

# CITY OF NOBLE, OKLAHOMA

June 30, 2012

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## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Noble, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the fiduciary fund type of the City of Noble, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1.C., the City of Noble, Oklahoma prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position--modified cash basis of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the fiduciary fund type of the City of Noble, Oklahoma, as of June 30, 2012, and the respective changes in financial position—modified cash basis, and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.C.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2013, on our consideration of the City'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 important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Management's Discussion and Analysis and Other Information as listed in the table of contents are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide other assurance on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Noble's basic financial statements as a whole. The accompanying statistical section and schedule of federal and state awards is presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Noble, Oklahoma. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the financial statements. The accompanying supplementary information as listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subject to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole on the basis of accounting described in Note 1.C.

*Angel, Johnston + Blessingame, P.C.*

Chickasha, Oklahoma  
January 15, 2013

# CITY OF NOBLE

Rose Rock Capital of the World

Management's Discussion and Analysis  
 Unaudited  
 June 30, 2012

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements.

The City as a Whole

The analysis below focuses on the net assets and changes in net assets of the City's governmental and business-type activities.

	<b>Net Assets</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	<b>Government</b>
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Current and other assets	\$ 1,199,476	\$ 299,502	\$ 846,049	\$ 759,674	\$2,045,525	\$1,059,176
Capital assets	<u>4,044,627</u>	<u>3,728,802</u>	<u>4,781,055</u>	<u>3,796,835</u>	<u>8,825,682</u>	<u>7,525,637</u>
Total assets	<u>5,244,103</u>	<u>4,028,304</u>	<u>5,627,104</u>	<u>4,556,509</u>	<u>10,871,207</u>	<u>8,584,813</u>
Long-term debt	1,209,053	258,544	3,067,104	2,731,836	4,276,157	2,990,380
Other liabilities	<u>2,833</u>	<u>4,693</u>	<u>99,282</u>	<u>97,656</u>	<u>102,115</u>	<u>102,349</u>
Total liabilities	<u>1,211,886</u>	<u>263,237</u>	<u>3,166,386</u>	<u>2,829,492</u>	<u>4,378,272</u>	<u>3,092,729</u>
Net assets:						
Invested in capital assets						
net of debt	2,835,574	3,470,258	1,756,205	1,184,545	4,591,779	4,654,803
Restricted	1,035,232	96,701	352,948	333,199	1,388,180	429,900
Unrestricted	<u>161,411</u>	<u>198,108</u>	<u>351,565</u>	<u>209,273</u>	<u>512,976</u>	<u>407,381</u>
Total net assets	<u>4,032,217</u>	<u>3,765,067</u>	<u>2,460,718</u>	<u>1,727,017</u>	<u>6,492,935</u>	<u>5,429,084</u>

*The City as a Whole – (Continued)*

	<b>Changes in Net Assets</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	<b>Government</b>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	750,347	759,263	1,861,156	1,559,861	2,611,503	2,319,124
Federal grants	329,831	56,030	249,999	-	579,830	56,030
State grants/entitlements	211,580	52,845	-	-	211,580	52,845
Donations		6,310	-	-		6,310
General revenues:						
Property taxes	134,998	143,897	-	-	134,998	143,897
Other taxes	1,734,424	1,724,077	-	-	1,734,424	1,724,077
Other general revenue	125,887	72,337	8,665	27,719	134,552	100,056
Total revenues	<u>3,287,067</u>	<u>2,814,759</u>	<u>2,119,820</u>	<u>1,587,580</u>	<u>5,406,887</u>	<u>4,402,339</u>
<b>Program expenses</b>						
Administration	270,190	236,180	83,262	83,443	353,452	319,623
Police	972,686	957,497	-	-	972,686	957,497
Animal Control	52,953				52,953	
Fire/EMS	1,247,748	1,095,908	-	-	1,247,748	1,095,908
General government	149,188	138,221	196,792	181,232	345,980	319,453
Library	66,339	59,928	-	-	66,339	59,928
Community development	-	-			-	-
Parks	16,231	17,051	-	-	16,231	17,051
Streets	278,407	250,473	-	-	278,407	250,473
Water	-	-	463,378	317,041	463,378	317,041
Sewer	-	-	302,268	307,070	302,268	307,070
Sanitation	-	-	306,594	332,891	306,594	332,891
Interest long-term debt	-	-	0	136,963	0	136,963
Total expenses	<u>3,053,742</u>	<u>2,755,258</u>	<u>1,352,294</u>	<u>1,358,587</u>	<u>4,406,036</u>	<u>4,113,845</u>
Excess (deficiency)						
before transfers	233,325	59,501	767,526	228,993	1,000,851	288,494
Transfers	33,825	21,704	(33,825)	(21,704)	-	-
Increase (decrease) in net assets	<u>\$ 267,150</u>	<u>\$ 81,205</u>	<u>\$ 733,701</u>	<u>\$ 207,289</u>	<u>\$1,000,851</u>	<u>\$ 288,494</u>

*The City as a Whole – (Continued)*

The Changes in Net Asset section shows a remarkable improvement. Net Assets grew by \$1,000,851. This was brought about because of several capital projects that were funded by grant revenue and a large long term loan. In addition, water and waste water revenues increased significantly because of increase in rates and usage.

### Governmental Activities

Governmental Activities include revenues and assets generated from taxes and intergovernmental sources and their offsetting program expenses. Governmental Activities in Noble include the General Fund, the Noble Emergency Medical Service and the Sinking Fund. Total Governmental Activity Net Revenues for 2012 showed an \$185,945 increase over 2011 centered in two capital projects funded by federal grants. The projects were a Recreational Trail Project at Kenneth King Park and the completion of the Safe Routes to School Project with federal funds through the Oklahoma Department of Transportation. Sales tax was slightly higher for 2012.

### Business-Type Activities

Business-Type Activities include the assets and service fees from the sale of water, sewer, and sanitation service. The sanitation service is contracted out and continues to be a principal source of net income for the Noble Utility Authority. The Noble Public Works Department operates the water and wastewater system. 2012 showed an increase in Business-Type Activity net assets in the amount of \$733,701. This was due to the completion of a large water system improvement project funded by a low interest rate loan through the Oklahoma Water Resources Board. The project was to drill three new water wells and rehab our water towers at a total cost \$1,175,000.

### Budgetary Highlights

As reflected in the sections above, several large capital projects in General Fund (Governmental Activities) and in the Noble Utility Authority (Business Type Activities) dominated the budget for 2012. Tax revenues and particularly sales tax revenues were only slightly up from the year before. The large increases in revenues were from federal grants and loans.

### Capital Asset and Debt Administration

For the past ten years Noble has been financially challenged. However, we have steadily increased our net capital assets from year to year by watching spending and using grant income for most capital improvements. The city currently has very little short term bank debt. Noble has long term debt on the books for waste water and water system improvements. The city is steadily reducing this debt which is scheduled to payout in 2017. As discussed above new \$1.175 Million Water Improvement Project was added to our long term debt, as a construction loan in 2012 and as a twenty year loan in 2013. Moderate rate increases that were approved for fiscal year 2013 will generate the revenues needed to offset the payments. In addition, Noble voters approved a \$1Milliion G.O. Bond Tax Revenue Project to pave more than twenty of the old streets. The new debt that will be shown in the 2013 budget is offset by the new tax revenues.

*Economic Factors and Next Year's Budget and Rates*

The general attitude at Noble is optimism for the future. The 2013 budget was approved with conservative estimates for increases in sales tax. However, because we anticipate increases in EMS funds and an increase in utility funds we did budget several needed capital projects and purchases.

And, as discussed, the \$1 Million Street Improvement Project was placed in the 2013 budget based on the bond issue that was approved. Beyond the fiscal year 13 we will again have to carefully review anticipated revenues and match our spending accordingly.

*Contacting the City's Management*

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City Clerk's office.

See disclaimer in independent auditor's report.



## **BASIC FINANCIAL STATEMENTS**



**CITY OF NOBLE, OKLAHOMA**  
**Statement of Net Assets - Modified Cash Basis**  
**June 30, 2012**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 164,244	\$ 354,059	\$ 518,303
Due from Other Funds			
Deposit with Insurance Pool			-
<i>Total Current Assets</i>	<u>164,244</u>	<u>354,059</u>	<u>518,303</u>
Noncurrent Assets:			
Cash and Cash Equivalents	1,035,232	357,736	1,392,968
Investments		92,000	92,000
Deferred Amount on Debt Refunded		42,254	42,254
Land and Other Non-depreciable Assets	364,578	73,500	438,078
Construction in Progress		563,957	563,957
Other capital assets, net	3,646,483	4,039,743	7,686,226
Note issue costs, net	33,566	103,855	137,421
<i>Total Noncurrent Assets</i>	<u>5,079,859</u>	<u>5,273,045</u>	<u>10,352,904</u>
<i>Total Assets</i>	<u>5,244,103</u>	<u>5,627,104</u>	<u>10,871,207</u>
<b><u>Liabilities</u></b>			
Encumbrances Payable	2,747	4,960	7,707
Payroll Withholding Payable			-
Due to Other Funds	86	(86)	
Due to Depositors		94,408	94,408
Long-Term Liabilities:			
Due within one year	119,491	405,032	524,523
Due in more than one year	1,089,562	2,662,072	3,751,634
<i>Total Liabilities</i>	<u>1,211,886</u>	<u>3,166,386</u>	<u>4,378,272</u>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, net of related debt	2,835,574	1,756,205	4,591,779
Restricted for Debt Service	62,160	352,948	415,108
Restricted for Capital Projects	966,566		966,566
Restricted for Other Purposes	6,506		6,506
Unrestricted	161,411	351,565	512,976
<i>Total Net Assets</i>	<u>\$ 4,032,217</u>	<u>\$ 2,460,718</u>	<u>\$ 6,492,935</u>

*See accompanying notes to basic financial statements.*

**CITY OF NOBLE, OKLAHOMA**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ending June 30, 2012**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Primary Government:</b>							
Governmental Activities:							
Administration	\$ 270,190	\$	\$	\$	\$ (270,190)	\$ -	\$ (270,190)
Police	972,686	137,016	1,401		(834,269)	-	(834,269)
Animal Control	52,953	2,407			(50,546)	-	(50,546)
Fire/EMS	1,247,748	541,546	16,250	41,508	(648,444)	-	(648,444)
General Government	149,188	31,321			(117,867)	-	(117,867)
Library	66,339		2,500		(63,839)	-	(63,839)
Parks	16,231			86,923	70,692	-	70,692
Streets	278,407	38,057		392,829	152,479	-	152,479
<i>Total Governmental Activities</i>	<u>3,053,742</u>	<u>750,347</u>	<u>20,151</u>	<u>521,260</u>	<u>(1,761,984)</u>	<u>-</u>	<u>(1,761,984)</u>
Business-Type Activities:							
Administration	83,262		-	-	-	(83,262)	(83,262)
General Government	196,792		-	-	-	(196,792)	(196,792)
Water	463,378	835,733	249,999	-	-	622,354	622,354
Sewer	302,268	472,344	-	-	-	170,076	170,076
Sanitation	306,594	553,079	-	-	-	246,485	246,485
<i>Total Business-Type Activities</i>	<u>1,352,294</u>	<u>1,861,156</u>	<u>249,999</u>	<u>-</u>	<u>-</u>	<u>758,861</u>	<u>758,861</u>
<i>Total Primary Government</i>	<u>4,406,036</u>	<u>2,611,503</u>	<u>270,150</u>	<u>521,260</u>	<u>(1,761,984)</u>	<u>758,861</u>	<u>(1,003,123)</u>
General Revenues:							
Taxes:							
Sales Tax					1,398,780		1,398,780
Use Tax					78,966		78,966
Property Tax					134,998		134,998
Franchise Tax					254,529		254,529
E-911 Tax					2,149		2,149
Intergovernmental Revenue					93,495		93,495
Investment Income					1,811	2,953	4,764
Miscellaneous					30,581	5,712	36,293
Transfers - Internal Activity					33,825	(33,825)	-
<i>Total General Revenues and Transfers</i>					<u>2,029,134</u>	<u>(25,160)</u>	<u>2,003,974</u>
<i>Change in Net Assets</i>					267,150	733,701	1,000,851
<i>Net Assets - Beginning, restated</i>					<u>3,765,067</u>	<u>1,727,017</u>	<u>5,492,084</u>
<i>Net Assets - Ending</i>					<u>\$ 4,032,217</u>	<u>\$ 2,460,718</u>	<u>\$ 6,492,935</u>

See accompanying notes to basic financial statements.

**CITY OF NOBLE, OKLAHOMA**  
**Statement of Assets, Liabilities, and Fund Equity**  
**Governmental Funds - Modified Cash Basis**  
**June 30, 2012**

	<b>General Fund</b>	<b>Noble EMS Fund</b>	<b>Noble EMS District</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 140,869	\$ 23,375	\$ -	\$ 164,244
Restricted Cash and Cash Equivalents	966,566		68,666	1,035,232
Deposits with Insurance Pool				-
Due from Other Funds				-
<i>Total Assets</i>	1,107,435	23,375	68,666	1,199,476
 <b><u>Liabilities</u></b>				
Encumbrances Payable	2,747			2,747
Warrants Outstanding				-
Due to Other Funds	86			86
<i>Total Liabilities</i>	2,833	-	-	2,833
 <b><u>Fund Balances</u></b>				
Non Spendable			-	-
Restricted	966,566		68,666	1,035,232
Committed		23,375		23,375
Assigned				-
Unassigned	138,036			138,036
<i>Total Fund Balances</i>	1,104,602	23,375	68,666	1,196,643
<i>Total Liabilities and Fund Balances</i>	\$ 1,107,435	\$ 23,375	\$ 68,666	\$ 1,199,476

*See accompanying notes to basic financial statements.*

**CITY OF NOBLE, OKLAHOMA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds - Modified Cash Basis**  
**For the Year Ending June 30, 2012**

	<b>General Fund</b>	<b>Noble EMS Fund</b>	<b>Noble EMS District</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 1,734,425	\$	\$ 134,998	\$ 1,869,423
Intergovernmental	634,907			634,907
Fines and Forfeitures	137,016			137,016
Licenses and Permits	33,728			33,728
Charges for Services	38,057	541,546		579,603
Investment Income	1,346	209	256	1,811
Miscellaneous	30,578			30,578
<i>Total Revenues</i>	2,610,057	541,755	135,254	3,287,066
<b>Expenditures</b>				
Current:				
Administration	245,813	24,377		270,190
Police	942,068			942,068
Animal Control	52,953			52,953
Fire/EMS	435,027	697,411		1,132,438
General Government	133,632			133,632
Library	24,934			24,934
Parks	7,920			7,920
Streets	241,691			241,691
Capital Outlay	520,650			520,650
Debt Service	4,491		54,524	59,015
<i>Total Expenditures</i>	2,609,179	721,788	54,524	3,385,491
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	878	(180,033)	80,730	(98,425)
<b>Other Financing Sources (Uses)</b>				
Bond Proceeds	966,434			966,434
Transfers In	1,398,780	175,565		1,574,345
Transfers Out	(1,451,220)		(89,300)	(1,540,520)
<i>Total Other Financing Sources (Uses)</i>	913,994	175,565	(89,300)	1,000,259
<i>Net Change in Fund Balances</i>	914,872	(4,468)	(8,570)	901,834
<i>Fund Balances - Beginning</i>	189,730	27,843	77,236	294,809
<i>Fund Balances - Ending</i>	\$ 1,104,602	\$ 23,375	\$ 68,666	\$ 1,196,643

*See accompanying notes to basic financial statements.*

**CITY OF NOBLE, OKLAHOMA**  
**Reconciliation of Governmental Fund and Government-Wide Financial Statements**  
**Governmental Funds - Modified Cash Basis**  
**June 30, 2012**

**Reconciliation to Statement of Net Assets:**

Fund balances of governmental funds		\$ 1,196,643
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:		
	Capital assets	6,581,339
	Accumulated depreciation	(2,570,278)
	Note issue costs, net	33,566
Some liabilities are not due and payable in the current period and, therefore are not reported in the funds:		
	Capital lease obligation	(3,083)
	State obligation payable	(20,970)
	General obligation bonds payable	<u>(1,185,000)</u>
Net assets of governmental activities		<u>\$ 4,032,217</u>

**Reconciliation to Statement of Activities:**

Net change in fund balances of governmental funds		\$ 901,834
Amounts reported for governmental activities on the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
	Capital asset purchases capitalized	511,531
	Depreciation expense	(229,272)
Revenues in the Statements of Activities that do not provide current financial resources are not reported as revenues in the funds:		
	Donated capital assets	
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
	Note proceeds, net	(966,434)
	Capital debt obligation payments	1,947
	State obligation payable	2,544
	General obligation bonds principal payments	<u>45,000</u>
Change in net assets of governmental activities		<u>\$ 267,150</u>

*See accompanying notes to basic financial statements.*

**CITY OF NOBLE, OKLAHOMA**  
**Statement of Net Assets**  
**Proprietary Funds - Modified Cash Basis**  
**June 30, 2012**

	<u>Enterprise Funds</u>		<u>Total Proprietary Funds</u>
	<u>Noble Utilities Authority</u>	<u>Non-Major Enterprise Fund</u>	
<b><u>Assets</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 354,059	\$ -	\$ 354,059
Due from Other Funds	466	-	466
<i>Total Current Assets</i>	<u>354,525</u>	<u>-</u>	<u>354,525</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	352,948	4,788	357,736
Restricted Investments	-	92,000	92,000
Deferred Amount on Debt Refunded	42,254	-	42,254
Land and Other Non-depreciable Assets	637,457	-	637,457
Other Capital Assets, net of depreciation	4,039,743	-	4,039,743
Note Issue Costs, net of accumulated amortization	103,855	-	103,855
<i>Total Noncurrent Assets</i>	<u>5,176,257</u>	<u>96,788</u>	<u>5,273,045</u>
<i>Total Assets</i>	<u>5,530,782</u>	<u>96,788</u>	<u>5,627,570</u>
<b><u>Liabilities</u></b>			
Current Liabilities:			
Encumbrances Payable	4,960	-	4,960
Payroll Withholding Payable	-	-	-
Due to Other Funds	-	380	380
Due to Depositors	-	94,408	94,408
Notes Payable	405,032	-	405,032
<i>Total Current Liabilities</i>	<u>409,992</u>	<u>94,788</u>	<u>504,780</u>
Noncurrent Liabilities:			
Notes Payable	2,662,072	-	2,662,072
<i>Total Noncurrent Liabilities</i>	<u>2,662,072</u>	<u>-</u>	<u>2,662,072</u>
<i>Total Liabilities</i>	<u>3,072,064</u>	<u>94,788</u>	<u>3,166,852</u>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, net of related debt	1,756,205	-	1,756,205
Restricted for Debt Service	352,948	-	352,948
Unrestricted	349,565	2,000	351,565
<i>Total Net Assets</i>	<u>\$ 2,458,718</u>	<u>\$ 2,000</u>	<u>\$ 2,460,718</u>

*See accompanying notes to basic financial statements.*



**CITY OF NOBLE, OKLAHOMA**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds - Modified Cash Basis**  
**For the Year Ending June 30, 2012**

	<u>Enterprise Funds</u>		<u>Total Proprietary Funds</u>
	<u>Noble Utilities Authority</u>	<u>Non-Major Enterprise Fund</u>	
<b>Operating Revenues</b>			
Charges for Services:			
Pledged:			
Water revenue	\$ 805,533	\$	\$ 805,533
Sewer revenue	455,269		455,269
Penalties	36,033		36,033
Miscellaneous fees	32,246		32,246
Unpledged:			
Sanitation revenue	532,075		532,075
<i>Total Operating Revenues</i>	<u>1,861,156</u>	<u>-</u>	<u>1,861,156</u>
<b>Operating Expenses</b>			
Administration	83,262		83,262
General Government	196,792		196,792
Water operations	267,133		267,133
Sewer operations	210,931		210,931
Sanitation operations	306,594		306,594
Amortization expense	15,691		15,691
Depreciation expense	135,421		135,421
<i>Total Operating Expenses</i>	<u>1,215,824</u>	<u>-</u>	<u>1,215,824</u>
<i>Operating Income (Loss)</i>	<u>645,332</u>	<u>-</u>	<u>645,332</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	2,953		2,953
Interest expense	(119,850)		(119,850)
Grant revenue	249,999		249,999
Miscellaneous revenue	5,712		5,712
Trustee fees	(16,619)		(16,619)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>122,195</u>	<u>-</u>	<u>122,195</u>
Net Income (Loss) Before Contributions and Transfers	767,527	-	767,527
Contributed Capital			-
Contribution Expense			-
Pledged as security for revenue notes:			
Transfer In - Sales Tax	1,398,780		1,398,780
Transfers In			-
Transfers Out	(1,432,606)		(1,432,606)
<i>Change in Net Assets</i>	733,701	-	733,701
<i>Net Assets - Beginning</i>	1,725,017	2,000	1,727,017
<i>Prior Period Adjustment</i>			-
<i>Net Assets - Beginning - Restated</i>	<u>1,725,017</u>	<u>2,000</u>	<u>1,727,017</u>
<i>Net Assets - Ending</i>	<u>\$ 2,458,718</u>	<u>\$ 2,000</u>	<u>\$ 2,460,718</u>

*See accompanying notes to basic financial statements.*

**CITY OF NOBLE, OKLAHOMA**  
**Statement of Cash Flows**  
**Proprietary Funds - Modified Cash Basis**  
**For the Year Ending June 30, 2012**

	<b>Enterprise Funds</b>		<b>Total Proprietary Funds</b>
	<b>Noble Utilities Authority</b>	<b>Non-Major Enterprise Fund</b>	
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 1,861,156	\$	\$ 1,861,156
Vendors and others paid	(1,063,735)		(1,063,735)
Customer meter deposits receipts/refunds		1,108	1,108
Other receipts (payments)			-
<i>Net Cash Provided by Operating Activities</i>	<u>797,421</u>	<u>1,108</u>	<u>798,529</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Miscellaneous revenues	5,720		5,720
Grants	249,999		249,999
Transfers from other funds	1,398,780		1,398,780
Transfers to other funds	(1,433,072)		(1,433,072)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>221,427</u>	<u>-</u>	<u>221,427</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Purchases of capital assets	(1,015,786)		(1,015,786)
Loan Proceeds	711,035		711,035
Principal paid on debt	(375,767)		(375,767)
Fiscal charges paid on debt	(16,619)		(16,619)
Interest paid on debt	(77,596)		(77,596)
<i>Net Cash Provided by (used in) Capital and Related Financing Activities</i>	<u>(774,733)</u>	<u>-</u>	<u>(774,733)</u>
<b>Cash Flows From Investing Activities</b>			
Interest received	2,953		2,953
Increase in investments			-
<i>Net Cash Provided by Investing Activities</i>	<u>2,953</u>	<u>-</u>	<u>2,953</u>
<i>Net Increase in Cash and Cash Equivalents</i>	247,068	1,108	248,176
<i>Balance - Beginning of the Year</i>	<u>459,939</u>	<u>3,680</u>	<u>463,619</u>
<i>Balance - End of the Year</i>	<u><u>707,007</u></u>	<u><u>4,788</u></u>	<u><u>711,795</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>			
Operating income (loss)	645,332	-	645,332
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	151,112		151,112
Changes in assets and liabilities:			
Due from other funds	(466)		(466)
Encumbrances payable	1,443		1,443
Due to other funds		380	380
Due to depositors		728	728
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 797,421</u>	<u>\$ 1,108</u>	<u>\$ 798,529</u>

*See accompanying notes to basic financial statements.*

**CITY OF NOBLE, OKLAHOMA**  
**Statement of Assets and Liabilities**  
**Fiduciary Funds - Modified Cash Basis**  
**For the Year Ending June 30, 2012**

		<u>Agency Fund</u> <u>Municipal</u> <u>Court</u>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$	<u>2,981</u>
<i>Total Assets</i>		<u><u>2,981</u></u>
 <b><u>Liabilities</u></b>		
Police Bond Liability		<u>2,981</u>
<i>Total Liabilities</i>	\$	<u><u>2,981</u></u>

*See accompanying notes to basic financial statements.*



**CITY OF NOBLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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**Note 1 - Summary of Significant Accounting Policies**

**1.A. Financial Reporting Entity**

The City's financial reporting entity includes the primary government (City of Noble), its blended and discretely presented component units. This report includes all activities for which the City of Noble's City Council is fiscally responsible. In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units for which the City is financially accountable.

**The City of Noble** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities.

The City of Noble is an incorporated municipality with a population of approximately 6,400 located in central Oklahoma. The City is a Council/Manager form of government and operates under a charter that provides for three branches of government:

- Legislative – the City Council is a five-member governing body of which the council members are elected by wards and the mayor is elected by the citizens at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

**Blended Component Units**

**Noble Utilities Authority** - The trust has as its purpose to finance, develop, and operate the utility services and physical facilities (NUA).

**Noble EMS District** - The Noble EMS District was formed under the provisions of the Oklahoma Constitution, Article 10, Section 9C for the purpose of providing ambulance service within a district comprised of the municipal limits of the City of Noble, Oklahoma.

The Noble EMS District and the City of Noble entered into an agreement in October 5, 2009 whereas the City agrees to account for ambulance revenues and expenses, to provide space for medical technicians, vehicles, equipment and supplies, to contract for lease purchase of ambulance vehicles and equipment, to provide training and uniforms for EMS technicians, to provide dispatcher service, and to provide office help. The District agrees to delegate to the City all hiring authority, to determine what level of ambulance service will be provided, to prepare the fiscal year budget and to issue bonds, if needed.

**Discretely Presented Component Units**

**Noble Economic Development Authority** - The trust has as its purpose to stimulate economic growth and development of the beneficiary City (NEDA). The NEDA is financially inactive.

Each of these component units is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets, which are acquired or constructed with Authority debt, or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

**CITY OF NOBLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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**1.B. Basis of Presentation**

Government-Wide Financial Statements - The Statement of Net Assets and Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**1.C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Except for the use of a modified cash basis of accounting as discussed below, the City complies with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Basis of accounting refers to when revenues and expenditures/expenses are recognized and reported in the financial statements. This relates to the timing of the revenues, expenditures/expenses regardless of the measurement focus applied. Measurement focus identifies which transactions and events should be recorded. In the governmental fund financial statements, a current financial resources measurement focus is applied. In the government-wide Statement of Net Assets and the Statement of Activities, and the proprietary funds, an economic resources measurement focus is applied.

Both governmental and business-type activities in the government-wide financial statements and the fund financial statements are presented using a modified cash basis of accounting. This modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables, if any
- investments and other deposits
- encumbrances payable
- utility deposit liabilities

**CITY OF NOBLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City used the basis of accounting required by generally accepted accounting principles, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting. Under the modified accrual basis of accounting, revenues would be recognized when susceptible to accrual (i.e. both measurable and available) and expenditures would be recorded when the current liability is incurred. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

The City reports the following funds:

**Governmental Funds**

**Major Governmental Funds:**

- General Fund - is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Fund:*

- Noble EMS Fund - accounts for emergency medical service activities.
- Noble EMS District - accounts for emergency medical service activities (blended component unit).

**Proprietary Funds**

**Major Enterprise Funds:**

- Noble Utilities Authority – that operates the water, sewer, and sanitation services of the City (blended component unit).

**Non-Major Enterprise Funds:**

- Meter Fund - accounts for refundable water meter deposits.

**Fiduciary Funds**

*Agency Fund:*

- Municipal Court - accounts for municipal court bonds and other collections held for the benefit of others awaiting court decisions or remittance to outside entities.

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net assets to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions, and 3) capital grants and contributions,

**CITY OF NOBLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **1.D. Assets, Liabilities and Fund Equity**

Deposits and Investments - The City's cash and cash equivalents are considered to be cash on hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit with maturities of three months or less from the date of acquisition.

Investments for the City, as well as for its component units, are reported at fair value.

Deposits with Insurance Pool - Typically past refunds or interest earnings left on deposit with the Workers Compensation Insurance Plan to be disbursed upon instruction by the City of Noble. This deposit is held in escrow by the insurance pool and is invested.

Restricted Assets - Restricted assets include assets that are legally restricted as to their use. The primary restricted assets are related to customer utility deposits and trustee accounts restricted for debt service and capital improvements.

Capital Assets - Capital assets consist of land, construction in progress, buildings, improvements, utility property/improvements, vehicles and equipment, surplus property and infrastructure. Recorded assets are reported at actual or estimated historical cost. A capitalization threshold of \$2,000 is used to report capital assets. Donated capital assets are recorded at estimated fair market value at the date of donation. Estimated historical cost was used to value the majority of the assets, including infrastructure assets (such as roads, bridges, traffic systems) acquired prior to July 1, 2003. However, the infrastructure assets related to the current debt of the City and the Authority as of June 30, 2004 have been capitalized based upon the original bond issue cost or other debt. Infrastructure assets acquired since July 1, 2003 are recorded at cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The depreciable capital assets are depreciated on a straight-line basis over the assets' estimated useful lives. The range of estimated useful lives by type of asset is as follows:

- Buildings 40 years
- Improvements other than buildings 20 years
- Vehicles and equipment 10 years
- Utility property and improvements 40-50 years



**CITY OF NOBLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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- General Infrastructure 15-50 years

Due to Depositors - Represents the funds received from customers for their water utility deposits. These deposits are refunded or credited to the customer upon termination of the utility service and payment of all charges due and connected with the service. Effective August 2000, utility customers having a five-year history of good payment are eligible for a refund of their deposit.

Police Bond Liability - Represents municipal court bonds held for individuals awaiting court dates.

Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Note issuance costs are deferred and amortized over the life of the debt using the straight-line method.

Compensated Absences – As a result of the use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation leave and compensatory time earned but unpaid at year-end), are not reflected in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences has been reported as a commitment in Note 4.C.

Fund Balances and Net Assets –

*Fund Statements:*

Governmental fund equity is classified as fund balance. The Town has implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority. The Town’s highest level of decision-making authority is made by ordinance while the MMA’s highest level of decision-making authority is made by resolution.
- d. Assigned – includes amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by Town council action or management decision when the Town council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City’s policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be

**CITY OF NOBLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The only exception to this policy is for assigned interest income in governmental funds other than the General Fund to be spent prior to restricted fund balance. In those funds, interest income is used first before other revenues.

*Net Assets:*

Net assets are displayed in three components:

- a. *Invested in capital assets, net of related debt* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted net assets* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the City’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

### **1.E. Sales Tax Revenue**

Sales Tax - The City presently levies a four-cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The sales tax recorded is allocated one hundred percent to the General Fund. The City has pledged the four-cent sales tax to secure debt service payments in the Noble Utilities Authority. The sales tax is transferred to NUA each month. The Authority has the right to return to the City any part of the appropriated sales tax, if there is no event of default. For the year ended June 30, 2012, the City of Noble transferred sales tax of \$1,398,780 to NUA and NUA transferred \$1,398,780 back to the General Fund of the City of Noble to be used by the City.

### **1.F. Property Tax Revenue**

Property Tax - Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by the voters. At present time the City levies a property tax to fund the annual debt service requirements of the 1994 Street Improvement General Obligation Bonds. The Noble EMS District levies a property tax to fund the annual debt service requirements of the 2006 Noble Emergency Medical Service District General Obligation Bonds.

The property tax levy, as determined by the City and the Noble EMS District’s debt service needs, is submitted to the county excise board for approval. The county assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1; the county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

**CITY OF NOBLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

**1.G. Use of Estimates**

In preparing the City of Noble’s financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

**Note 2 – Stewardship, Compliance, and Accountability**

**2.A. Budgetary Information**

The city manager submits an annual budget to the City Council in accordance with the Oklahoma Municipal Budget Act. In June the City Council adopts annual fiscal year appropriated budgets for all city funds.

The appropriated budget is prepared by fund, department and categories (personal services, materials and supplies, other services and charges, capital outlay, debt service and transfers). Transfers of appropriations between departments within a fund require the approval of the City Manager. Transfers of appropriations between funds and supplements to the budget require City Council approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The Sinking Fund and Emergency Medical Service Board estimate of needs must be filed with the county excise board.

**Note 3 – Detailed Notes on all Funds**

**3.A. Deposits and Investments Risk**

At June 30, 2012, the reporting entity had the following deposits and investments:

<u>Type of Deposits and Investments</u>	<u>Carrying Value</u>
<b>Deposits:</b>	
Petty Cash	\$ 150
Demand deposits	1,778,850
Demand deposits-Agency Fund	2,981
OMAG Escrow	14,431
Time Deposits	<u>92,000</u>
<b>Total Deposits</b>	<u>\$ 1,888,412</u>
<b>Investments:</b>	
Open End Mutual Fund – (American Performance U.S. Treasury)	\$ 117,830
	<u>                    </u>
<b>Total Deposits and Investments</b>	<u>\$ 2,006,242</u>

**CITY OF NOBLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

*Custodial Credit Risk - Deposits* – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a written deposit policy for custodial credit risk, but *Oklahoma Statutes* requires collateral for all uninsured deposits of municipal funds in financial institutions. As of June 30, 2012, the City’s bank balances of \$1,888,412 were not exposed to custodial credit risk.

*Investment Credit Risk* – The City does not have a written investment policy that limits its investment choices other than the limitations stated in the *Oklahoma Statutes*. *Oklahoma Statutes* allow the City to invest in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposits or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgements, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district; and government money market funds regulated by the SEC. Public trusts created under O.S. Title 60, are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture. The City’s only marketable investments at June 30, 2012 consisted of \$117,830 in open ended mutual funds invested in U.S. Treasury securities with a Standard & Poor’s credit rating of AAA.

*Investment Interest Rate Risk* – The City does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City’s only investments are in open ended mutual funds with available on demand. All certificates of deposit have maturities no later than April 2013.

*Concentration of Credit Risk* – The City places no limit on the amount it may invest in any one issuer.

**3.B. Restricted Assets**

The amounts reported as restricted assets consist of cash and investments held for the expenditure of bond proceeds and payment of bonds related to GO Bonds, amounts held by the trustee bank on behalf of the Noble Utilities Authority related to its required revenue bond accounts and amounts due to depositors related to utility deposits. The restricted assets as of June 30, 2012 were as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
EMS District Sinking Fund	62,149	-
EMS Operating Account	6,505	-
GO Street Bond	966,566	
Customer Utility Deposits	4,788	92,000
Revenue Bonds Account	235,118	-
Trustee Accounts:		
Note Interest Fund		3,086
Note Principal Fund	-	114,743
Total Restricted Assets	<u>\$ 1,275,126</u>	<u>\$ 209,829</u>

**3.C. Capital Assets**

Capital asset activity resulting from modified cash basis transactions for the fiscal year ended June 30, 2012 was as follows:

**CITY OF NOBLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

	<b>Balance 6/30/11</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 6/30/12</b>
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 364,578	\$ -	\$ -	\$ 364,578
Construction in progress	<u>130,548</u>	<u>260,999</u>	<u>391,547</u>	<u>-</u>
Total capital assets, not being depreciated	<u>495,126</u>	<u>260,999</u>	<u>391,547</u>	<u>364,578</u>
Capital assets, being depreciated:				
Buildings	2,268,458	-	-	2,268,458
Other improvements	347,458	-	-	347,458
Vehicles and equipment	1,677,353	48,454	-	1,725,807
Surplus property	192,715	-	-	192,715
Infrastructure	<u>1,088,697</u>	<u>593,626</u>	<u>-</u>	<u>1,682,323</u>
Total capital assets, being depreciated	<u>5,574,681</u>	<u>642,080</u>	<u>-</u>	<u>6,216,761</u>
Less accumulated depreciation for:				
Buildings	731,067	55,711	-	786,779
Other improvements	71,104	12,010	-	83,114
Vehicles and equipment	905,001	126,381	-	1,031,382
Surplus property	185,865	-	-	185,865
Infrastructure	<u>447,966</u>	<u>35,172</u>	<u>-</u>	<u>483,138</u>
Total accumulated depreciation	<u>2,341,004</u>	<u>229,274</u>	<u>-</u>	<u>2,570,278</u>
Total capital assets, being depreciated, net	<u>3,233,677</u>	<u>412,806</u>	<u>-</u>	<u>3,646,483</u>
Governmental activities capital assets, net	<u>\$ 3,728,803</u>	<u>\$ 673,805</u>	<u>\$ 391,547</u>	<u>\$ 4,011,061</u>
	<b>Balance 6/30/11</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 6/30/12</b>
<b>Business-Type Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 73,500	\$ -	\$ -	\$ 73,500
Construction in progress	<u>132,521</u>	<u>734,302</u>	<u>302,867</u>	<u>563,957</u>
Total capital assets, not being depreciated	<u>206,021</u>	<u>734,302</u>	<u>302,867</u>	<u>637,457</u>
Capital assets, being depreciated:				
Buildings	42,292	-	-	42,292
Utility property/improvements	4,952,617	524,558	-	5,477,175
Surplus property	57,679	-	-	57,679
Vehicles and equipment	<u>184,645</u>	<u>59,793</u>	<u>-</u>	<u>244,438</u>
Total capital assets, being depreciated	<u>5,237,232</u>	<u>584,351</u>	<u>-</u>	<u>5,821,584</u>
Less accumulated depreciation:				
Buildings	31,058	420	-	31,478
Utility property/improvements	1,463,146	115,774	-	1,578,920
Surplus property	57,679	-	-	57,679
Vehicles and equipment	<u>94,535</u>	<u>19,228</u>	<u>-</u>	<u>113,763</u>
Total accumulated depreciation	<u>1,646,418</u>	<u>135,422</u>	<u>-</u>	<u>1,781,840</u>
Total capital assets, being depreciated, net	<u>3,590,814</u>	<u>448,929</u>	<u>-</u>	<u>4,039,743</u>
Business-type activities capital assets, net	<u>\$ 3,796,835</u>	<u>\$ 1,183,231</u>	<u>\$ 302,867</u>	<u>\$ 4,677,200</u>

**CITY OF NOBLE, OKLAHOMA**  
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Depreciation expense was charged to functions as follows in the Statement of Activities:

<b>Governmental Activities:</b>	
Police	\$ 28,577
Fire/EMS	100,686
General Government	15,556
Library	39,428
Parks	8,311
Streets	<u>36,716</u>
Total depreciation expense for governmental activities	<u>\$ 229,274</u>
<b>Business-Type Activities:</b>	
Water	\$ 44,085
Sewer	<u>91,337</u>
Total depreciation expense for business-type activities	<u>\$ 135,422</u>

**3.D. Long-Term Debt**

Governmental Activities - State statutes prohibit the City from incurring any indebtedness or obligations that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. As of June 30, 2012, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Capital Lease Obligations:

\$7,778 capital debt obligation with Irwin Leasing for digital copier, payable in monthly installments of \$162, final payment due January 2014.	<u>\$ 3,083</u>
Current portion	1,947
Non-current portion	<u>1,136</u>
Total Capital Lease Obligations	<u>\$ 3,083</u>

State Obligation:

The City of Noble entered into an agreement on June 1, 1990 with the Oklahoma Department of Transportation to share in utility relocation costs. The City and State have agreed to a 30-year pay out in which the City remits monthly principal installments of \$212, final payment due September 2020.	<u>\$ 20,970</u>
Current portion	2,544
Non-current portion	<u>18,426</u>
Total State Obligation	<u>\$ 20,970</u>

General Obligation Bonds:

\$1,000,000 Series 2012 General Obligation Bonds due in annual installments of \$70,000, final installment of \$90,000 due June 01, 2027, interest payable semi-annually

**CITY OF NOBLE, OKLAHOMA**  
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**For the Year Ended June 30, 2012**

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with interest rates from 2.0% to 3.19% for street improvements	<u>\$1,000,000</u>
Current portion	0
Non-current portion	<u>1,000,000</u>
Total Street GO Bonds	<u>\$1,000,000</u>

\$320,000 Series 2006 Noble Emergency Medical Service District Bonds, due in annual installments of \$45,000, final installment of \$50,000 due November 1, 2015, interest payable semi-annually with interest rates from 4.31% to 4.53% for the benefit of the EMS;

	<u>\$ 185,000</u>
Current portion	45,000
Non-current portion	<u>140,000</u>
Total EMS General Obligation Bonds	<u>\$185,000</u>

Business-Type Activities – As of June 30, 2012, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Capital Lease Obligations:

\$40,044 capital debt obligation with Welch State Bank for a John Deere 5083E, payable in monthly installments of \$1,721, final payment due August 2014.

	<u>\$ 23,652</u>
Current portion	20,657
Non-current portion	<u>2,995</u>
Total Capital Lease Obligations	<u>\$ 23,652</u>

Revenue Notes Payable:

2006 Sales Tax Revenue Notes, original issue amount of \$1,240,000, dated March 30, 2006, issued by Noble Utilities Authority, secured by 2 cent sales tax, interest rate of 5.69%, final maturity dated June 30, 2013. \$ 125,000

2006 CWSRF Promissory Note to OWRB, original issue amount of \$2,540,000, dated March 30, 2006, issued by Noble Utilities Authority, secured by 2 cent sales tax and revenues derived from the operation of the water and sewer system, interest rate of 3.10%, final maturity dated August 1, 2017. 2,110,000

2012 CWSRF Promissory Note to OWRB, original issue amount of \$1,175,000 dated May, 2011 as of the date of closing, issued by Noble Utilities Authority, secured by a pledge of revenues generated by the of the water and sewer system, along with a year-to-year pledge of certain sales tax revenue with an interest rate not to exceed 2.7% fixed interest rate plus a one half percent (1/2%) administration fee, for a term of approximately twenty (20) years. . 808,452

Total Revenue Notes Payable \$ 3,043,452

	384,375
Current portion	384,375
Non-current portion	<u>2,659,077</u>
Total Revenue Notes Payable	<u>\$ 3,043,452</u>

**CITY OF NOBLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**Utility Revenues Pledged**

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$2.54 million in a promissory note to OWRB issued March 2006. Proceeds from the note provided financing for the refinancing of the 1997 bonds. Also the new OWRB \$1.175 million promissory note issued 2011. The notes are payable from water and sewer customer net revenues and future sales tax revenue (discussed below) and are payable through 2017. Annual principal and interest payments on the note are expected to require less than 57 percent of net revenues. The total principal and interest remaining to be paid on the notes is \$3,850,507. Principal and interest paid for the current year and total customer net revenues were \$204,567 and \$542,431, respectively.

**Sales Tax Revenues Pledged**

The City has pledged future sales tax revenues to repay \$1.24 million in a sales tax revenue note issued in March 2006, \$2.54 million in a promissory note to OWRB issued March 2006 and the OWRB \$1.175 million 2011 promissory note. Proceeds from the 2006 note provided financing for the refinancing of the 1997 bonds. The notes are payable from future sales tax revenue. The total principal and interest remaining to be paid on the notes are \$3,979,064, payable through 2031. For the current year, principal and interest paid and total sales tax revenues were \$450,223 and \$1,398,780 respectively.

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<b>Balance 6/30/11</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 6/30/12</b>	<b>Amount Due Within One Year</b>
<b>Governmental Activities:</b>					
Capital Lease Obligations	\$ 5,030	\$ -	\$ 1,947	\$ 3,083	\$ 1,947
State Obligation	23,514	-	2,544	20,970	2,544
Series 2012 GO Bond	0	1,000,000	-	1,000,000	70,000
Series 2006 GO Bonds	<u>230,000</u>	<u>-</u>	<u>45,000</u>	<u>185,000</u>	<u>45,000</u>
Total Governmental Activities	<u>\$ 258,544</u>	<u>\$ 1,000,000</u>	<u>\$ 49,491</u>	<u>\$ 1,209,053</u>	<u>\$ 119,491</u>
<b>Business-Type Activities:</b>					
Capital Lease Obligations	\$ -	\$ 40,044	\$ 16,392	\$ 23,652	\$ 20,657
Revenue Notes Payable	<u>2,731,836</u>	<u>670,991</u>	<u>359,375</u>	<u>3,043,452</u>	<u>384,375</u>
Total Business-Type Activities	<u>\$ 2,731,836</u>	<u>\$ 711,035</u>	<u>\$ 375,767</u>	<u>\$ 3,067,104</u>	<u>\$ 405,032</u>

The annual debt service requirements to maturity are as follows:

<b>Governmental Activities:</b> Year Ending June 30	<u>Capital Lease Obligation</u>		<u>State Obligation</u>		<u>EMS GO Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,947	\$ -	\$ 2,544	\$ -	\$ 45,000	\$ 32,182
2014	1,136	-	2,544	-	115,000	24,973
2015	-	-	2,544	-	115,000	23,553
2016	-	-	2,544	-	120,000	23,252
2017	-	-	2,544	-	70,000	20,720
2018-2021	<u>-</u>	<u>-</u>	<u>8,250</u>	<u>-</u>	<u>720,000</u>	<u>120,540</u>
Total	<u>\$ 3,083</u>	<u>\$ -</u>	<u>\$ 20,970</u>	<u>\$ -</u>	<u>\$ 1,185,000</u>	<u>\$ 253,697</u>



**CITY OF NOBLE, OKLAHOMA**  
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<b>Business-Type Activities:</b> <u>Year Ending June 30</u>	<u>Capital Lease Obligation</u>		<u>Revenue Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 20,222	\$ 435	\$ 399,996	\$ 97,135
2013	3,430	13	401,219	83,288
2014	-	-	407,476	70,716
2015	-	-	423,766	58,033
2016	-	-	440,091	44,850
2017-2032	-	-	<u>1,337,451</u>	<u>215,041</u>
Sub-Total	<u>\$ 23,652</u>	<u>\$ 448</u>	<u>\$ 3,409,999</u>	<u>\$ 569,063</u>
Less Amounts not Drawn Down on Series 2011	-	-	<u>\$ (366,547)</u>	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,043,452</u>	<u>\$ 649,990</u>

Interest expense was charged to functions as follows in the Statement of Activities:

<b>Governmental Activities:</b>	
Fire/EMS	\$ 9,224
Streets	-
Total	<u>\$ 9,224</u>
<b>Business-Type Activities:</b>	
Water	<u>\$ 77,596</u>

*Debt Service Coverage Requirement:*

The OWRB debt agreement requires that Net Revenue Available for Debt Service must equal 125% of maximum annual debt service. Actual coverage was met as follows:

	<u>OWRB Series</u> <u>2006-CWSRF</u>
Net Revenue Available for Debt Service:	
Operating revenues	\$ 1,861,156
Less: Sanitation revenues	(532,075)
Investment income	2,953
Sales tax transfer	<u>1,398,780</u>
Total Gross Revenues Available	2,730,814
Operating expenses	1,215,824
Less: Sanitation expenses	(306,594)
Less: Depreciation and Amortization	<u>(151,112)</u>
Total Operating Expenses	<u>758,118</u>
Net Revenues Available for Debt Service	<u>\$ 1,972,696</u>
Debt Service Requirement:	
Maximum annual debt service	<u>\$ 869,443</u>
Coverage	<u>226%</u>
Coverage Requirement	<u>125%</u>

**CITY OF NOBLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NEDA – Conduit Debt** - The Noble Economic Development Authority has the following conduit debt outstanding at June 30, 2012:

	<u>Original Issue</u>	<u>Outstanding June 30, 2012</u>
NEDA – Noble Public Schools	\$8,595,000	\$1,599,925

This debt is considered non-commitment (conduit) debt to the City and Authority since the debt payments are made solely from the notes receivable or financing agreement proceeds from Noble Public Schools. Payments are made directly by Noble Public Schools to BancFirst. In the event of default by Noble Public Schools, the City or Authority has no obligation, in substance, to make any payments on the debt since the notes receivable, financing agreements and mortgages on the property with the school are the only security for the debt.

As a result of the non-commitment determination, the Authority’s indebtedness and related receivables from the school are not recorded in the financial statements.

**3.E. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2012 was as follows:

Interfund Transfers:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	NUA	\$ 1,398,780	To transfer sales tax for debt purposes
NUA	Noble EMS Fund	33,826	Operating subsidy
General Fund	Noble EMS Fund	52,440	Operating Subsidy
EMS District	Noble EMS Fund	89,300	To transfer property tax
NUA	General Fund	<u>1,398,780</u>	Return of unused sales tax
		<u>\$ 2,973,126</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,574,346	\$ (1,540,520)	\$ ( - )
Enterprise Funds	<u>1,398,780</u>	<u>(1,432,606)</u>	<u>-</u>
Total	<u>\$ 2,973,126</u>	<u>\$ (2,973,126)</u>	<u>\$ -</u>

**Note 4 - Other Notes**

**4.A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

**CITY OF NOBLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

- 
- General Liability, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
  - Fire Department Vehicles – Covered through participation in the Risk Management Division of the Department of Central Services, State of Oklahoma self-insurance pool.
  - Workers' Compensation – Workers' compensation is covered through participation in the Oklahoma Municipal Assurance Group risk entity pool.
  - Employee's Group Medical – Covered through purchase of commercial insurance.

The City's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claim reserves and other purposes for the benefit of the city. Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City, and such claims have not exceeded the coverage over the past three years.

#### **4.B. Contingencies**

**Federal and State Award Programs** - The City of Noble participates in various federal and state grant/loan programs from year to year. Amounts received or receivable from grantor agencies are often subject to audit and adjustment by the grantor agencies, principally 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 agency cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**Litigation** - The City is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include accrual or provision for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court-assessed judgement rendered against the City. This provision is not applicable to authorities or public trusts. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgements, the City feels that any settlement or judgement not covered by insurance would not have a material adverse effect on the financial condition of the City.

**DEQ Consent Order** – At June 30, 2012, the Noble Utilities Authority was under one DEQ Consent Order as follows:

Case #08-056 – Wastewater Discharge – An engineering report that outlines the wastewater collection system upgrades necessary to eliminate the unpermitted discharges by the City was submitted to DEQ by December 31, 2009, as required. This City currently has a capital improvement project underway in full compliance. DEQ has agreed with our plan of action. The treatment equipment is included in the 2012-13 budget.

#### **4.C. Commitments**

**Compensated Absences** – As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation leave, compensatory time earned but unpaid at year-end, and banked holiday also fire and police sick leave) are not reflected in the financial statements. Governmental funds obligation for accrued compensated absences is \$301,382, while the General Fund unassigned fund balance is \$138,036 at June 30, 2012. Proprietary funds obligation for accrued compensated absences is \$19,487, while the NUA unreserved fund balance is \$351,565 at June 30, 2012.

**CITY OF NOBLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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**4.D. Employee Pension Plans**

The City of Noble participates in three pension or retirement plans:

1. Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. Oklahoma Municipal Retirement Fund (OMRF) – an agent multiple-employer defined benefit plan

**Firefighters’ Retirement Plan** – Pursuant to the requirements of Title 11, section 22-102, the City of Noble participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighter’s Pension and Retirement System (OFPRS) on behalf of both paid and volunteer firefighters. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements.

The contribution rates for the City and its employees are established by Statute. The City is required to contribute 13% for the year ended June 30, 2012. Participating members are required to contribute 8%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

Schedule of Retirement Plan Contributions – OFPRS

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2008	\$72,109	\$72,109
2009	\$74,966	\$74,966
2010	\$75,641	\$75,641
2011	\$75,963	\$75,963
2012	\$83,313	\$83,313

**Policemen’s Retirement Plan** - The City of Noble participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS) on behalf of paid officers. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements.

The contribution rates for the City and its employees are established by Statute. The City is required to contribute 13% for the year ended June 30, 2012. Participating members are required to contribute 8%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS issues a publicly available financial report that includes financial statements. That report may be obtained by writing to OPPRS, 1001 NW 63<sup>rd</sup> Street, Suite 605, Oklahoma City, OK 73116-7335.

**CITY OF NOBLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

Schedule of Retirement Plan Contributions – OPPRS

Fiscal <u>Year</u>	Required <u>Contribution</u>	Amount <u>Contributed</u>
2008	\$27,229	\$27,229
2009	\$36,223	\$36,223
2010	\$39,146	\$39,146
2011	\$38,423	\$38,423
2012	\$41,833	\$41,833

**Municipal Retirement Plan** - The City of Noble and its employees participate in an agent multiple employer defined pension plan through the Oklahoma Municipal Retirement Fund (OMRF). All regular full time employees, except those covered under another retirement system, are eligible. Employees are vested at 5 years. The City's OMRF defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

The OMRF System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OMRF, P.O. Box 25848, Oklahoma City, OK 73125 or by calling 1-888-394-6673.

*Funding Policy* - The contribution requirements of City of Noble and employees are established and may be amended by the OMRF board. Employees are required to contribute 3.35% of their annual covered salary. City of Noble is required to contribute at an actuarially determined rate; the rate at June 30, 2012 is 10.47% of covered payroll.

*Annual Pension Cost* - For 2010-2012, the City of Noble's annual pension cost of \$69,882 for the OMRF plan was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases due to inflation of 3%, compounded annually, and (c) projected salary increases due to age/seniority, compounded annually.

Schedule of Retirement Plan Contributions – OMRF Defined Benefit Plan

Fiscal <u>Year</u>	Actuarial Required <u>Contribution</u>	Percentage <u>Contributed</u>	Pension Benefit <u>Obligation</u>
2008	\$47,316	100%	\$0
2009	\$54,358	100%	\$0
2010	\$65,676	100%	\$0
2011	\$69,180	100%	\$0
2012	\$69,882	100%	\$0

*Funding Status and Funding Progress* – As of January 1, 2012, the most recent actuarial valuation date, the plan was 76 percent funded. The actuarial accrued liability for benefits was \$1,346,351, and the actuarial value of assets was \$1,020,839, resulting in an unfunded actuarial accrued liability (UAAL) of \$325,512. The covered payroll (total annualized rate of pay as of the valuation date based on actual pay for the preceding year) was \$667,450, and the ratio of the UAAL to the covered payroll was 48.8 percent. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.



## **OTHER INFORMATION**

**CITY OF NOBLE, OKLAHOMA**  
**Oklahoma Municipal Retirement Fund**  
**Unaudited Schedule of Funding Progress**  
**June 30, 2012**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets <u>a</u></b>	<b>Acctuarial Accrued Liability(AAL) - Entry Age <u>b</u></b>	<b>Unfunded AAL (UAAL) <u>b-a</u></b>	<b>Funded Ratio <u>a/b</u></b>	<b>Covered Payroll <u>c</u></b>	<b>UAAL as a Percentage of Covered Payroll <u>(b-a)/c</u></b>
1/1/08	\$ 796,243	\$ 933,313	\$ 137,069	85.3%	\$ 604,099	22.7%
1/1/09	\$ 758,642	\$ 998,127	\$ 239,485	76.0%	\$ 660,183	36.3%
1/1/10	\$ 831,410	\$1,119,459	\$ 288,050	74.3%	\$ 671,733	42.9%
1/1/11	\$ 922,273	\$1,229,421	\$ 307,149	75.0%	\$ 706,190	43.5%
1/1/12	\$1,020,839	\$1,346,351	\$ 325,512	76.0%	\$ 667,450	48.8%

The schedule of funding progress presented above presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.



**CITY OF NOBLE, OKLAHOMA**  
**Unaudited Budgetary Comparison Schedule**  
**General Fund - Modified Cash Basis**  
**For the Year Ending June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance</b>	\$ 23,000	\$ 92,314	\$ 189,730	\$ 97,416
<b>Resources (Inflows):</b>				
Taxes	1,739,232	1,764,088	1,734,425	(29,663)
Intergovernmental	61,000	67,154	93,494	26,340
Charges for Services	2,300	2,300		(2,300)
Fines and Forfeitures	165,000	165,000	137,016	(27,984)
Licenses and Permits	36,600	38,000	33,728	(4,272)
Investment Income	3,000	3,000	1,346	(1,654)
Grant Revenue	287,000	494,817	541,412	46,595
Street Lighting	38,000	38,000	38,058	58
Miscellaneous	38,600	81,159	30,578	(50,581)
Bond Proceeds			966,434	966,434
Transfers In	1,396,632	1,398,781	1,398,780	(1)
<b>Total Resources (Inflows)</b>	<u>3,767,364</u>	<u>4,052,299</u>	<u>4,975,271</u>	<u>922,972</u>
<b>Amounts available for appropriations</b>	3,790,364	4,144,613	5,165,001	1,020,388
<b>Charges to Appropriations (Outflows):</b>				
City Manager	67,612	52,352	51,502	850
Office & Managerial	193,191	199,846	194,312	5,534
Court/Attorney	92,025	79,971	76,123	3,848
Police	726,745	761,380	729,427	31,953
Dispatch	150,174	155,864	151,810	4,054
Animal Control	55,499	54,343	52,953	1,390
Fire	410,583	499,738	475,331	24,407
General Government	136,400	138,600	135,579	3,021
Library	23,741	27,416	26,911	505
Homes	-	-		-
Parks	5,000	14,000	12,999	1,001
Streets	219,554	709,882	702,232	7,650
Capital Outlay	285,400			
Transfers Out	1,424,440	1,451,221	1,451,220	
<b>Total Charges to Appropriations</b>	<u>3,790,364</u>	<u>4,144,613</u>	<u>4,060,399</u>	<u>84,213</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>1,104,602</u>	<u>1,104,601</u>

*See Disclaimer in Independent Auditor's Report.*

**CITY OF NOBLE, OKLAHOMA**  
**Unaudited Budgetary Comparison Schedule**  
**Noble EMS Fund - Modified Cash Basis**  
**For the Year Ending June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance</b>	\$ 84,508	\$ 23,125	\$ 27,843	\$ 4,718
<b>Resources (Inflows):</b>				
Taxes	84,000	84,000	-	(84,000)
Charges for Services	544,900	549,900	541,546	(8,354)
Investment Income	200	200	209	9
Miscellaneous Income	1,000	1,000	-	(1,000)
Transfers In		84,508	175,565	91,057
<b>Total Resources (Inflows)</b>	<u>630,100</u>	<u>719,608</u>	<u>717,320</u>	<u>(2,288)</u>
<b>Amounts available for appropriations</b>	714,608	742,733	745,163	2,430
<b>Charges to Appropriations (Outflows):</b>				
Administration	25,140	25,140	24,377	763
EMS	689,468	717,593	697,411	20,182
Debt Service		-		-
Transfer Out	-	-		-
<b>Total Charges to Appropriations</b>	<u>714,608</u>	<u>742,733</u>	<u>721,788</u>	<u>20,945</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,375</u>	<u>\$ 23,375</u>

See Disclaimer in Independent Auditor's Report.

**CITY OF NOBLE, OKLAHOMA**  
**Unaudited Budgetary Comparison Schedule**  
**Sinking Fund - Modified Cash Basis**  
**For the Year Ending June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance</b>	\$ 6,327	\$ 6,327	\$ 6,327	\$ -
<b>Resources (Inflows):</b>				
Taxes	91,979	91,979	89,339	(2,640)
Investment Income	-	-	140	140
<b>Total Resources (Inflows)</b>	<u>91,979</u>	<u>91,979</u>	<u>89,479</u>	<u>(2,500)</u>
<b>Amounts available for appropriations</b>	98,306	98,306	95,806	(2,500)
<b>Charges to Appropriations (Outflows):</b>				
Operations				
Debt Service				-
Transfers Out	98,306	98,306	89,300	9,006
<b>Total Charges to Appropriations</b>	<u>98,306</u>	<u>98,306</u>	<u>89,300</u>	<u>9,006</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,506</u>	<u>\$ 6,506</u>

See Disclaimer in Independent Auditor's Report.

**CITY OF NOBLE, OKLAHOMA**  
**Footnotes to Budgetary Comparison Schedules**  
**For the Year Ended June 30, 2012**

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1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements. For budgetary comparison purposes, the City considers all encumbrances to lapse at year-end; therefore encumbrances are not considered expenditures for the budgetary comparison purposes. However, the City will re-appropriate these lapsed encumbrances in the subsequent year budget.
  
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require City Manager's approval, while supplemental appropriations require City County approval.

**CITY OF NOBLE, OKLAHOMA**  
**Schedule of State Awards**  
**Modified Cash Basis**  
**For the Year Ending June 30, 2012**

<u>Grantor/Program Title</u>	<u>Award Amount</u>	<u>Current Year Revenues</u>	<u>Current Year Expenditures</u>
<b>State Awards:</b>			
State Arts Council	\$ 2,500	\$ 2,500	\$ 2,500
Trauma Care Grant	1,838	1,838	1,838
Department of Agriculture - Fire	4,413	4,413	4,413
Department of Transportation - Pass Through	202,829	202,829	202,829
 	<hr/>	<hr/>	<hr/>
Total State Awards	\$ <u>211,580</u>	\$ <u>211,580</u>	\$ <u>211,580</u>

## **INTERNAL CONTROL AND COMPLIANCE INFORMATION**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE ACCOMPANYING FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Members of the City Council  
City of Noble, Oklahoma

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, aggregate remaining fund information and the fiduciary fund types of the City of Noble, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 15, 2013. The report was a special report on the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We do not consider any of the findings to be material.



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 following deficiency in the accompanying schedule of findings and questioned costs to be significant deficiency in internal control over financial reporting: 12-1.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as item 12-2.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, City Council, others within the City of Noble, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Angel, Johnston & Blessingame, P.C.*

Chickasha, Oklahoma  
January 15, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the City Council  
City of Noble, Oklahoma

Compliance

We have audited City of Noble's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in item 12-3 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding preparation of the schedule of expenditures of federal awards applicable to all their federal grants. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

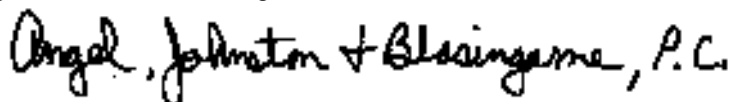
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider none of the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance as described in item 11-3 of the accompanying schedule of findings and questioned costs to be significant deficiencies.

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

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

Angel Johnston, & Blasingame, PC

Handwritten signature in black ink that reads "Angel, Johnston & Blasingame, P.C." The signature is written in a cursive, flowing style.

Chickasha, Oklahoma  
January 15, 2013

**CITY OF NOBLE, OKLAHOMA**  
**Schedule of Expenditures of Federal Awards - Modified Cash Basis**  
**For the Year Ended June 30, 2012**

<u>Federal/State Grantor/Pass Through Agency Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Grant #</u>	<u>Award Amount</u>	<u>Awards Expended</u>
<b>FEDERAL AWARDS:</b>				
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Hazard Mitigation	97.036	HM 1678 Project	\$ 41,508	\$ 7,325
Emergency Management Performance	97.042	EMPG 11	5,000	5,000
Emergency Management Performance	97.042	EMPG 12	5,000	5,000
Total U.S. Department of Homeland Security			<u>51,508</u>	<u>17,325</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed Through Oklahoma Department of Commerce:				
Community Development Block	14.228	14316 CDBG 10	249,999	249,999
Total U.S. Department of Housing and Urban Development			<u>249,999</u>	<u>249,999</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Bullet Proof Vest	16.607	USDOJ-BPV-PS	1,401	1,401
Total U.S. Department of Justice			<u>1,401</u>	<u>1,401</u>
<u>Environmental Protection Agency</u>				
ARRA Safe Drinking Water State Revolving	66.468	ORF-10-0008-DW	104,280	104,280
Total Environmental Protection Agency			<u>104,280</u>	<u>104,280</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Safe Route to School	20.205	SRS-155F(710)ST	200,000	200,000
Recreational Trails Program	20.219	NRT-RT08(100)OTRD08-01	86,923	86,923
			<u>286,923</u>	<u>286,923</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 694,111</u>	<u>\$ 659,928</u>

See accompanying notes to the schedule of federal awards.

**Notes to the Schedule of Expenditures of Federal Awards**

NOTE A - Basis of Presentation

The accompanying schedule includes federal grant activity. The information is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because it only presents a selected portion of the operations of the City of Noble, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Noble.

NOTE B - Summary of Significant Accounting Policies

Expenditures are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



**CITY OF NOBLE, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**Section 1**

**Summary of Auditor's Results**

Financial Statements

- |  |             |
|--|-------------|
| 1. Type of auditor's report issued                           | Unqualified |
| 2. Internal control over financial reporting:                |             |
| a. Material weaknesses identified?                           | No          |
| b. Significant deficiency identified?                        | Yes         |
| c. Noncompliance material to the financial statements noted? | No          |

Federal Awards

- |   |           |
|---|-----------|
| 1. Internal control over major program:   |           |
| a. Material weaknesses identified?  | No        |
| b. Significant deficiency identified not considered to be material weaknesses?  | Yes       |
| 2. Type of auditor's report issued on compliance for major program:   | Qualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No        |
| 4. Identification of major programs:  |           |

CFDA Number

20.205  
20.219  
14.228

Name of Federal Program

Safe Routes to School  
Recreation Trails Grant  
Community Development Block

- |   |           |
|---|-----------|
| Dollar threshold used to distinguish between Type A or Type B programs: | \$300,000 |
| 5. Auditee qualified as low-risk auditee?                               | No        |

**CITY OF NOBLE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2012**

**Section 2**

Findings-Financial Statement Audit

SIGNIFICANT DEFIECIENCY

11-1. Criteria – All expenditures should be encumbered with a purchase order at the beginning of the purchasing process.

Condition – We noticed a payment over \$32,000 in July 2012 for an expense incurred in May 2012. We also noted some purchase order that were dated after the invoice dates.

Cause – Process was not fully implemented and monitored.

Effect – An expense is record in the incorrect budget year. Also it is possible purchases could be made that exceed budgeted line items.

Recommendation – Enhance monitoring of the purchase order process.

Management response -- Management agrees.

11-2. Criteria – New utility rates were adopted for implementation August 1, 2011.

Condition – We tested a residential customer billing for August 211 and noted the new rates had not been implemented. It was implemented in the following month.

Cause – Staff did not meet the time constraints for implementing the new rates.

Effect – Customers were under billed for August of 2011.

Recommendation – Be sure and make the updates on a timely basis. Longer lead times may be required to ensure timely implementation.

Management—Management agrees.

MATERIAL WEAKNESS AND NONCOMPLIANCE OR OTHER MATTERS

·  
None

**CITY OF NOBLE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2012**

**Section 3**

Findings and Question Costs-Major Federal Award Programs Audit

11-3. *Significant Weakness*

Criteria – OMB Circular A-133 states that the City should prepare the schedule of expenditures of federal awards. The auditor should determine whether the schedule is presented fairly.

Condition – Prior to our arrival a formal schedule of federal awards expenditures was not prepared by the City. We assisted in the preparation.

Questioned Cost – None.

Cause – There has been no formal procedure established to track the application of OMB Circular A-133 as it relates to the schedule of federal awards.

Effect – Independence in the preparation of the schedule becomes more difficult. This also increases the likelihood that not expenditures are identified.

Recommendation – Establish procedures to prepare the yearend expenditure report prior to the start of the audit process.

Management response – Management agrees.



**CITY OF NOBLE, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**Section 1**

**Summary of Auditor's Results**

Financial Statements

- |  |             |
|--|-------------|
| 1. Type of auditor's report issued                           | Unqualified |
| 2. Internal control over financial reporting:                |             |
| a. Material weaknesses identified?                           | No          |
| b. Significant deficiency identified?                        | Yes         |
| c. Noncompliance material to the financial statements noted? | No          |

Federal Awards

- |   |           |
|---|-----------|
| 1. Internal control over major program:   |           |
| a. Material weaknesses identified?  | No        |
| b. Significant deficiency identified not considered to be material weaknesses?  | Yes       |
| 2. Type of auditor's report issued on compliance for major program:   | Qualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No        |
| 4. Identification of major programs:  |           |

CFDA Number

20.205  
20.219  
14.228

Name of Federal Program

Safe Routes to School  
Recreation Trails Grant  
Community Development Block

- |   |           |
|---|-----------|
| Dollar threshold used to distinguish between Type A or Type B programs: | \$300,000 |
| 5. Auditee qualified as low-risk auditee?                               | No        |

**CITY OF NOBLE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2012**

**Section 2**

Findings-Financial Statement Audit

SIGNIFICANT DEFIECIENCY

11-1. Criteria – All expenditures should be encumbered with a purchase order at the beginning of the purchasing process.

Condition – We noticed a payment over \$32,000 in July 2012 for an expense incurred in May 2012. We also noted some purchase order that were dated after the invoice dates.

Cause – Process was not fully implemented and monitored.

Effect – An expense is record in the incorrect budget year. Also it is possible purchases could be made that exceed budgeted line items.

Recommendation – Enhance monitoring of the purchase order process.

Management response -- Management agrees.

11-2. Criteria – New utility rates were adopted for implementation August 1, 2011.

Condition – We tested a residential customer billing for August 211 and noted the new rates had not been implemented. It was implemented in the following month.

Cause – Staff did not meet the time constraints for implementing the new rates.

Effect – Customers were under billed for August of 2011.

Recommendation – Be sure and make the updates on a timely basis. Longer lead times may be required to ensure timely implementation.

Management—Management agrees.

MATERIAL WEAKNESS AND NONCOMPLIANCE OR OTHER MATTERS

.  
None

**CITY OF NOBLE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2012**

**Section 3**

*Findings and Question Costs-Major Federal Award Programs Audit*

11-3. *Significant Weakness*

Criteria – OMB Circular A-133 states that the City should prepare the schedule of expenditures of federal awards. The auditor should determine whether the schedule is presented fairly.

Condition – Prior to our arrival a formal schedule of federal awards expenditures was not prepared by the City. We assisted in the preparation.

Questioned Cost – None.

Cause – There has been no formal procedure established to track the application of OMB Circular A-133 as it relates to the schedule of federal awards.

Effect – Independence in the preparation of the schedule becomes more difficult. This also increases the likelihood that not expenditures are identified.

Recommendation – Establish procedures to prepare the yearend expenditure report prior to the start of the audit process.

Management response – Management agrees.