

**LINCOLN COUNTY, OKLAHOMA
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2002**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

July 15, 2003

TO THE CITIZENS OF
LINCOLN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Lincoln County, Oklahoma, for the fiscal year ended June 30, 2002. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

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

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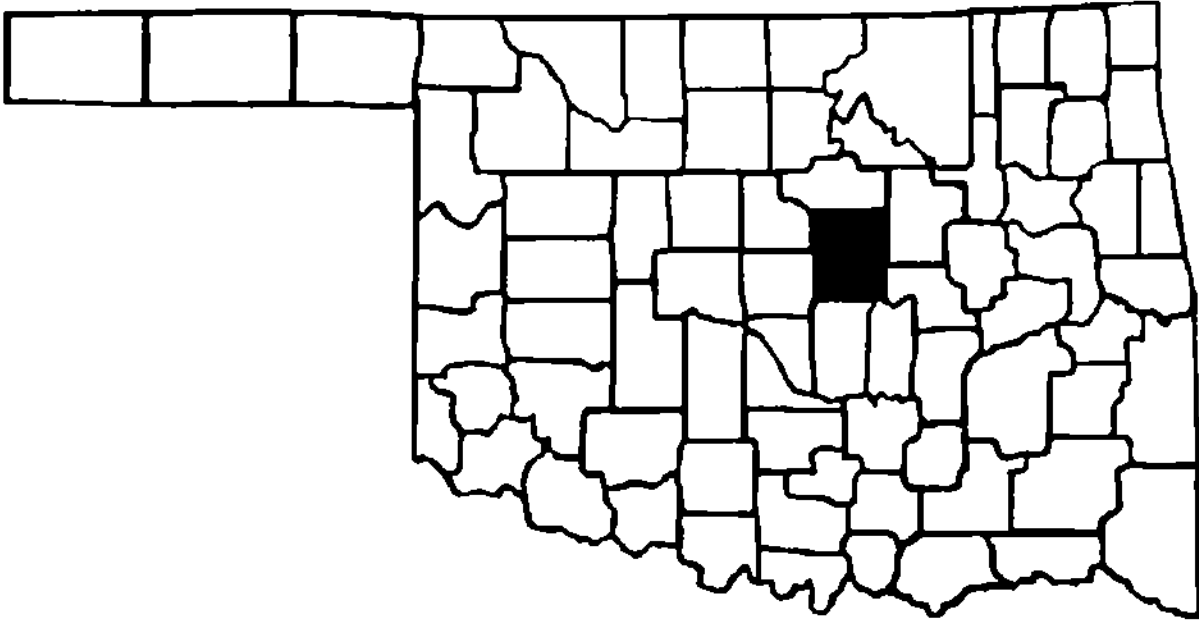
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**REPORT TO THE CITIZENS
OF
LINCOLN COUNTY, OKLAHOMA**



Lincoln County was originally part of the Creek Nation but ceded by the Creeks as a result of the Treaty of 1866 and settled by the Sac and Fox, Iowa, Kickapoo, and Pottawatomie Indians. After the Cherokee Commission secured allotment of the area, it was open to a land run on September 22, 1891, in which 20,000 homesteaders participated. On October 1, 1891, Lincoln County was organized and named by a popular vote after President Abraham Lincoln.

Although cotton was the principal crop in the early days, castor beans and broom corn were also money crops. By 1915, oil was discovered near the county seat of Chandler, followed by the discovery of the Stroud field in 1923, and later the Davenport oil boom.

County Seat – Chandler

Area – 958.6 Square Miles

County Population – 31,811
(1999 est.)

Farms – 1,916

Land in Farms – 431,368 Acres

Source: Oklahoma Almanac 2001-2002

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Randy Wintz
(D) Stroud

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

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

COUNTY CLERK
Sharon Turk
(D) Chandler

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

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

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

BOARD OF COUNTY COMMISSIONERS

DISTRICT #1
Ted O'Donnell
(D) Carney

DISTRICT #2
Riley Miller, Jr.
(D) Chandler

DISTRICT #3
Pat McGinnis
(D) Prague

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

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

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF

Dale McNelly
(D) Carney

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

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

COUNTY TREASURER

Babe Milam
(D) Chandler

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

To account for county revenues and expenditures, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. The State Auditor and Inspector's Office prescribes all the forms used by the County Treasurer, and at least twice a year inspects the County Treasurer's accounts.

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Linda Siler
(D) Davenport

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

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

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

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government. Court Clerks use forms and follow procedures prescribed by the Court Administrator's Office, the Oklahoma Supreme Court, and the State Auditor and Inspector.

DISTRICT ATTORNEY
Kay Christiansen
(R) Shawnee

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

See independent auditor's report.

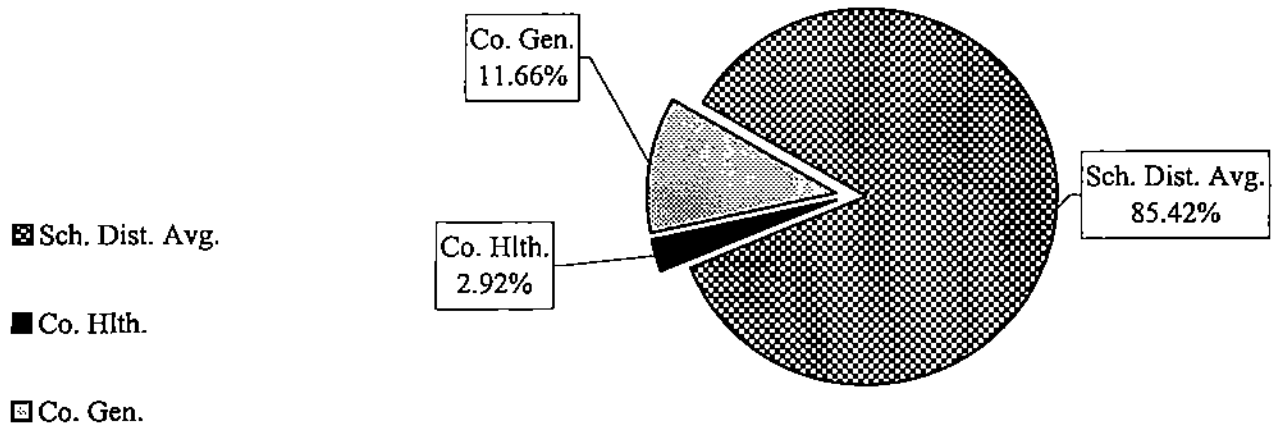
ELECTION BOARD SECRETARY
Patricia Gaines
(D) Sparks

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

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

**AD VALOREM TAX DISTRIBUTION
LINCOLN COUNTY, OKLAHOMA
SHARE OF THE AVERAGE MILLAGE**

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



County-Wide Millages		School District Millages						
		Gen.	Bldg.	Skg.	Vo-Tech	Common	Total	
Co. General	10.00							
County Health	2.50							
Chandler	I-1	35.00	5.00	30.50	15.00	4.00	89.50	
Davenport	I-31	35.00	5.00	11.13	13.00	4.00	68.13	
Wellston	I-4	35.00	5.00		15.00	4.00	59.00	
Stroud	I-54	35.00	5.00	20.95	13.00	4.00	77.95	
Meeker	I-95	35.00	5.00	22.80	15.00	4.00	81.80	
Prague	I-103	35.00	5.00	13.16	15.00	4.00	72.16	
Carney	I-105	35.00	5.00	8.65	15.00	4.00	67.65	
Agra	I-134	35.00	5.00	24.82	15.00	4.00	83.82	
White Rock	D-5	35.00	5.00		15.00	4.00	59.00	

See independent auditor's report.

Independent Auditor's Report



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
LINCOLN COUNTY, OKLAHOMA

We have audited the accompanying primary government financial statements of Lincoln County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of Lincoln County's management. Our responsibility is to express an opinion 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1(A), the financial statements of the Lincoln County Public Facilities Authority are not presented with the primary government of Lincoln County. Those financial statements, which are prepared by others, were not available for inclusion with the primary government financial statements of Lincoln County.

As explained in Note 1(H), the primary government financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group is not known.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, except for the effect on the financial statements of the omission of the general fixed asset account group as described in the preceding paragraph, the primary government financial statements present fairly, in all material respects, the financial position of the primary government of Lincoln County, Oklahoma, as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements, because they do not include the financial data of the component unit of Lincoln County, Oklahoma, do not purport to, and do not present fairly the financial position of Lincoln County, Oklahoma as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2003, on our consideration of Lincoln County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the primary government financial statements of Lincoln County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The other information listed in the table of contents under *Introductory Section* has not been audited by us, and accordingly, we express no opinion on such data.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

April 17, 2003

Primary Government Financial Statements

**LINCOLN COUNTY, OKLAHOMA
COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 2002**

	Governmental Fund Types			Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Trust and Agency	General Long-Term Debt	Primary Government
ASSETS						
Cash	\$ 269,084	\$ 3,235,493	\$ 295	\$ 1,766,564	\$	\$ 5,271,436
Ad valorem taxes receivable	11,687	2,920		89,416		104,023
Sales tax receivable		195,532				195,532
Accrued interest receivable	6,971	3,240		938		11,149
Due from other governments	3,065	317,141		21,022		341,228
Amount to be provided for capitalized lease agreements					1,481,128	1,481,128
Total assets	\$ 290,807	\$ 3,754,326	\$ 295	\$ 1,877,940	\$ 1,481,128	\$ 7,404,496
LIABILITIES AND FUND BALANCES						
Liabilities:						
Warrants payable	\$ 63,030	\$ 246,933	\$	\$	\$	\$ 309,963
Accounts payable	27,952	354,970				382,922
Due to other taxing units				820,388		820,388
Due to others				1,057,552		1,057,552
Capitalized lease obligations payable					1,481,128	1,481,128
Total liabilities	90,982	601,903	-	1,877,940	1,481,128	4,051,953
Fund balances:						
Reserved for encumbrances	14,959	148,911				163,870
Unreserved:						
Undesignated	184,866	3,003,512	295			3,188,673
Total fund balances	199,825	3,152,423	295	-	-	3,352,543
Total liabilities and fund balances	\$ 290,807	\$ 3,754,326	\$ 295	\$ 1,877,940	\$ 1,481,128	\$ 7,404,496

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

LINCOLN COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Primary Government
Revenues:				
Ad valorem taxes	\$ 1,033,045	\$ 366,792	\$	\$ 1,399,837
Sales tax		1,558,477		1,558,477
Charges for services	187,456	330,681		518,137
Intergovernmental revenues	239,794	3,921,105		4,160,899
Miscellaneous revenues	112,363	629,439		741,802
Total revenues	<u>1,572,658</u>	<u>6,806,494</u>	<u>-</u>	<u>8,379,152</u>
Expenditures:				
Current operating:				
General government	1,214,001	422,504		1,636,505
Public safety	453,417	534,541		987,958
Culture and recreation		341,074		341,074
Education		41,245		41,245
Health and welfare		77,095		77,095
Roads and highways		6,665,268		6,665,268
Total expenditures	<u>1,667,418</u>	<u>8,081,727</u>	<u>-</u>	<u>9,749,145</u>
Excess of revenues over (under) expenditures	<u>(94,760)</u>	<u>(1,275,233)</u>	<u>-</u>	<u>(1,369,993)</u>
Other financing sources (uses):				
Capitalized lease agreements		1,238,310		1,238,310
Total other financing sources (uses)	<u>-</u>	<u>1,238,310</u>	<u>-</u>	<u>1,238,310</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(94,760)</u>	<u>(36,923)</u>	<u>-</u>	<u>(131,683)</u>
Beginning fund balances	<u>294,585</u>	<u>3,189,346</u>	<u>295</u>	<u>3,484,226</u>
Ending fund balances	<u>\$ 199,825</u>	<u>\$ 3,152,423</u>	<u>\$ 295</u>	<u>\$ 3,352,543</u>

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

LINCOLN COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE
(COUNTY HEALTH DEPARTMENT ONLY) FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	General			Special Revenue Funds		
	Budget	Actual	Variance	County Health Department		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 245,179	\$ 246,109	\$ 930	\$ 61,629	\$ 66,105	\$ 4,476
Revenues:						
Ad valorem taxes	938,954	1,035,073	96,119	234,738	258,758	24,020
Charges for services	180,553	187,456	6,903	64,261	64,261	
Intergovernmental revenues	213,502	240,022	26,520		331	331
Miscellaneous revenues	110,558	115,697	5,139		1,962	1,962
Total revenues, budgetary basis	<u>1,443,567</u>	<u>1,578,248</u>	<u>134,681</u>	<u>298,999</u>	<u>325,312</u>	<u>26,313</u>
Expenditures:						
Current operating:						
General government	1,223,000	1,222,445	555			
Public safety	465,746	438,769	26,977			
Health and welfare				360,628	303,382	57,246
Total expenditures, budgetary basis	<u>1,688,746</u>	<u>1,661,214</u>	<u>27,532</u>	<u>360,628</u>	<u>303,382</u>	<u>57,246</u>
Excess of revenues and beginning fund balances over expenditures	<u>\$ -</u>	163,143	<u>\$ 163,143</u>	<u>\$ -</u>	88,035	<u>\$ 88,035</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem taxes receivable		11,687			2,920	
Accrued interest receivable		6,971				
Due from other governments		3,065				
Reserved for encumbrances		14,959			1,743	
Ending fund balances		<u>\$ 199,825</u>			<u>\$ 92,698</u>	

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of the County are required to be presented in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies and practices are described below.

A. Financial Reporting Entity

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

In accordance with accounting principles generally accepted in the United States of America, the financial statements of the reporting entity are required to include those of Lincoln County (the primary government) and its legally separate component units. The County had one component unit in the fiscal year 2002. However, the financial statements of the component unit (Lincoln County Public Facilities Authority) were not available for inclusion in these financial statements

Related Organization Excluded from the Reporting Entity

The County's officials are also responsible for appointing the members of the board of another organization, but the County's accountability for this organization does not extend beyond making the appointments. The following organization is not included in the financial statements.

Lincoln County Industrial Authority

B. Fund Accounting

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into two major categories: governmental and fiduciary. Each category in turn is divided into separate fund types.

Summary of Significant Accounting Policies (continued)

Governmental Funds

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for the activities of the general government not accounted for in some other fund.

Fiduciary Funds

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. Agency funds are generally used to account for assets that the government holds on behalf of others as their agent.

Account Groups

General Fixed Assets Account Group (GFAAG) - Accounting principles generally accepted in the United States of America require that the fixed assets of a government be reported in a general fixed assets account group (GFAAG). This account group is not a fund. It does not have a balance sheet as such, nor does it report operations. Instead, the GFAAG serves as a list of the government's fixed assets and is designed to ensure accountability.

General Long-Term Debt Account Group (GLTDAG) - The general long-term debt account group (GLTDAG) is used to account for a government's unmatured long-term indebtedness that has not been identified as a specific fund liability of a trust fund. In addition to general obligation debt instruments (e.g., bonds, notes), the GLTDAG is also used to report revenue bonds that will be repaid from general government resources, special assessment debt when the government is "obligated in some manner," special revenue bonds, and certain liabilities that are normally not expected to be liquidated with expendable available financial resources (e.g., capitalized lease-purchase obligations).

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these fund types present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be quantified, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if collected within 60 days after year-end. Expenditures are recorded when

Summary of Significant Accounting Policies (continued)

incurred and the related fund liability is expected to be paid from available spendable resources. Principal and interest on general long-term debt are recorded as fund expenditures when paid or when amounts for principal and interest have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, sales tax, interest revenue, and other taxes collected and held by the Oklahoma Tax Commission at year-end on behalf of the government. Charges for services are not susceptible to accrual because generally they are not measurable until received in cash.

D. Budgetary Policies and Procedures

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. The budget presented for the general and special revenue (county health department only) funds includes the originally approved budgeted appropriations for expenditures as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other cash funds are made on a monthly basis, according to the funds then available.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general and special revenue funds.

Any encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. At the end of the year, unencumbered appropriations are lapsed.

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue (County Health Department only) Funds presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

E. Cash

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2002.

Summary of Significant Accounting Policies (continued)

F. Receivables

All receivables are reported at their gross value.

G. Interest Receivable

Interest on deposits is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

H. Fixed Assets

The County presently maintains some individual records of personal property; however, the County does not keep similar records for land, buildings, and improvements. Because the County does not maintain detailed records of its land, buildings, and improvements, a statement of general fixed assets, required by accounting principles generally accepted in the United States of America, is not presented on the Combined Balance Sheet - All Fund Types and Account Group.

I. Risk Management

The County is exposed to various risks of loss as follows:

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - Torts - Errors and Omissions - Law Enforcement Officers Liability - Vehicle	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insured Group. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insured Fund. (See ACCO-SIF.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.

LINCOLN COUNTY, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2002

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Health and Life - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of risk.	None

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county will pay a deductible amount (\$1,000 to \$10,000; Lincoln County has a \$2,500 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

ACCO-SIF - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. ACCO-SIF was set up in 1984 and will pay legitimate worker's compensation claims up to \$500,000 per incident. A reinsurance policy, with no limit, pays claims that exceed \$500,000 for a particular incident. The pool has not assessed additional premiums to be paid by its members in the past three years.

The County continues to carry commercial insurance for employees' health and life insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2002 fiscal year.

J. Compensated Absences

The County does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and may be accumulated.

Vacation benefits are earned at the following rates:

<u>Years of Service</u>	<u>Amount of Leave</u>
1-5 Years	10 Days
6-10 Years	15 Days
10 Years & Over	18 Days

This amount of accumulated unpaid vacation benefits is not material to the financial statements for the year ended June 30, 2002.

The County does not accrue any liability for sick leave. Employees are not paid for accumulated sick leave at termination. All benefits for sick leave are based on occurrences outside the County's or employee's control which have not yet occurred; hence, no liability exists at June 30, 2002.

Summary of Significant Accounting Policies (continued)

K. Long-Term Obligations

The County reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

L. Memorandum Only - Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Interfund transactions have not been eliminated from the total column of each financial statement.

M. Grant Revenue

Revenues from federal grants are recognized when expenditures are incurred.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office or department, and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

3. Detailed Notes on Account Balances

Title 62 O.S. § 348.3 authorizes the County Treasurer to invest in:

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

LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Detailed Notes on Account Balances (continued)

A. Deposits

At year-end, the carrying amount of the County's deposits was \$ 5,271,436 and the bank balance was \$ 5,296,338. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

B. Receivables

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

The net assessed property value as of January 1, 2001, was \$ 103,284,903.

The County levied 10.00 mills for general fund operations and 2.50 mills for the county health department. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and apportions the ad valorem taxes collected to the appropriate taxing units.

Taxes are due on November 1 following the levy date, although, they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year. Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2002, were approximately 96.4 percent of the tax levy.

C. Pension Plan

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

LINCOLN COUNTY, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2002

Detailed Notes on Account Balances (continued)

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2002, 2001, and 2000, were \$255,022, \$229,560, and \$216,838, respectively, equal to the required contributions for each year.

D. Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free. Oklahoma Statutes prohibit the County from entering into contracts of this nature longer than one year. For this reason, these lease-purchase agreements do not qualify for capitalization until the year the lease-purchase agreements are completed and title to the equipment is transferred to the County. However, it is the County's intent to exercise its right to purchase this property; accordingly, the lease-purchase agreements have been capitalized to conform with accounting principles generally accepted in the United States of America. The unpaid portions of these agreements have been reflected as capitalized lease obligations within the general long-term debt account group.

Providing all capital leases are renewed each year by resolution of the Board of Commissioners, minimum lease commitments under capitalized lease-purchase agreements as of June 30, 2002, are as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 334,163	\$ 29,187	\$ 363,350
2004	300,632	22,196	322,828
2005	279,271	14,820	294,091
2006	255,690	7,570	263,260
2007	171,492	1,357	172,849
Thereafter	139,880		139,880
Total	<u>\$ 1,481,128</u>	<u>\$ 75,130</u>	<u>\$ 1,556,258</u>

During the year, the County capitalized leases totaling \$1,238,310 and paid \$290,780 on the outstanding balances of lease-purchase agreements.

LINCOLN COUNTY, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2002

Detailed Notes on Account Balances (continued)

E. Long-Term Debt

Changes in Long-Term Debt

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term debt account group:

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002
Capital Leases	\$ 533,598	\$ 1,238,310	\$ 290,780	\$ 1,481,128
Total	\$ 533,598	\$ 1,238,310	\$ 290,780	\$ 1,481,128

F. Fund Equity

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance accounts are summarized below:

Reserved for Encumbrances -- The reserve for encumbrances represents encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the County but not completed as of the close of the fiscal year.

G. Fuel Taxes

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on county population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County highway fund. The County highway fund is reported herein as "special revenue," and the fuel tax revenue is presented as "intergovernmental."

4. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which

Contingent Liabilities (continued)

may be disallowed by the grantor cannot be determined at this time; although, the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

5. Sales Tax

Lincoln County voters approved a one-cent county wide sales tax to go into effect January 1, 1998, for a duration of five years. The sales tax revenues received are designated for the following uses with collections over capped amounts to go into the Lincoln County Courthouse Capital Outlay Fund:

53%	County road and bridge improvements
24%	Capital outlay for annexation to the county jail
7%	Lincoln County Extension (capped at \$82,950)
4%	Senior Citizens Nutrition
4%	Lincoln County Fire Department
3%	Lincoln County Free Fair
3%	Economic Development
2%	Civil Defense, Lincoln County Safety Office and Flood Plains Manager (capped at \$23,700)

Supplementary Schedule

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2002**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grant	14.228		\$ 108
Total U.S. Department of Housing and Urban Development			<u>108</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Local Law Enforcement Block Grant	16.592		9,573
Total U.S. Department of Justice			<u>9,573</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Oklahoma State Department of Civil Emergency Management:			
Public Assistance Grant	83.544		604,484
Hazard Mitigation	83.548		26,837
Total Federal Emergency Management Agency			<u>631,321</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through Bureau of Indian Affairs:			
Project 8845-1 Bridge-050	20.205		324,739
Total U.S. Department of Transportation			<u>324,739</u>
Total Expenditures of Federal Awards			<u>\$ 965,741</u>

LINCOLN COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2002

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Lincoln County, and is presented on the *modified accrual basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
LINCOLN COUNTY, OKLAHOMA

We have audited the primary government financial statements of Lincoln County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated April 17, 2003. We qualified our opinion because the general fixed assets account group was not included in the primary government financial statements. Our report included an explanatory paragraph concerning the omission of a component unit. 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.

Compliance

As part of obtaining reasonable assurance about whether Lincoln County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 a certain instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 00-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lincoln County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 97-01.

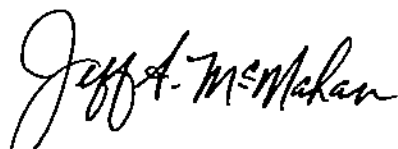
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 97-1 to be a material weakness.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report:

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

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

April 17, 2003

**Report on Compliance With Requirements Applicable to Each Major Program
and Internal Control Over Compliance in Accordance With
OMB Circular A-133**



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**Report on Compliance With Requirements Applicable to Each Major Program
and Internal Control Over Compliance in Accordance With
OMB Circular A-133**

TO THE OFFICERS OF
LINCOLN COUNTY, OKLAHOMA

We have audited the compliance of Lincoln County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. Lincoln County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of Lincoln County's management. Our responsibility is to express an opinion on Lincoln County's compliance based on our audit.

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

In our opinion, Lincoln County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 02-3.

Internal Control Over Compliance

The management of Lincoln County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lincoln County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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. However, we noted certain matters involving the internal control over financial reporting and its operation

that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 02-1 and 02-2.

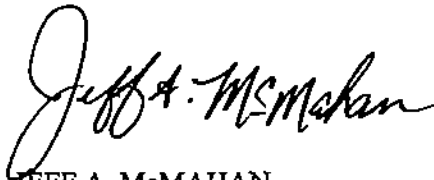
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report:

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

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

April 17, 2003

Schedule of Findings and Questioned Costs

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

SECTION I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:.....QUALIFIED

Internal control over financial reporting:

- Material weakness(es) identified?..... YES
- Reportable condition(s) identified that are not considered to be material weakness(es)?.....NONE REPORTED

Noncompliance material to financial statements noted? YES

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... NO
- Reportable condition(s) identified that are not considered to be material weakness(es)?..... YES

Type of auditors report issued on compliance for major programs: UNQUALIFIED

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

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
83.544	Public Assistance Grant
20.205	BIA Project 8845-1 Bridge B-050

Dollar threshold used to distinguish between Type A and Type B programs:..... \$300,000

Auditee qualified as low-risk auditee? NO

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

SECTION II – Financial Statement Findings

Finding 97-1 (Repeat Finding)

Criteria: Accounting principles generally accepted in the United States of America for a governmental entity using governmental fund types require the presentation of the general fixed assets account group (GFAAG) in the financial statements.

Condition: Information is not available for reporting general fixed assets in accordance with accounting principles generally accepted in the United States of America for a government entity. The County does not maintain a summary listing with the required information for land, buildings, and improvements. The general fixed assets control account is not accurate.

Effect: The component of internal control is not effective. Accordingly, there is a greater risk that a fixed asset may not be properly accounted for and safeguarded against loss.

Recommendation: We recommend records include acquisition cost, a complete description, purchase date, location of such asset, and that a control total of the cost of these assets be maintained and reconciled annually.

Management's Corrective Action Plan –

Contact Person: Board of County Commissioners

Anticipated Completion Date: None

Corrective Action Planned: The County is in compliance with Oklahoma Statutes and does not intend to compile a listing of all land, buildings, and improvements.

Finding 00-1 (Repeat Finding)

Criteria: The Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, requires that the County's financial statements include their component units.

Condition: Financial statements of the Lincoln County Public Facilities Authority, a component unit of Lincoln County, were not available for inclusion with the financial statements of the County at the end of the fiscal year.

Effect: Exclusion of the component unit could result in the County's financial statements being materially misstated.

Recommendation: If the County intends to report their financial statements in accordance with accounting principles generally accepted in the United States of America, they should require the Lincoln County Public Facilities Authority to furnish complete financial statements compatible for inclusion with the County's financial statements.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

Management's Corrective Action Plan –

Contact Person: Board of County Commissioners

Anticipated Completion Date: None

Corrective Action Planned: The County does not intend to report its financial statements in accordance with accounting principles generally accepted in the United States of America. Future financial statements will be presented as prescribed by Oklahoma Statutes.

SECTION III – Federal Award Findings and Questioned Costs

Finding 02-1

Federal Emergency Management

Oklahoma State Department of Civil Emergency Management

83.544 – Public Assistance Grants

Procurement, Suspension, and Debarment

Criteria: 19 O.S. 2001, §1505.E.5 requires that a “receiving officer complete a receiving report in quadruplicate which shall state the quantity and quality of goods delivered...” 19 O.S. 2001, §1505.E.6.a requires “the receiving officer to file the original receiving report and submit the original purchase order and a copy of the receiving report to the county purchasing agent...”

Condition: We tested 45 out of 85 purchase orders associated with the Federal Emergency Management Public Assistance grant. During these test work procedures, we found four instances where receiving reports were not signed by the receiving officer indicating an inspection/receipt of the items delivered. This occurred for purchase orders 20480, 21602, 22856, and 23333. In addition, we found three instances where the appropriate receiving report was not attached to the purchase order. This occurred for purchase order numbers 21424, 22782, and 23245.

Effect: These conditions could result in a misappropriation of assets.

Recommendation: Management should take steps to ensure that receiving reports are signed by the appropriate receiving officer and are attached to the purchase order.

Management's Corrective Action Plan –

Contact Person: Board of County Commissioners

Anticipated Completion Date: April 17, 2003

Corrective Action Planned: Lincoln County has always strived to comply with the receiving report requirements and we will continue to do that in the future.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

Finding 02-2

Federal Emergency Management
Oklahoma State Department of Civil Emergency Management
83.544 – Public Assistance Grants
Procurement, Suspension, and Debarment

Criteria: The overall goal of governmental accounting principles generally accepted in the United States of America is to demonstrate accountability and stewardship to be used in evaluating management's accounting for funds. To help ensure a proper accounting of funds, purchase orders, receiving reports, and consumable inventory, records should support the unit price amounts reported on the FEMA materials summary report.

Condition: We tested 45 out of 85 purchase orders associated with the Federal Emergency Management Public Assistance grant. During these test work procedures, we found four instances where the purchase order, receiving report, and consumable inventory records had a unit price that was different than the unit price recorded on the FEMA materials summary report. This occurred for purchase orders 13063 (receiving report #855), 22438 (consumable inventory # T-88), 22960 (receiving report #678), and 23245 (receiving report 126).

Effect: These conditions could result in the misstatement of expenditures reported on the FEMA grant reports.

Recommendation: Management should take steps to ensure that purchase orders, receiving reports, and consumable inventory records adequately support amounts reported on the FEMA grant reports.

Management's Corrective Action Plan –

Contact Person: Board of County Commissioners

Anticipated Completion Date: April 17, 2003

Corrective Action Planned: We will work on maintaining accurate records for all future federal expenditures.

Finding 02-3

United States Department of Transportation
Bureau of Indian Affairs
20.205 – Highway Planning and Construction
Davis Bacon Act

Criteria: OMB Circular A-133 Compliance Supplement, Part 3-D, requires that the County ensure that contractors and subcontractors receiving more than \$2,000 in federal funds pay prevailing wage rates.

Condition: The Board of County Commissioners has not verified that contractors receiving more than \$2,000 in federal funds are paying prevailing wage rates.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

Cause: The Bureau of Indian Affairs (pass-through entity) is not advising the Board of County Commissioners of the requirements imposed on them by federal laws and regulations as required by OMB Circular A-133 § __.400(d)(2).

Effect: Not complying with federal requirements could result in the loss of future federal funding.

Recommendation: We recommend that the County verify that contractors and subcontractors receiving federal funds in excess of \$2,000 are paying prevailing wage rates. This includes requiring the contractors and/or subcontractors to submit payroll reports that contain the employees' position, rate of pay, and hours worked.

Management's Corrective Action Plan –

Contact Person: Board of County Commissioners

Anticipated Completion Date: April 17, 2003

Corrective Action Planned: In the future, we will verify that all contractors and subcontractors are paying the prevailing wage rates.