doing both buying and receiving of materials. As far as the other offices spending money before encumbering a purchase order, all I can do is redline the purchase order. Each elected official is responsible for properly managing their own accounts.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorization, and distribution should be segregated.

**Finding 2013-9 – Inadequate Internal Controls and Noncompliance Over Pledged Collateral**

**Condition:** Based upon inquiry of the County Treasurers' staff and observation of records, we noted the following:

- Pledged collateral amounts were not monitored to daily bank balances to ensure that County funds were adequately secured.
- On April 2, 2013, the County had deposits with a financial institution in the amount of \$13,496,535. The County's balance of pledged collateral was \$13,052,773, leaving deposits of \$443,762 unsecured.
- On June 12, 2013, the County had deposits with a financial institution in the amount of \$11,463,329. The County's balance of pledged collateral was \$11,412,453, leaving deposits of \$50,876 unsecured.

**Cause of Condition:** Procedures to monitor pledged collateral have not been designed and implemented due to the County Treasurer being unaware of a need for such daily procedures.

**Effect of Condition:** These conditions resulted in noncompliance with state statute. Failure to monitor pledged collateral amounts to daily bank balances resulted in unsecured county funds and could result in possible loss of county funds.

**Recommendation:** OSAI recommends that the County Treasurer comply with 62 O.S. § 517.4, which requires county deposits with financial institutions be secured with collateral securities or instruments. Further, OSAI recommends the County Treasurer monitor and maintain evidence documenting the security of county deposits on a daily basis.

**Management Response:**

**County Treasurer:** I do monitor pledged collateral on a daily basis. Each day I compare our bank account balances online with the market value of pledged collateral on the general ledger. Due to ad valorem collections on April 2, 2013, I was very low on collateral. I could not obtain more pledges until April 4. On June 12, 2013, unprotected deposits were \$10,627, net of County Warrants, not \$50,876 as reported. There are times when electronic deposits made by agencies to our accounts are out of my

**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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control and deposit amounts are not known. At times we do not have an adequate ‘cushion’ of collateral or are unable to obtain collateral as quick as needed.

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

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

**Finding 2013-10 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventories and Consumable Items Inventory (Repeat Finding)**

**Condition:** Upon inquiry of County Officials and employees, and observation of records in regard to the fixed assets and consumable items inventories processes, the following weaknesses were noted:

- The County Commissioners and the County Sheriff do not perform an annual physical inventory of fixed assets.
- The County Treasurer, County Clerk, County Assessor, and Court Clerk do not have documentation that physical inventories are performed by someone other than the individual responsible for maintaining the inventory records.
- The County Sheriff’s inventory could not be tested, as it has not been maintained for several years.
- A test of 15 fixed assets inventory items per office on hand reflected that District 1 had 1 item, District 2 had 6 items, the County Assessor had 1 item, the County Treasurer had 4 items, and the Court Clerk had 2 items that did not have the County identification number affixed.
- A test of 10 fixed assets inventory items per office reflected that District 2 had 1 item that did not have the correct County identification number affixed.
- A test of 10 fixed assets inventory items per District reflected that District 1 had 1 item, District 2 had 1 item, and District 3 had 1 item that was not properly identified as “Property of Noble County.”
- A test of 10 fixed assets inventory items per office reflected that District 3 had 1 item that did not have the correct serial number recorded on the inventory card.
- A test of 10 fixed assets inventory items per district reflected that District 1 had 1 item on the inventory list that the County no longer owned.
- A test of 5 fixed assets inventory items per office reflected that District 1 had 1 item and the County Treasurer had 4 items that were not on the office’s fixed assets records filed in the County Clerk’s office.

**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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The observation and test of consumable inventory items for District 1 and 3 reflected the following:

- Neither District maintained a physical count of consumable inventory.
- Neither District prepared transfer documents nor project inventory forms.

**Cause of Condition:** Procedures have not been designed and implemented by county officers to perform and document annual fixed assets inventory counts and monthly consumable inventory counts to ensure compliance with state statutes.

**Effect of Condition:** These conditions resulted in noncompliance with the state statutes. When fixed assets are not monitored and equipment is not properly marked with County identification numbers and “Property of Noble County” opportunities for misuse or loss of equipment can occur. Additionally, when consumable inventory items are not adequately monitored and inadequate segregation of duties exist, the opportunity for the misappropriation and undetected errors could result.

**Recommendation:** OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1, 19 O.S. § 1502(A)(1), 19 O.S. § 1502(B)(1), and 69 O.S. § 645.1 by maintaining inventory records and marking assets with county identification numbers and “Property of.” OSAI recommends the performing and documenting a periodic inventory of fixed assets. Additionally, the key functions of receiving duties and inventory control duties should be performed by separate employees in order to effectively segregate those duties.

**Management Response:**

**District 1:** District 1 has addressed this item by creating a definitive procedure to create new inventory items and maintain proper identification of all inventory items. District 1 Administrative Assistant will create an inventory card for each new item and properly mark the item with an inventory number. This card will be reviewed by the County Commissioner and submitted to the County Clerk. Each year, District 1 will closely follow the county procedures for review and correction of inventory lists. District 1 will create a similar policy for maintaining inventory lists on consumable items. These items will be maintained in a manner which will be easier to review. District 1 will educate all employees about the need to report use of all consumable inventory items and to note the project on which the item is being used. The Administrative Assistant will handle all paperwork accounting for consumable inventory and it will be reviewed on a monthly basis by the County Commissioner. At this time, the District 1 inventory has been updated and all efforts will be made to maintain their status.

**District 2:** District 2 is now aware of the need to maintain strict inventory procedures and lists. As a county, the County Officers are in the process of creating county-wide inventory procedures which will include specific check-off lists to perform each year. The First Deputy will be responsible for the initial inventory item and then it will be reviewed by my First Deputy to determine that all inventory items are correctly listed and identified. I will then review the report and send it to the County Clerk to compare with the master inventory lists. Any discrepancies will be immediately corrected and reviewed by District 2 County Commissioner. Once the annual list is deemed correct, it will be delivered to the County Clerk.



**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**District 3:** District 3 has addressed this item by creating a definitive procedure to create new inventory items and maintain proper identification of all inventory items. District 3 Administrative Assistant will create an inventory card for each new item and properly mark the item with an inventory number. This card will be reviewed by the County Commissioner and submitted to the County Clerk. Each year, District 3 will closely follow the county procedures for review and correction of inventory lists. District 3 will create a similar policy for maintaining inventory lists on consumable items. These items will be maintained in a manner which will be easier to review. District 3 will educate all employees about the need to report use of all consumable inventory items and to note the project on which the item is being used. The Administrative Assistant will handle all paperwork accounting for consumable inventory and it will be reviewed on a monthly basis by the County Commissioner. At this time, the District 3 has been updated and all efforts will be made to maintain that status.

**County Clerk:** Every item in my office was labeled and accounted for. A second person; the First Deputy, will now double check all physical inventories and sign off on all inventory summary reports.

**County Treasurer:** The First and Second Deputy work together at the end of each fiscal year to check inventory. However, they have not been initialing the inventory sheets for documentation. They have both been instructed to do so in the future. The 4 items that did not have tags on them at audit time are now affixed with their proper numbers. The asset records of these four items are filed with the Clerk's office.

**Court Clerk:** The Court Clerk will make sure that someone other than the inventory clerk checks the inventory on a regular basis. The Court Clerk will also make sure that inventory numbers are on all items and visible.

**County Sheriff:** We are in the process of compiling a complete list of fixed assets that are required by law to be listed on our inventory. This task is nearly complete and will be compared to the inventory cards on file with the Noble County Clerk so we can be sure both such lists are current and accurate. Once this comparison is made and all fixed assets are confirmed, we will further check each item for accuracy and correct any discrepancy that may appear. Each item will also be checked to assure the correct inventory number appears on the items. From this current inventory list, we will conduct an annual inventory to locate each item and add any additional items as they are purchased as well as submit the new inventory card to the County Clerk. The annual inventory will be conducted by a person other than the one completing the inventory cards and maintaining the list.

**County Assessor:** At some point, the inventory sticker, which was located in the Assessor's assessment vehicle, has come off. We have since replaced the sticker and wrote it inside the trunk so that the number will permanently be on the vehicle.

**Criteria:** Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.



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