

COUNTY AUDIT

# NOBLE COUNTY

For the fiscal year ended June 30, 2015



*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, 2015**

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



# Oklahoma State Auditor & Inspector

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

October 12, 2016

TO THE CITIZENS OF  
NOBLE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Noble County, Oklahoma for the fiscal year ended June 30, 2015. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with a large initial "G" and a long, sweeping underline.

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

**NOBLE COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**NOBLE COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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INTERNAL CONTROL AND COMPLIANCE SECTION

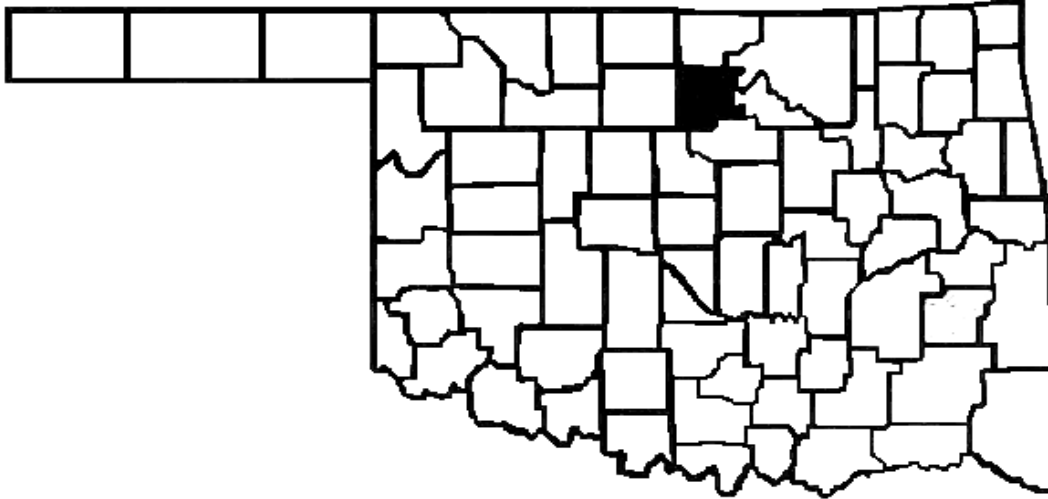
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**NOBLE COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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 Coach 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 – 11,494  
(2014 est.)

Farms – 838

Land in Farms – 442,797 Acres

Primary Source: Oklahoma Almanac 2015-2016

**Board of County Commissioners**

District 1 – Jason Kienholz  
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

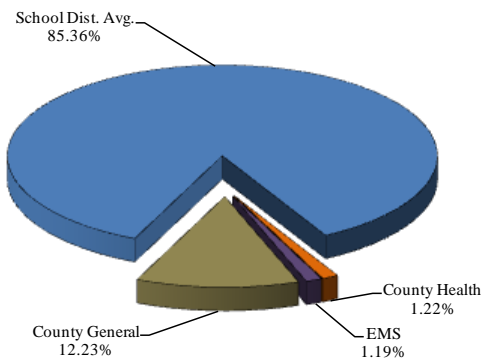
**District Attorney**

Brian Hermanson



**NOBLE COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

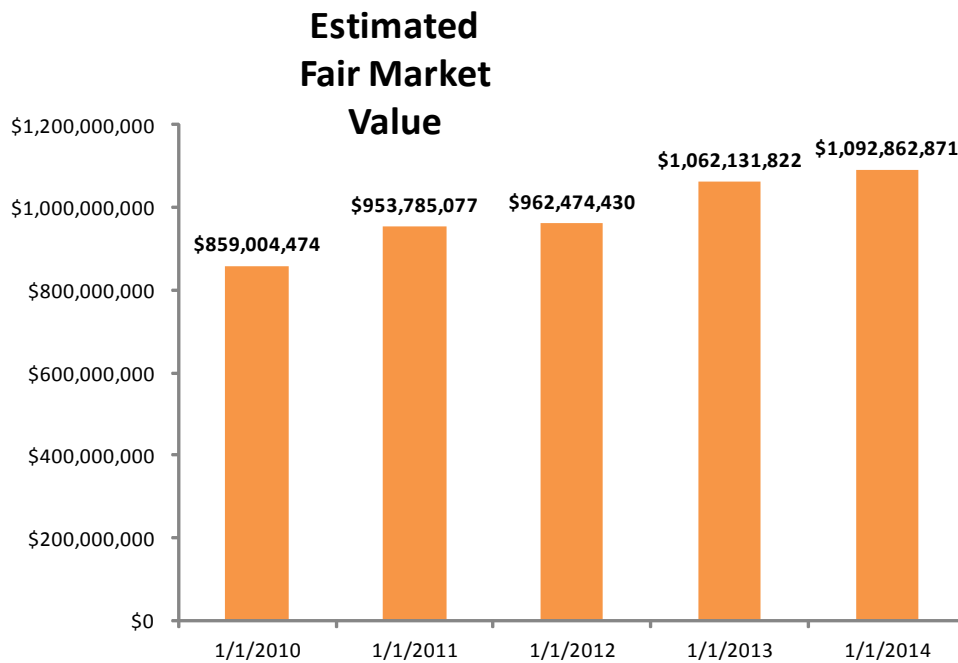
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.24								
County Health	1.02	Perry	I-1	36.38	5.20	30.33	15.63	4.10	91.64
EMS	1.00	Billings	I-2	36.27	5.18	-	-	4.10	45.55
		Frontier	I-4	35.28	5.04	7.06	-	4.10	51.48
		Morrison	I-6	36.77	5.25	19.89	15.63	4.10	81.64
		Garfield	JT-47	35.37	5.05	25.19	15.51	4.10	85.22
		Garfield	JT-94	36.31	5.19	7.36	15.51	4.10	68.47
		Kay	JT-71	36.80	5.26	21.93	-	4.10	68.09
		Kay	JT-87	35.21	5.03	19.04	-	4.10	63.38
		Logan	JT-3	36.48	5.21	5.29	15.63	4.10	66.71
		Payne	JT-16	36.94	5.28	27.35	15.63	4.10	89.30
		Payne	JT-101	37.29	5.33	12.22	15.63	4.10	74.57

**NOBLE COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

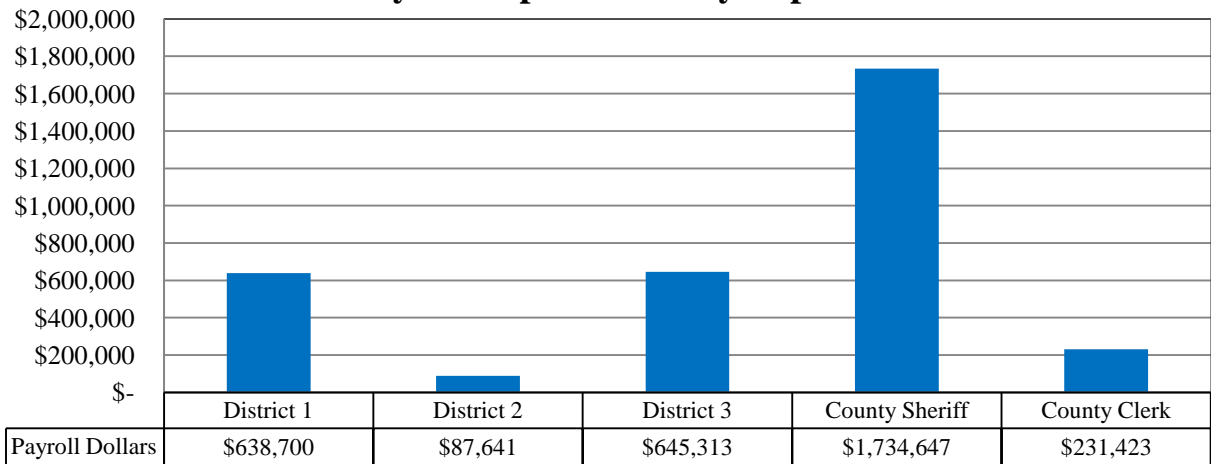
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$23,315,469	\$96,863,759	\$52,554,154	\$2,809,560	\$169,923,822	\$1,092,862,871
1/1/2013	\$21,732,554	\$94,904,322	\$51,661,099	\$2,963,749	\$165,334,226	\$1,062,131,822
1/1/2012	\$15,134,347	\$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



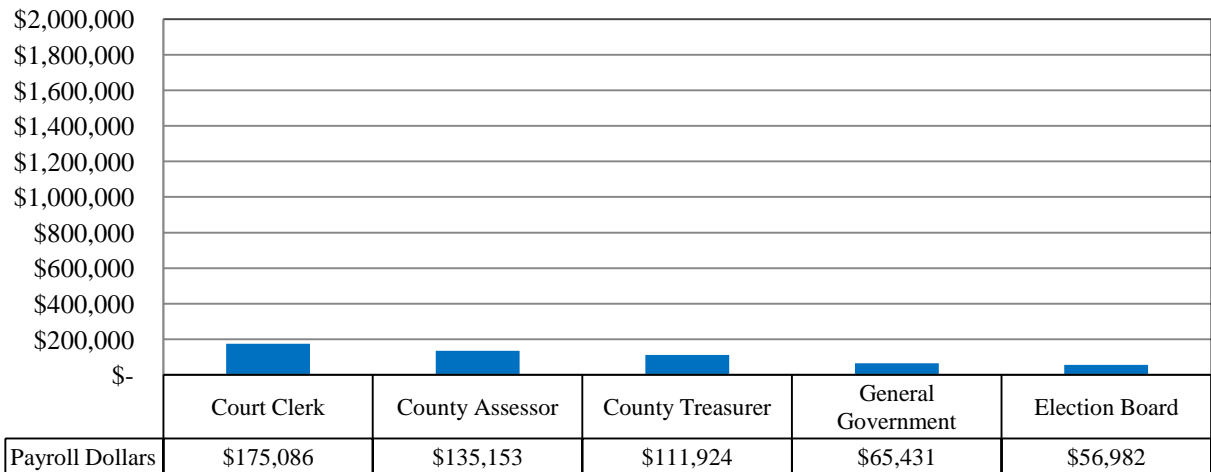
**NOBLE COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015.

**Payroll Expenditures by Department**



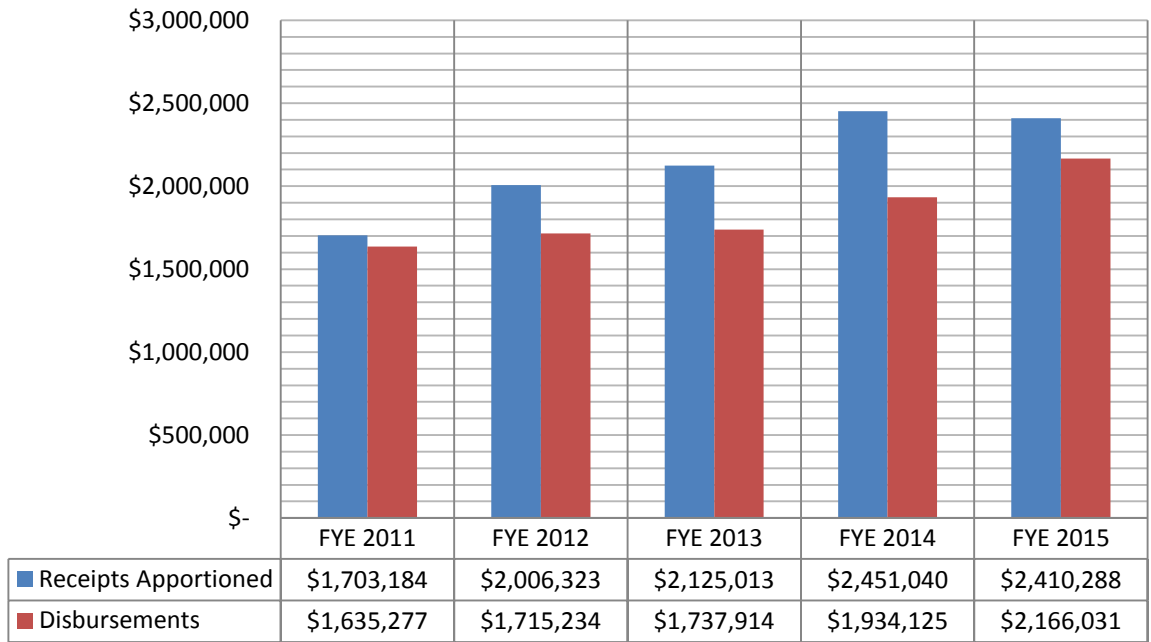
**Payroll Expenditures by Department**



**NOBLE COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

## 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.

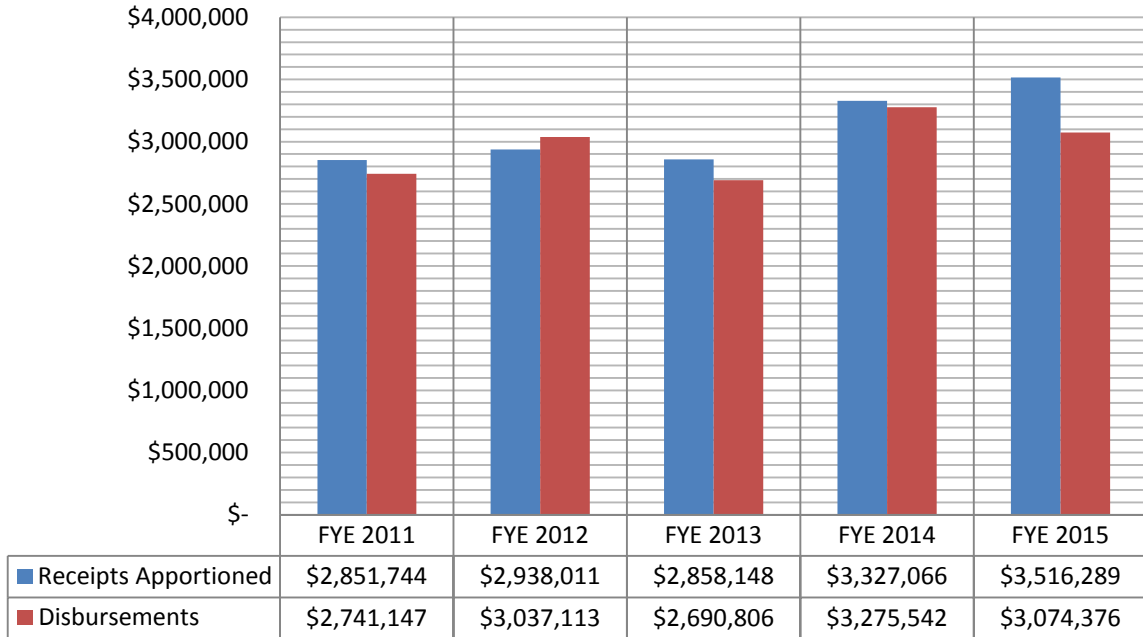


**NOBLE COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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, 2015, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material 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, 2015, 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, 2015, in accordance with 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 October 11, 2016, 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.



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

October 11, 2016

**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, 2015**

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:						
Major Funds:						
County General Fund	\$ 2,272,061	\$ 2,410,288	\$ -	\$ -	\$ 2,166,031	2,516,318
County Highway Cash	1,449,463	3,516,289	-	-	3,074,376	1,891,376
County Bridge and Road Improvement Fund 105	528,147	308,439	-	-	325,527	511,059
County Health	484,573	176,917	975	-	215,686	446,779
BIA-STP Fund	6,379	432,705	-	-	439,084	-
Free Fair Sales Tax	630,526	294,021	-	-	404,896	519,651
OSU Extention Sales Tax	393,008	124,608	-	-	97,096	420,520
Rural Fire Sales Tax	1,250,690	444,544	-	-	424,106	1,271,128
Jail Sales Tax	3,615,281	1,277,463	-	-	2,960,510	1,932,234
Ambulance District Sales Tax	199,490	414,838	-	-	459,755	154,573
County Sinking	145,739	6,160	-	-	148,551	3,348
Remaining Aggregate Funds	1,367,468	233,077	10,000	975	562,447	1,047,123
<b>Combined Total - All County Funds</b>	<b>\$ 12,342,825</b>	<b>\$ 9,639,349</b>	<b>\$ 10,975</b>	<b>\$ 975</b>	<b>\$ 11,278,065</b>	<b>\$ 10,714,109</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, 2015**

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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 state 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, 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 are 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.

**NOBLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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BIA-STP Fund – accounts for revenues from the Bureau of Indian Affairs and disbursements are for road improvements.

Free Fair Sales Tax – accounts for all sales tax collections received from Oklahoma Tax Commission and disbursements are made according to sales tax ballot requirements to fund the free fair maintenance and operations.

OSU Extension Sales Tax – accounts for all sales tax collections received from Oklahoma Tax Commission and disbursements are made according to sales tax ballot requirements to fund the maintenance and operations of the OSU extension office.

Rural Fire Sales Tax – accounts for all sales tax collections received from Oklahoma Tax Commission and disbursements are made according to sales tax ballot requirements to fund the maintenance and operations of the rural fire departments within the County.

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 all sales tax collections received from Oklahoma Tax Commission and disbursements are made according to sales tax ballot requirements to fund the maintenance and operations of the emergency medical service districts within the County.

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.

**NOBLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**D. Budget**

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

**E. Cash and Investments**

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

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

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

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

**2. Ad Valorem Tax**

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

**NOBLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The county treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two (2) consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes may become a lien upon said property at anytime between the dates of April 1 and 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 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.

**NOBLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

Debt service on the bonds will be paid from ad valorem taxes levied and assessed on behalf of the issuer and deposited to the Sinking Fund. Additionally, the voters of the County have elected to levy a sales tax to aid in the payment of the bonds.

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. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Amount</u>
General Obligation Bonds Series A	5.01 – 3.65%	\$ 840,000
General Obligation Bonds Series B	3.70 – 4.00%	<u>1,700,000</u>
Total		<u><u>\$2,540,000</u></u>

Beginning Balance	Additions	Reductions	Ending Balance	Amount due within one year
\$2,330,000	\$ -0-	\$2,330,000	\$0	\$0

During fiscal year 2015, payments included \$2,330,000 for principal and \$51,374 interest, and \$250 for fees. In order to pay off the bonds early the amounts were disbursed from the three funds as noted below:

	<u>Principal</u>	<u>Interest</u>	<u>Fee</u>	<u>Total</u>
County Sinking	\$122,431	\$25,974	\$146	\$ 148,551
Jail Sales Tax	1,861,984	5,991	-	1,867,975
Jail Building Bond Fund	245,585	19,409	\$104	265,098
Total	<u>\$2,230,000</u>	<u>\$51,374</u>	<u>\$250</u>	<u>\$2,281,624</u>



**NOBLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**E. Sales Tax**

**Sales Tax of March 1, 2002**

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%)

These funds are accounted for in the Free Fair Sales Tax fund and the OSU Extension Sales Tax fund.

**Sales Tax of January 1, 2003**

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 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.

These funds are accounted for in the Rural Fire Sales Tax fund.

**Sales Tax of October 5, 2005**

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.

These funds are accounted for in the Jail Sales Tax fund.

**Sales Tax of July 1, 2012**

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.

**NOBLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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.

**F. Interfund Transfers**

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

- \$10,000 was transferred to the Resale Property fund from the Excess Resale per Title 68 O.S. § 3131.
- \$975 was transferred to the County Health fund from Health Cash Fund to close the Health Cash Fund account.

**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, 2015**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,272,061	\$ 2,272,061	\$ -
Less: Prior Year Outstanding Warrants	(86,700)	(86,700)	-
Less: Prior Year Encumbrances	(183,428)	(170,227)	13,201
Beginning Cash Balances, Budgetary Basis	<u>2,001,933</u>	<u>2,015,134</u>	<u>13,201</u>
Receipts:			
Ad Valorem Taxes	1,581,836	1,756,109	174,273
Charges for Services	484	106,129	105,645
Intergovernmental Revenues	-	513,089	513,089
Miscellaneous Revenues	34,961	34,961	-
Total Receipts, Budgetary Basis	<u>1,617,281</u>	<u>2,410,288</u>	<u>793,007</u>
Expenditures:			
District Attorney - State	29,000	29,000	-
District Attorney - County	1,000	-	1,000
County Sheriff	458,883	376,366	82,517
County Treasurer	114,102	110,819	3,283
County Commissioners	54,898	53,255	1,643
County Clerk	182,181	167,522	14,659
Court Clerk	165,698	146,660	19,038
County Assessor	94,511	88,479	6,032
Revaluation of Real Property	130,084	113,663	16,421
Juvenile Shelter Bureau	7,000	81	6,919
General Government	272,090	227,564	44,526
Excise-Equalization Board	2,851	1,852	999
County Election Expense	71,705	67,784	3,921
Insurance - Benefits	1,885,270	504,786	1,380,484
County Purchasing Agent	41,403	35,619	5,784
Charity	2,000	-	2,000
Recording Account	29,205	28,839	366
Emergency Management	15,737	5,566	10,171
Safety Director	2,000	1,438	562
Drug Task Force	1	-	1
Highway Budget Account	41,602	36,143	5,459
County Audit Budget Account	16,992	-	16,992
County Cemetary Account	1,001	-	1,001
Total Expenditures, Budgetary Basis	<u>3,619,214</u>	<u>1,995,436</u>	<u>1,623,778</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	2,429,986	<u>\$ 2,429,986</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		17	
Add: Current Year Outstanding Warrants		75,030	
Add: Current Year Encumbrances		11,285	
Ending Cash Balance		<u>\$ 2,516,318</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, 2015**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 484,573	\$ 484,573	\$ -
Less: Prior Year Outstanding Warrants	(1,663)	(1,663)	-
Less: Prior Year Encumbrances	(4,390)	(1,718)	2,672
Beginning Cash Balances, Budgetary Basis	478,520	481,192	2,672
Receipts:			
Ad Valorem Taxes	157,566	174,870	17,304
Charges for Services	1,012	1,012	-
Intergovernmental Revenues	908	1,035	127
Total Receipts, Budgetary Basis	159,486	176,917	17,431
Expenditures:			
Health and Welfare	638,006	236,117	401,889
Total Expenditures, Budgetary Basis	638,006	236,117	401,889
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	421,992	\$ 421,992
Operating Transfer		975	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		21,545	
Add: Current Year Outstanding Warrants		2,267	
Ending Cash Balance		\$ 446,779	

**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, 2015**

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
<b>Remaining Aggregate Funds:</b>						
County Road Improvement Fund	\$ 5,969	\$ 63	\$ -	\$ -	\$ -	\$ 6,032
Illegal Dump Reward Fund	4,749	-	-	-	-	4,749
Resale Property	105,381	49,967	10,000	-	28,245	137,103
Health Cash Fund	975	-	-	975	-	-
Sheriff Service Cash Fund	460,900	72,842	-	-	76,788	456,954
Sheriff Prisoner Care	70,121	3,058	-	-	-	73,179
Sheriff Training Fund	83	-	-	-	-	83
County Clerk M&M Lien Cash Fund	198,469	31,204	-	-	26,772	202,901
County Clerk Records Preservation	74,285	23,550	-	-	18,775	79,060
Treasurer Mortgage Certification Fee	8,347	1,945	-	-	2,358	7,934
Assessor Fee Revolving Fund	17,641	4,834	-	-	12,290	10,185
Jail Building Bond Fund	364,623	744	-	-	365,367	-
Flood Plain	620	100	-	-	90	630
Wellness Program	22,500	350	-	-	2,181	20,669
Court Fund Payroll	25,366	40,000	-	-	29,581	35,785
Free Fair Cash	7,439	4,420	-	-	-	11,859
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 1,367,468</b>	<b>\$ 233,077</b>	<b>\$ 10,000</b>	<b>\$ 975</b>	<b>\$ 562,447</b>	<b>\$ 1,047,123</b>

**NOBLE COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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:

County Road Improvement Fund – accounts for state receipts and disbursements for the purpose of maintaining bridges and roads.

Illegal Dump Reward Fund – accounts for a percentage of fines imposed for littering in accordance with Title 21 Section 1753.3 and Section 1761.1 of the Oklahoma Statutes. The money is used to pay rewards for the arrest and conviction or for evidence leading to the arrest and conviction of any person who violates the provisions of the afore mentioned sections to offset the cost of any special enforcement programs originated by any law enforcement agency responsible for the arrest or prosecution of any person who violates the provision of Sections 1753.3 or 1761.1 of the Oklahoma Statutes.

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

Health Cash Fund – accounts for ad valorem tax collections and fees for service collected, disbursements are made to operate the County Health Department.

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

Sheriff Prisoner Care – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are used for the operations of the Sheriff's department.

**NOBLE COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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Sheriff Training Fund – accounts for the Sheriff’s share of the proceeds of property forfeitures and disbursements for the training of Sheriff Deputies.

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

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

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.

Flood Plain – accounts for the collection of permit fees assessed by the Flood Plain committee and disbursements are used for updating software and computers in relation to flood plain mapping and training.

Wellness Program – accounts for funds deposited by the Board of County Commissioners and disbursements are to be used to fund the wellness program for the employees of the County.

Court Fund Payroll – accounts for funds deposited from the Court Fund to be disbursed for payroll for the Court Clerk’s office.

Free Fair Cash – accounts for the receipt of fair building rentals and the disbursement of funds is for the maintenance and operations of the fair grounds and buildings.



**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, 2015, and the related notes to the financial statement, which collectively comprises Noble County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 11, 2016.

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, 2015, 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: 2015-1 and 2015-4.

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 described in the accompanying schedule of findings and responses to be significant deficiencies: 2015-5 and 2015-9.

### **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 2015-4.

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.

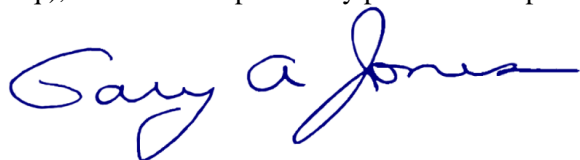
### **Noble County's Responses to Findings**

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

October 11, 2016

**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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 2015-1 – Inadequate Internal Controls Over the Reconciliation of the General ledger to the Appropriation Ledger (Repeat Finding)**

**Condition:** The County Clerk’s appropriation ledger is not reconciled to the County Treasurer’s general ledger on a monthly basis.

**Cause of Condition:** Management has not implemented controls to reconcile the County Clerk’s appropriation ledger to the Treasurer’s general ledger on a monthly basis.

**Effect of Condition:** This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County Clerk’s Appropriation Ledger be reconciled to the Treasurer’s General Ledger on a monthly basis.

**Management Response:**

**County Clerk:** The County Treasurer and County Clerk are now balancing the General Ledger to the Appropriation Ledger on a monthly basis. All accounts are now balanced.

**County Treasurer:** Appropriation ledger reconciliation to the general ledger: I have prepared a spreadsheet, with the aid of the Auditor's Office, and I am now balanced to date on both ledgers.

**Criteria:** Management is responsible for the development and maintenance of its internal control system. The internal control system provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being satisfied. Internal controls also serve as the first line of defense in the safeguarding of assets and preventing and detecting errors and fraud.

**Finding 2015-4 - Inadequate Internal Controls and Noncompliance Over the Disbursement and Payroll Processes (Repeat Finding)**

**Condition:** Upon inquiry of the County officers and observation of the disbursement process including the payroll process, and a test of fifty-four (54) purchase orders we noted the following weakness regarding the disbursement process:

- There were five (5) instances noted where the purchase orders were not properly encumbered.

**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Fund</b>	<b>Purpose</b>	<b>Warrant</b>	<b>Amount</b>
County Bridge and Road Improvement Fund 105	Concrete	4	\$6,701.67
Free Fair Sales Tax	Roof Coating	237	\$28,750.00
Jail Sales Tax	Travel	356	\$6.81
County Highway Cash – D3	Scraper	824	\$40,000.00
General Fund	Windows & Installation	1376	\$145,343.57

- There were four (4) instances in which adequate documentation was not provided to support all cash disbursements.

<b>Fund</b>	<b>Purpose</b>	<b>Warrant</b>	<b>Amount</b>
County General Fund	Fuel	1365	\$2,577.19
Ambulance District Sales Tax	Ambulance Reimbursement	3	\$1,973.42
Ambulance District Sales Tax	Ambulance Reimbursement	5	\$27,242.42
Ambulance District Sales Tax	Ambulance Reimbursement	10	\$29,649.31

- There was one (1) instance in which the travel claim for a Sheriff’s employee was not signed by the Sheriff.
- There were three (3) instances in which expenditures appear to be made from the incorrect account:

<b>Fund</b>	<b>Account</b>	<b>Purpose</b>	<b>Warrant</b>	<b>Amount</b>
Jail Sales Tax	Personal Services	Jail Bond Repayment	390	\$482,975.00
Jail Sales Tax	Part Time Help	Jail Bond Repayment	391	\$245,000.07
Jail Sales Tax	Maintenance & Operations	Jail Bond Repayment	407	\$1,000,000.00

- There were ten (10) instances timesheets were not signed by the officer.
  - Five (5) timesheets for the Sheriff’s employees.
  - Three (3) timesheets for the Court Clerk’s employees.
  - Two (2) timesheets for District 1 Commissioner’s employees.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with purchasing procedures and statutes.

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

**Recommendation:** OSAI recommends the County practice proper purchasing procedures. All purchases should be properly requisitioned, encumbered, approved, and received with proper supporting documentation attached in accordance with 19 O.S. § 1505C and § 1505E.

**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**Management Response:**

**District 1 Commissioner:** Timesheets are now signed by employees on a monthly basis.

**District 2 Commissioner:** District 2 has been consulted regarding the issue arising from improperly encumbered Purchase Orders. District 2 will review the purchasing laws and adhere to the standards set forth therein.

**District 3 Commissioner:** District 3 will make all efforts to comply with the purchasing laws of the State of Oklahoma. One of the findings (Warrant 824) was on closed bid items and it appears that the warrants were dated the day after the bids were accepted. District 3 will make all efforts to encumber sealed bid amounts on the day that the bids are accepted.

**County Clerk:** Each elected official is responsible for properly managing their own accounts. When proper purchasing procedures are not followed, this office redlines the purchase order. That is the extent of our authority.

**Sheriff:** Timesheets will be addressed by closely reviewing all documents for proper signatures.

**Court Clerk:** Each employee signs a monthly timesheet at the present time.

**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.

Additionally, effective internal controls over timesheets include approval of timesheets as evidenced by the officer's signature.

Further, Title 19 O.S. § 1505 prescribes the procedures established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation, and capital expenditures of county government.

**Finding 2015-5 - Inadequate Internal Controls and Noncompliance Over Disbursement of County Sales Tax (Repeat Finding)**

**Condition:** Upon inquiry and observation of the recordkeeping process of collecting and expending county sales tax for the EMS 522 District, it was noted that the following funds were disbursed without documented authorization from the EMS 522 District Board.

- 90% of sales tax collections are being distributed directly to Garber Emergency Medical Service, City of Pawnee, City of Perry, City of Ponca City, Western Payne County Ambulance Trust Authority, and the City of Tonkawa.

**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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<b>Ambulance Service</b>	<b>Amount</b>
Garber Emergency Medical Service	\$18,199.58
City of Pawnee	9,923.18
City of Perry	246,151.56
City of Ponca City	50,570.42
Western Payne County Ambulance Trust Authority	67,852.91
City of Tonkawa	6,570.84
Total	\$399,268.49

**Cause of Condition:** Policies and procedures with regard to sales tax collections and the disbursement process have not been designed and implemented due to the officials being unaware of the necessity of such procedures.

**Effect of Condition:** This condition resulted in noncompliance with state statute and AG Opinions. Further, this condition also resulted in unrecorded transactions, misstated financials reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends the County obtain documented authorization from the EMS 522 District Board prior to disbursing Ambulance District Sales Tax funds to ensure the sales tax is expended in such a manner to provide assurance that expenditures are made in accordance with purposes as specified by the ballot as outlined by Title 68 O.S. § 1370E and addressed in the AG Opinions.

**Management Response:**

**District 2 Commissioner:** District 2 Commissioner has consulted with the auditor regarding these findings and has consulted with the EMS 522 District Board Chairman to create more oversight regarding the disbursement of sales tax funds. A new procedure requiring review and approval of submitted documentation by the EMS 522 District Board prior to submission to the Board of County Commissioners has been put in place to assure proper disbursement of funds.

**County Clerk:** The Treasurer will issue a receipt for the sales tax collections. The County will notify the EMS 522 District Board of the amount of money received each month. The EMS 522 District Board will determine the amount to be distributed to each contracted EMS Service based upon the contracts. The EMS 522 District Board will approve the disbursement to each of the EMS Service. The EMS 522 District Board will provide documentation to the Commissioners of how much money to disburse to each EMS service. The District 2 Commissioner will prepare a requisition for the Ambulance District Sales Tax money based on the requisition from the District 2 Commissioner and attach the documentation to the purchase order. The Board of County Commissioners will approve the purchase order for the sales tax disbursements to each contracted EMS service.

**Criteria:** Title 68 O.S. § 1370E, requires the sales tax collections be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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Further, AG opinion 2005 OK AG 23 dated 07/13/2005 states:

“3. Proceeds of a county sales tax voted for a specific purpose but placed in the county’s general fund must be accounted for as a discrete fund, and any surplus not needed for the stated purpose during one fiscal year must be transferred to the county budget for the next fiscal year, for the same specified purpose.”

Additionally, AG opinion 2014 OK AG 15 dated 10/31/2014 states:

“4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; Cavin v. Bd. of County Comm’rs, 1934 OK 245 ¶ 11, 33 P.2d 477, 479.

**Finding 2015-9 - Inadequate Internal Controls and Noncompliance Over a Purchase Order for a Road Project**

**Condition:** During our inquiry and observation of the disbursement process in District 1, we became aware of a purchase order for a road project entitled, “The Windmill Road Loop Reconstruction”. This purchase order number 1890 was requisitioned on November 27, 2013 for the fiscal year 2013-2014. However, the amount paid occurred on November 11, 2014 for the fiscal year 2014-2015. The funds were encumbered and paid from the BIA–STP Fund.

Fund	Purchase Order	Warrant Number	Vendor	Amount	Payment Date
BIA-STP Fund	1890	9	Evans & Associates Construction Co., Inc.	\$362,564.81	11/11/2014

The following weaknesses and noncompliance were noted:

- The requisitioning agent (former County Commissioner District 1) did not sign the requisitioning form dated November 27, 2013.
- Supporting documentation of tickets for rock did not reconcile to actual invoices.
- A receiving agent’s signature was not present on the receiving report attached to the purchase order.

Upon further investigation, we noted an invoice attached to purchase order appeared to be formatted differently when compared to other invoices from the same vendor. We contacted the vendor and requested a copy of the original invoice. When we received this original invoice, it was apparent that the



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items listed on the original invoice differed from the invoice attached to the purchase order and the original invoice was formatted like the other invoices from the vendor.

However, the total dollar amount \$362,564.81, charged by the vendor and paid by the County remained the same amount.

**Cause of Condition:** The former District 1 County Commissioner did not follow the state statutes with regard to requisitioning and receiving goods and/or services and adequately monitoring original documentation to support the amount paid on the purchase order.

**Effect of Condition:** These conditions resulted in noncompliance with the state statutes and could result in unrecorded transactions, misstated financials reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends the County practice proper purchasing procedures in accordance with the state statutes, including the following:

- Requiring original and unaltered invoices from vendors,
- Requiring rock tickets to support invoices, and
- Requiring evidence of requisitioning officer and receiving agent signatures.

**Management Response:**

**Current District 1 County Commissioner:** It appears that the former County commissioner for District 1 in Noble County was constructing the “Windmill Road Loop” project that all expenses were quoted off of the 6 month bid list. The current County Commissioner is fully aware that this procedure is contrary to Oklahoma law and state that all large construction projects will be bid by sealed bid.

The current County Commissioner for District 1 is aware of the requirements of signing requisitions and receiving reports and attaching proper documentation to support the requisition. All effort will be made to avoid a repeat of these errors and omissions made in the cited construction project.

With regard to the invoice duplication, it is unclear why Evans and Associates did not change their computer invoice to match the invoice submitted for payment.

Again, District 1 will make all effort to assure that mistakes and erroneous bidding procedures are avoided and Oklahoma purchasing laws are upheld.

**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.

Title 61 O.S. § 105-125 prescribes the procedures established for bidding construction projects.

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Title 19 O.S. § 1505 prescribes the procedures established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation, and capital expenditures of county government.

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

**Finding 2015-7 - Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory (Repeat Finding)**

**Condition:** Upon inquiry of County officials and employees and review of records, the following was noted:

- The following offices did not maintain evidence that an annual physical verification of fixed assets was performed:
  - District 3 Commissioner
  - Court Clerk
  - County Sheriff
- A review of the Court Clerk’s items was not able to be performed because a current inventory list was not available.
- The following offices did not file a Report Summary for 2015 in the County Clerk’s office:
  - Court Clerk
  - District 3 Commissioner
- While physically verifying a sample of items the following was noted:
  - The Sheriff had five (5) of ten (10) items that did not have the inventory number affixed.
  - The Sheriff had four (4) of ten (10) items that had been transferred or disposed of that were still on inventory.
  - District 2 had one (1) of ten (10) items that was not labeled “Property of Noble County.”
  - District 2 had one (1) of ten (10) items that did not have the inventory number affixed.
  - District 3 had one (1) of ten (10) items that was not labeled “Property of Noble County.”

**Cause of Condition:** Policies and procedures have not been designed and implemented by County officers to document annual fixed assets inventory counts and properly mark equipment.

**Effect of Condition:** These conditions resulted in noncompliance with state statute. When fixed assets are not monitored and equipment is not properly marked with identification numbers and “Property of Noble County,” opportunities for misuse or loss of equipment can occur.

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**Recommendation:** OSAI recommends that management implement internal controls to ensure compliance with 19 O.S. § 178.1 and that fixed assets are safeguarded against misuse and loss. OSAI additionally recommends that management implement internal controls to ensure compliance with 69 O.S. § 645 to properly mark equipment.

**Management Response:**

**District 2 Commissioner:** District 2 has reviewed internal procedures regarding the identification and labeling of fixed assets. New procedures will help assure that all assets are properly accounted.

**District 3 Commissioner:** District 3 closely tracks all fixed assets. It was determined that a forklift was not properly identified. Proper identification has been affixed to all assets and a yearly inspection will assure that identification remains on all fixed assets.

**Court Clerk:** The Court Clerk is making sure the inventory records are up to date in the County Clerk's office and an annual review will be performed.

**Sheriff:** The issue with the Sheriff's office inventory will be addressed by reviewing the entire inventory list, check to see the items are located and correctly labeled. A corrected inventory list will then be submitted to the County Clerk.

**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.

Title 19 O.S. § 178.1 requires the county to have a system of identification for the inventory of fixed assets.

Title 69 O.S. § 645 requires that County-owned automobiles, trucks, road machinery and equipment be conspicuously and legibly marked PROPERTY OF (name of county) COUNTY.

**Finding 2015-8 - Inadequate Internal Controls and Noncompliance over Consumable Inventories (Repeat Finding)**

**Condition:** Upon inquiry of the recordkeeping processes regarding consumable inventory, the following was noted:

- Although District 1 Commissioner maintains a fuel log it is not reconciled to the amount on hand.
- Although District 3 Commissioner maintains a fuel log we were not able to reconcile the amount of diesel on the fuel log to the amount diesel on hand. Additionally, the conversion sheet for the unleaded fuel was not available to aid in converting the inches to gallons so we were not able to determine the number of gallons on hand. Further, District 3 is not reconciling fuel on hand to the fuel log.

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**Cause of Condition:** Policies and procedures have not been implemented with regard to accounting for and safeguarding the consumable items that are purchased by District 1 and District 3 Commissioners.

**Effect of Condition:** These conditions resulted in noncompliance with state statute. When consumable inventory items are not adequately accounted for and safeguarded there is an opportunity for misappropriation and undetected errors.

**Recommendation:** OSAI recommends that the County implement policies and procedures to ensure compliance with 19 O.S. § 1504A, which would provide assurance that the consumable items of the County are protected from loss and misuse.

**Management Response:**

**District 1 Commissioner:** District 1 will reconcile all fuels receipts and usage reports at the end of each month and maintain these reconciliation reports.

**District 3 Commissioner:** District 3 met with auditors regarding this finding and after evaluating the fuel usage tracking records, the reason behind the discrepancy was determined. District 3 will implement the new tracking measures to ensure that all fuel usage is closely monitored and tracked.

**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.

Title 19 O.S. § 1504A provides guidance with regard to accounting for the consumable items.



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