

LINCOLN COUNTY

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007



COUNTY AUDIT



Oklahoma State Auditor
& Inspector

**LINCOLN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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March 19, 2010

TO THE CITIZENS OF
LINCOLN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Lincoln County, Oklahoma for the fiscal year ended June 30, 2007. 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 serving the public interest by providing independent oversight and by issuing 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 blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

**LINCOLN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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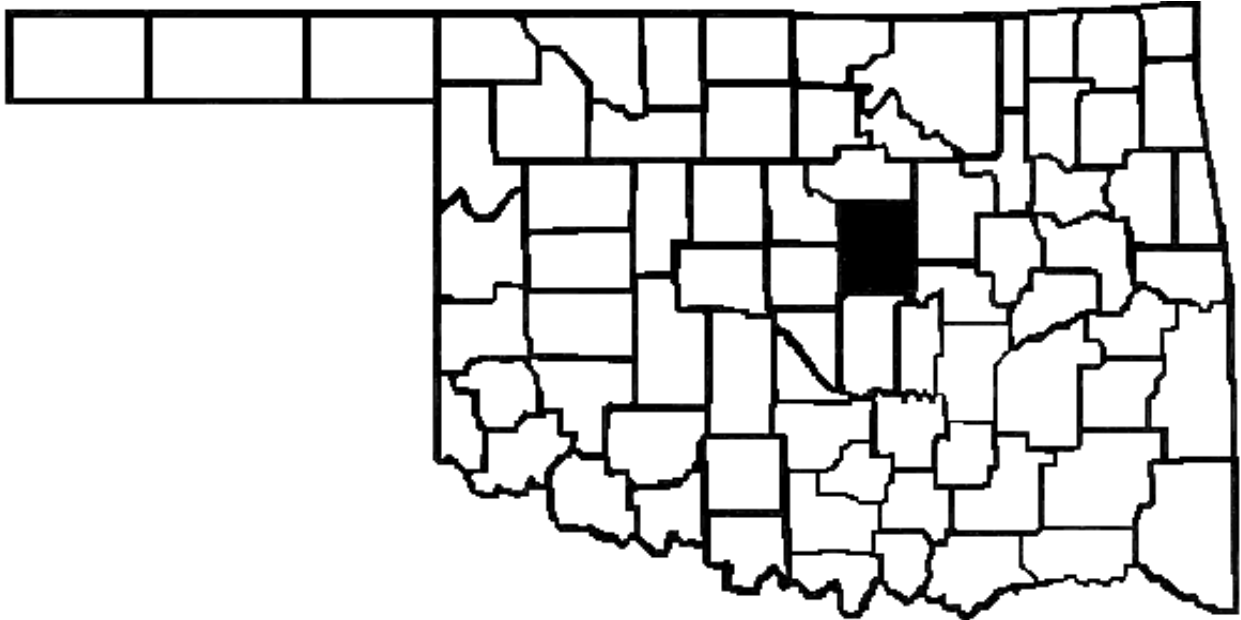
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**REPORT TO THE CITIZENS
OF
LINCOLN COUNTY, OKLAHOMA**



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 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 – 965.62 Square Miles

County Population – 32,311
(2005 est.)

Farms – 2,218

Land in Farms – 472,446 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

**LINCOLN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COUNTY ASSESSOR
Randy Wintz

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
Debbie Greenfield

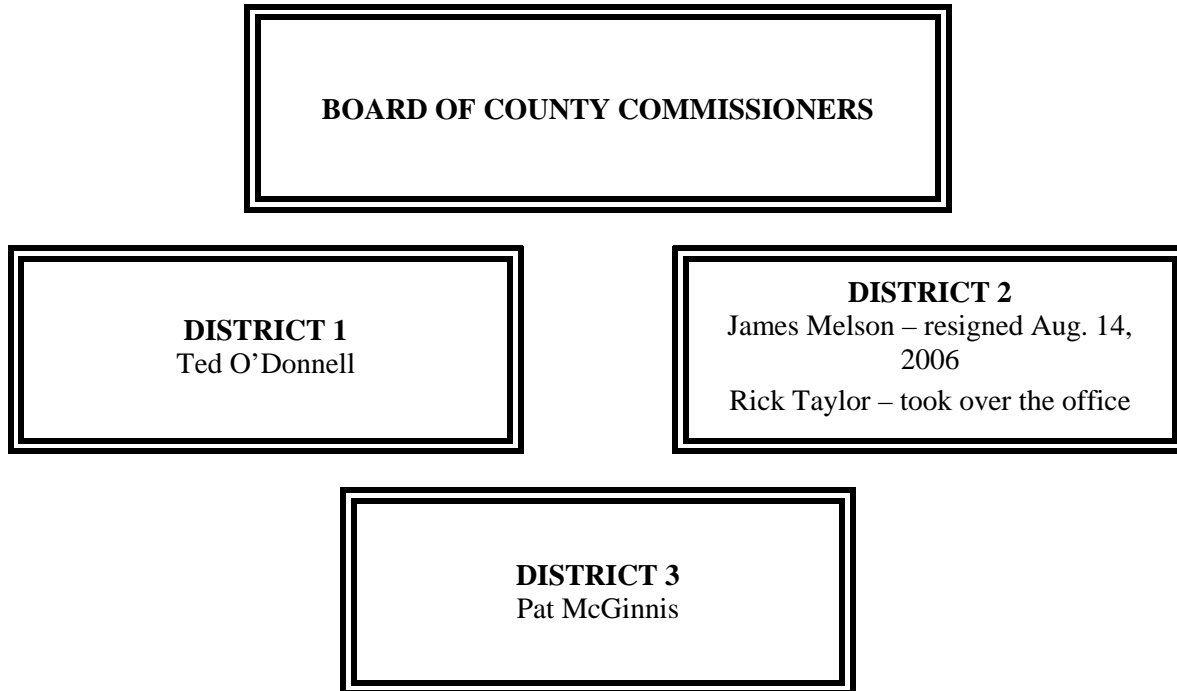
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**LINCOLN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**



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.

**LINCOLN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COUNTY SHERIFF
A.T. Brixey, Jr.

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

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

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. 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.

**LINCOLN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COURT CLERK
Cindy Kirby

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
Richard Smothermon

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.

**LINCOLN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

ELECTION BOARD SECRETARY
Melissa Stambaugh

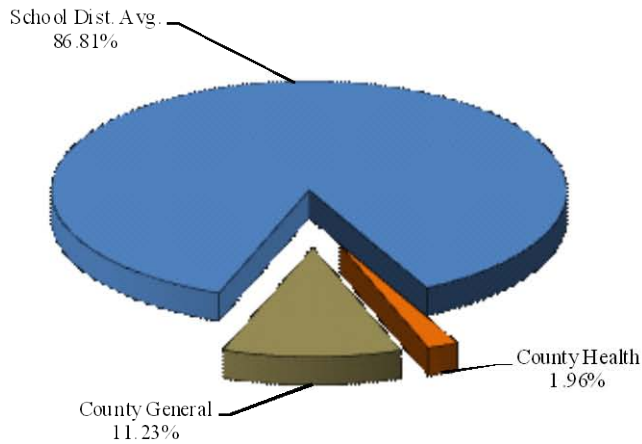
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

**LINCOLN COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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



County-Wide Millages		School District Millages							
		Career							
		Gen.	Bldg.	Skg.	Tech	Common	Total		
County General	10.36								
County Health	2.59								
Chandler	I-1	36.29	5.18	18.87	15.58	4.14	80.06		
Davenport	I-3	35.96	5.14	21.93	13.33	4.14	80.50		
Wellston (Lincoln)	I-4	36.10	5.16	15.04	15.58	4.14	76.02		
Wellston (Logan)	I-4	36.67	5.25	15.04	15.58	4.14	76.68		
Stroud	I-54	35.84	5.12	12.63	13.33	4.14	71.06		
Meeker (Lincoln)	I-95	36.55	5.22	17.60	15.58	4.14	79.09		
Meeker (Pott)	I-95	36.28	5.18	17.60	15.58	4.14	78.78		
Prague (Lincoln)	I-103	36.40	5.20	21.19	15.58	4.14	82.51		
Prague (Pott)	I-103	36.62	5.23	21.19	15.58	4.14	82.76		
Carney	I-105	36.43	5.20	30.17	15.76	4.14	91.70		
Agra	I-134	36.91	5.27	28.00	15.76	4.14	90.08		
White Rock	D-5	36.75	5.25		15.58	4.14	61.72		

See independent auditor's report.

**LINCOLN COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Total net assessed value as of January 1, 2006		<u>\$ 124,637,956</u>
Debt limit - 5% of total assessed value		6,231,898
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>295</u>	<u>-</u>
Legal debt margin		<u>\$ 6,231,898</u>

See independent auditor's report.

**LINCOLN COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

	2007
Estimated population	32,311
Net assessed value as of January 1, 2006	\$ 124,637,956
Gross bonded debt	-
Less available sinking fund cash balance	295
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**LINCOLN COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2006	\$18,567,876	\$31,967,095	\$83,048,746	\$8,945,761	\$124,637,956	1,133,072,327

See independent auditor's report.

FINANCIAL SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

Independent Auditor's Report

TO THE OFFICERS OF
LINCOLN COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Lincoln County, Oklahoma, as of and for the year ended June 30, 2007, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Lincoln County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Lincoln County as of June 30, 2007, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Lincoln County, for the year ended June 30, 2007, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2010, 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 grant agreements and other

matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

March 2, 2010

Basic Financial Statement

**LINCOLN COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Beginning Cash Balances July 1, 2007	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2008
Combining Information:				
County General Fund	\$ 286,348	\$ 1,863,290	\$ 1,795,006	\$ 354,632
Highway Cash	1,139,945	4,602,939	4,869,222	873,662
County Health	193,436	357,268	415,727	134,977
Courthouse Capital Outlay	35,432			35,432
Courthouse Ins Cash Fund Mgmt	20,000			20,000
Assessor Visual Inspection	40			40
Sheriff Service Fee	43,696	173,808	152,032	65,472
County Clerk Lien Fee	73,133	7,795	9,507	71,421
Sheriff Dispatching	9,051	20,500	20,586	8,965
Free Fair	50,792	19,554	25,531	44,815
Sheriff Trash Dumping Fund	400	100		500
Resale Property	315,368	122,919	110,080	328,207
Sheriff Board Bills	3,414	10,047	9,064	4,397
Assessor Hardware Upgrade	479			479
Treasurer Certification Fee	20,356	10,220	6,545	24,031
CSSP - BB (Prisoners)	24,178	108,533	89,773	42,938
Safe Room Grant	927	4,228	4,667	488
County Clerk Preservation Fee	108,296	66,210	74,893	99,613
County Use Tax	210,045	102,263	209,600	102,708
Kids First Grant		18,070		18,070
County Sales Tax	1,191,343	2,043,478	1,800,667	1,434,154
COEDD Grant	86,500	30,000		116,500
CDBG	2,925	1,575	2,925	1,575
Assessor Revolving Fund	6,960	4,449	909	10,500
County Sinking	295			295
Sheriff Commissary	2,409			2,409
COPS Grant	15,732			15,732
CSSP	221			221
Courthouse Security		9,925		9,925
Combined Total--All County Funds	<u>\$ 3,841,721</u>	<u>\$ 9,577,171</u>	<u>\$ 9,596,734</u>	<u>\$ 3,822,158</u>

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

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Lincoln County, Oklahoma. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

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

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

General Fund – revenues are from ad valorem taxes, officers' fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

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

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

Courthouse Capital Outlay – accounts for the collection of sales tax for the purpose of capital improvements to the courthouse.

Courthouse Insurance Cash Fund Management – accounts for money received from insurance for damage to the courthouse.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Assessor Visual Inspection – accounts for the collection of fees from all entities receiving ad valorem taxes and disbursements for the purpose of re-valuation of all county property.

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

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

Sheriff Dispatching – accounts for the collection and disbursement of monies received by the Sheriff's office from entities such as towns, fire districts, Indian tribes, etc. and used in any lawful sheriff expenditure.

Free Fair – accounts for rental revenues from the fair park and is used for the maintenance and operation of the fair park.

Sheriff Trash Dumping Fund – accounts for fines collected for illegal dumping and is disbursed as rewards for information on illegal dumping.

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

Sheriff Board Bills – accounts for the monies received from other governments for the boarding and feeding of prisoners and for service fees received for transportation of inmates. Disbursements are for the operation of the jail.

Assessor Hardware Upgrade – revenues are from state funds. Disbursements are to provide the County Assessor's office with new hardware equipment.

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

Community Service Sentencing Program-BB (CSSP-BB Prisoners) – accounts for the collection and disbursement of money supplied to the Sheriff's office for the housing of prisoners for towns, tribes, and other counties. This money can be used for any lawful sheriff expenditure.

Safe Room Grant – accounts for grant funds received from the Federal Emergency Management Agency. Disbursements are made to individuals for safe room projects.

County Clerk Preservation Fee – accounts for fees collected for instruments filed in the Registrar of Deeds as restricted by statute for preservation of records.

County Use Tax – accounts for the collection and disbursement of monies received from the State of Oklahoma for counties that have a county use tax.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Kids First Grant – accounts for revenues received from a State Grant. Disbursements are used to pay for computers and the salary of the coordinator for an afterschool program.

County Sales Tax – accounts for the collection of a county-wide sales tax and disbursements as described in footnote 9.

COEDD Grant – revenue is from the State’s REAP grants. Disbursements are for the purpose as described in the REAP grant application.

CDBG (Community Development Block Grant) – accounts for federal grant monies received. Disbursements are for the project as outlined in the grant agreement.

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

County Sinking – revenues are from prior year’s ad valorem taxes. The County has no outstanding long-term debt. The fund balance will eventually be transferred to the general fund.

Sheriff Commissary – revenue is from profits from commissary sales to county prisons. Disbursements are for jail operations, administering the commissary, travel or capital outlay.

COPS Grant – accounts for the revenue from a federal grant. Disbursements are for the employ of additional deputies.

CSSP (Community Service Sentencing Program) – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders in the Community Service Sentencing Program.

Courthouse Security – accounts for the fees collected by the Court Clerk and distributed to the Sheriff. Disbursements are used for security of the courthouse (i.e. security officer salary and security cameras).

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

C. Basis of Accounting

The basic financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

expenditures or expenses to be recognized when the related liabilities are incurred. This cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

D. Budget

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

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

E. Cash

The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

F. Investments

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured.

G. Compensated Absences

Employees with 1 to 5 years of service earn 10 days of annual leave per year; 6 to 10 years of service earn 15 days of annual leave per year; and over 10 years of service earn 18 days of annual leave per year. Annual accruals are limited to 5 days. Employees are paid for annual leave upon separation of employment from the County.

All full-time Lincoln County employees accrue sick leave at the rate of 8 hours for each calendar month of service. Sick leave may be accrued up to a maximum of 30 days. Employees are not paid for sick leave upon separation of employment from the County.

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2006, was approximately \$124,637,956.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.36 mills (the legal maximum) for general fund operations and 2.59 mills for county health department. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

Current year tax collections for the year ended June 30, 2007, were approximately 95.93 percent of the tax levy.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

3. Fuel Tax

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

4. Risk Management

The County is exposed to the various risks of loss shown in the following table:

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers' Liability • Vehicle 	The County carries commercial insurance. (See National Casualty Company.)	The amount of the County's deductible, which is \$10,000 for general liability and \$5,000 for physical plant.
Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 		
Workers' Compensation <ul style="list-style-type: none"> • Employees' Injuries 	The County carries commercial insurance. (See CompSource Oklahoma.)	None
Employee <ul style="list-style-type: none"> • Medical • Disability • Dental • Life 	The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed pool assets, the members have surcharges assessed to pay the excess claims.

National Casualty Company - The County obtains commercial insurance coverage to pay general liability and physical plant claims. The County has a \$10,000 deductible for general liability and \$5,000 for physical plant. There have been no significant reductions in coverage from the prior fiscal year.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

OPEH&WP – The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

5. Long-term Obligations

Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free, but have a one-time fee of 3% on all pieces of machinery acquired.

6. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 7.5% and 12.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 12.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2007, 2006, and 2005, were \$328,714, \$304,686, and \$246,575, respectively, equal to the required contributions for each year.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

7. Other Post Employment Benefits (OPEB)

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

8. Contingent Liabilities

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

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

9. Sales Tax

In 1998, the citizens of Lincoln County approved a one-cent county-wide sales tax to go into effect January 1, 1999, for a duration of five years. On April 1, 2003, Lincoln County voters approved extending the sales tax for another five years. The sales tax revenues received are designated for the following uses with money over capped amounts to go into the Lincoln County Courthouse Capital Outlay Fund:

59%	County road and bridge improvements
13%	Lincoln County Jail
7%	Lincoln County Extension Center (capped at \$82,950)
7%	Lincoln County Fire Departments
6%	Senior Citizens Nutrition
2.5%	Lincoln County Free Fair
2.5%	Economic Development
2%	Emergency Managements, Lincoln County Safety Office and Flood Plains Manager (capped at \$23,700)
1%	Lincoln County Courthouse Improvement Fund

OTHER SUPPLEMENTARY INFORMATION

LINCOLN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 286,348	\$ 286,348	\$ 286,348	\$ -
Less: Prior Year Outstanding Warrants	(85,170)	(85,170)	(85,170)	
Less: Prior Year Encumbrances	(35,833)	(35,833)	(35,343)	490
Beginning Cash Balances, Budgetary Basis	<u>165,345</u>	<u>165,345</u>	<u>165,835</u>	<u>490</u>
Receipts:				
Ad Valorem Taxes	1,173,863	1,173,863	1,261,640	87,777
Charges for Services	185,298	185,299	222,729	37,430
Intergovernmental Revenues	233,352	233,352	219,347	(14,005)
Miscellaneous Revenues	44,587	48,799	159,574	110,775
Total Receipts, Budgetary Basis	<u>1,637,100</u>	<u>1,641,313</u>	<u>1,863,290</u>	<u>221,977</u>
Expenditures:				
District Attorney	4,500	4,500	4,498	2
Total District Attorney	<u>4,500</u>	<u>4,500</u>	<u>4,498</u>	<u>2</u>
County Sheriff	485,226	485,226	484,729	497
Total County Sheriff	<u>485,226</u>	<u>485,226</u>	<u>484,729</u>	<u>497</u>
County Treasurer	90,550	90,550	90,394	156
Total County Treasurer	<u>90,550</u>	<u>90,550</u>	<u>90,394</u>	<u>156</u>
County Clerk	158,070	158,070	158,070	
Total County Clerk	<u>158,070</u>	<u>158,070</u>	<u>158,070</u>	<u>-</u>
Court Clerk	96,975	96,975	89,802	7,173
Total Court Clerk	<u>96,975</u>	<u>96,975</u>	<u>89,802</u>	<u>7,173</u>
County Assessor	122,104	122,104	121,292	812
Total County Assessor	<u>122,104</u>	<u>122,104</u>	<u>121,292</u>	<u>812</u>

continued on next page

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

**LINCOLN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	198,895	198,895	180,239	18,656
Capital Outlay	1,500	1,500	1,461	39
Total Revaluation of Real Property	<u>200,395</u>	<u>200,395</u>	<u>181,700</u>	<u>18,695</u>
General Government	543,589	547,802	539,549	8,253
Total General Government	<u>543,589</u>	<u>547,802</u>	<u>539,549</u>	<u>8,253</u>
Excise-Equalization Board	2,500	2,500	2,171	329
Total Excise-Equalization Board	<u>2,500</u>	<u>2,500</u>	<u>2,171</u>	<u>329</u>
County Election Board	63,501	63,501	63,501	
Capital Outlay	2,442	2,442	2,442	
Total County Election Board	<u>65,943</u>	<u>65,943</u>	<u>65,943</u>	<u>-</u>
Civil Defense	7,800	7,800	7,184	616
Total Civil Defense	<u>7,800</u>	<u>7,800</u>	<u>7,184</u>	<u>616</u>
County Audit Budget Account	24,793	24,793	24,793	
Total County Audit Budget Account	<u>24,793</u>	<u>24,793</u>	<u>24,793</u>	<u>-</u>
Total Expenditures, Budgetary Basis	<u>1,802,445</u>	<u>1,806,658</u>	<u>1,770,125</u>	<u>36,533</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	259,000	<u>\$ 259,000</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			28,504	
Add: Current Year Outstanding Warrants			<u>67,128</u>	
Ending Cash Balance			<u>\$ 354,632</u>	

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

LINCOLN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 193,436	\$ 193,436	\$ 193,436	\$ -
Less: Prior Year Encumbrances	(58,283)	(58,283)	(56,903)	1,380
Beginning Cash Balances, Budgetary Basis	<u>135,153</u>	<u>135,153</u>	<u>136,533</u>	<u>1,380</u>
Receipts:				
Ad Valorem Taxes	293,466	293,466	315,410	21,944
Charges for Services		41,771	41,771	-
Intergovernmental Revenues			3	3
Miscellaneous Revenues			84	84
Total Receipts, Budgetary Basis	<u>293,466</u>	<u>335,237</u>	<u>357,268</u>	<u>22,031</u>
Expenditures:				
Health and Welfare	414,100	455,871	372,182	83,689
Capital Outlay	14,519	14,519		14,519
Total Expenditures, Budgetary Basis	<u>428,619</u>	<u>470,390</u>	<u>372,182</u>	<u>98,208</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	121,619	<u>\$ 121,619</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			13,002	
Add: Current Year Outstanding Warrants			356	
Ending Cash Balance			<u>\$ 134,977</u>	

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

**LINCOLN COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Beginning Cash Balance	<u>\$ 295</u>
Receipts:	
Total Receipts	<u>-</u>
Disbursements:	
Total Disbursements	<u>-</u>
Ending Cash Balance	<u><u>\$ 295</u></u>

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

**LINCOLN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. Budgetary Schedules

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

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

2. Sinking Fund Schedule

Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments. The County has no outstanding bonded debt or judgments. The balance will eventually be transferred to the general fund unless future debt is incurred.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

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

TO THE OFFICERS OF
LINCOLN COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Lincoln County, Oklahoma, as of and for the year ended June 30, 2007, which comprises Lincoln County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 2, 2010. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lincoln County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2007-1, 2007-4, and 2007-7 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2007-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2007-2.

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

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

This report is intended solely for the information and use of management of Lincoln County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

March 2, 2010

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

Finding 2007-1 - Segregation of Duties (Repeat Finding)

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

Condition: The County Treasurer's office has three deputies that can perform all the accounting functions; however, there is no formal segregation of duties because the County Treasurer reconciles the official depository account to balances generated by her office and also prepares and reviews vouchers for the same account.

A lack of segregation of duties exists in the County Clerk's office because three deputies all open the mail, write the receipts, balance their cash drawers to daily receipts, prepare and take deposits to the bank, post deposits to the cash book, and balance the account at month end to the Treasurer's balance. Further, one of these deputies can also prepare the vouchers and post the vouchers to the cash book.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions:

Kathy Sherman, Lincoln County Treasurer

1. All computers (2 at counter and 1 at each desk) are equipped with a cash register validator and cash box. At the beginning of a transaction in the cash register, the deputy must log in on that station before entering any data. At the completion of transaction(s), deputy logs off. The money for any transaction completed at a particular station must be placed in the cash box for that station. At the end of the day, a deputy closes out the station by counting the money and balancing it with the reports for that station. Usually, the same person closes out the counter stations. To correct this problem, we will rotate persons closing out counter stations.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

2. The bookkeeper balances all receipts from each deputy and prepares the deposit. The treasurer takes the deposit to the bank.
3. The bookkeeper has reconciled the bank statements in the past; however, to be compliant, the treasurer will now reconcile the bank statements. On the rare occasion that the bookkeeper does tax receipts, the treasurer will check the deposit.

I have a small office, but I will do the best I can to correct the problem. If there is anything else I may do, please call me.

Finding 2007-2 – Under-collateralized

Criteria: Title 62 O.S. § 517.4.A. states:

A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.

Condition: During the months of December 2006 and January 2007, the County was under-collateralized \$782,355 and \$416,659, respectively.

Effect: By being under-collateralized, not only is the County Treasurer in violation of state statutes, but there is an increased risk of losing county funds if a bank were to default.

Recommendation: OSAI recommends the County Treasurer monitor county pledges routinely to ensure deposits are adequately secured and verify market values of pledged securities are adequate to secure County deposits at all the County's depository banks.

Views of responsible officials and planned corrective actions:

Kathy Sherman, Lincoln County Treasurer

The bookkeeper and I check the Daily Ledger daily to assure we are not under-collateralized. If we see that we need more collateral, I contact the bank immediately.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Finding 2007-4 – Bank Reconciliations

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, the County Treasurer should reconcile bank balances to the general ledger on a monthly basis. Reconciliations should then be reviewed and approved by someone other than the preparer.

Condition: There was no indication that the bank statement reconciliations had been reviewed by someone other than the preparer.

Effect: By failing to have reconciliations reviewed by someone other than the preparer, misstatements may not be detected in a timely manner.

Recommendation: OSAI recommends someone other than the preparer review the reconciliations to ensure they are being performed properly and are free of errors. All reconciling items need to be investigated and resolved.

Views of responsible officials and planned corrective actions:

Kathy Sherman, Lincoln County Treasurer

1. All computers (2 at counter and 1 at each desk) are equipped with a cash register validator and cash box. At the beginning of a transaction in the cash register, the deputy must log in on that station before entering any data. At the completion of transaction(s), deputy logs off. The money for any transaction completed at a particular station must be placed in the cash box for that station. At the end of the day, a deputy closes out the station by counting the money and balancing it with the reports for that station. Usually, the same person closes out the counter stations. To correct this problem, we will rotate persons closing out counter stations.
2. The bookkeeper balances all receipts from each deputy and prepares the deposit. The treasurer takes the deposit to the bank.
3. The bookkeeper has reconciled the bank statements in the past; however, to be compliant, the treasurer will now reconcile the bank statements. On the rare occasion that the bookkeeper does tax receipts, the treasurer will check the deposit.

I have a small office, but I will do the best I can to correct the problem. If there is anything else I may do, please call me.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Finding 2007-7 – Apportionment of Motor Vehicle Collections

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. To help ensure a proper accounting of funds, oversight should be used to ensure collections are apportioned to the proper funds.

Condition: Since December 2005, the Treasurer's office has been apportioning the Motor Vehicle Collections for County Government monies into the Highway Fund instead of the General Fund. The amount incorrectly apportioned for fiscal year 2006 was \$19,772.11, and for fiscal year 2007 the amount was \$34,059.50

Effect: The General Fund was under apportioned and the Highway Fund was over apportioned.

Recommendation: OSAI recommends the monies from the Motor Vehicle Collections for County Government be deposited into the General Fund.

Views of responsible officials and planned corrective actions:

Kathy Sherman, Lincoln County Treasurer

This was corrected April 9, 2009, upon finding the error.

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

Finding 2007-3 – Outstanding Vouchers

Criteria: Title 62 O.S. § 517.4 states:

When one (1) year shall have elapsed after the date of issue of any county treasurer's check drawn against any public funds in the county treasurer's custody or of any voucher drawn by any public officer against the public officer's official depository account with the county treasurer, other than checks and vouchers which may be issued to another public officer for the benefit of the state or a subdivision thereof, it shall be the duty of the county treasurer to make entry of cancellation opposite the record of the check or registration of the voucher, and shall forthwith credit the amount thereof to the fund on which it was drawn and report the action on forms and in the manner prescribed by the State Auditor and Inspector.

Condition: Forty-three official depository vouchers totaling \$1,765.18 and two treasurer's checks totaling \$285.59 were outstanding over one year.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Effect: These funds are not available for use by the County.

Recommendation: OSAI recommends vouchers and treasurer's checks be canceled within one year of being issued.

Views of responsible officials and planned corrective actions:

Kathy Sherman, Lincoln County Treasurer

The forty-three official depository vouchers totaling \$1,765.18 were cancelled 7-09-07. The two treasurer's checks totaling \$285.59 were corrected March 2, 2010.

Finding 2007-5 – OPERS

Criteria: Title 74 O.S. § 925 states:

All employees of participating employers who are eligible or may hereafter become eligible to be members of the system as provided by this act shall, as a condition of continuing employment or as a condition of obtaining employment with a participating employer, become members of the system.

Also, 74 O.S. § 902(14) states in part:

"Employee" means any officer or employee of a participating employer, whose employment is not seasonal or temporary and whose employment requires at least one thousand (1,000) hours of work per year and whose salary or wage is equal to the hourly rate of the monthly minimum wage for state employees...

Condition: OSAI noted three employees who were not classified as seasonal or temporary and worked more than 1,000 hours in a one-year period based on the employee's anniversary date that had not been reported as employees eligible to be members of OPERS. The employees worked 1,882 hours, 2,079.5 hours, and 1,586 hours, respectively, and were not recorded as participants in OPERS.

Effect: Appropriate contributions are not being made for employees eligible to be in OPERS.

Recommendation: OSAI recommends the County contact OPERS regarding the status of benefits to which these employees were eligible.

Views of responsible officials and planned corrective actions: Management chose not to respond.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Finding 2007-6 – Lack of Inventory

Criteria: Title 19 O.S. § 178.1 states in part:

The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and therefore maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter...

Title 19 O.S. § 1502.A.1.b.(2) states:

An inventory system shall be administered for all supplies and materials of a county purchased in lots of Five Hundred Dollars (\$500.00) or more for use in the construction and maintenance of roads and bridges.

Condition: OSAI noted that the equipment inventory lists for District 1 were not up-to-date and an accurate inventory record was not on file with the County Clerk's office. Fourteen items on the list were not located and eleven items we observed were not on the inventory list. We were also unable to locate consumable inventory records.

Effect: The lack of an accurate inventory record could result in unrecorded transactions and/or misappropriation of assets.

Recommendation: OSAI recommends the Board of County Commissioners cause to be taken a biennial inventory of all working tools, apparatus, machinery, and equipment belonging to the County. We also recommend that these inventories be documented and filed with the County Clerk. OSAI also recommends management take steps to ensure that consumable inventory records are maintained and updated on a daily basis. OSAI further recommends management take steps to ensure that fuel records reconcile to fuel on hand. This process should include sign-up sheets that are signed by the individual receiving the fuel, sticking the tanks weekly and documenting those results on the fuel records to determine records are accurate.

Views of responsible officials and planned corrective actions:

Incoming Commissioner District 1, Don Sporleder

New management will correct the situation. A current and accurate inventory record of equipment and consumables will be established, maintained throughout the year, and also filed with the County Clerk.

**LINCOLN COUNTY, OKLAHOMA
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Finding 2007-9 - Segregation of Duties – Official Depository

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

Condition: Official depository accounts are not reported on the basic financial statement; however, a lack of segregation of duties exists with regards to the management of the following accounts:

The County Assessor's office with respect to official depository accounts because one deputy receives money, balances the cash drawer to daily receipts, prepares the deposit slip, takes deposits to the bank/Treasurer, and certifies the receipt of goods and services. Another deputy receives money, posts receipts to the official depository ledger, reconciles to the Treasurer, authorizes purchases, and prepares claims.

The County Sheriff's office with respect to official depository accounts because two deputies each open the mail, write the receipts, balance the cash drawer to daily receipts, prepare and take deposits to the bank, post deposits to the cash book, and balance the account at month end to the Treasurer's balance. Further, the same deputies each prepare the vouchers, sign the vouchers, post the vouchers to the cash book, and mail the vouchers for this account.

The Election Board office with respect to official depository accounts because the Secretary writes all the receipts, takes deposits to the bank, posts deposits to the cash book, and balances the account at month end to the Treasurer's balance. Further, the Secretary also prepares the vouchers, signs the vouchers, posts the vouchers to the cash book, and mails the vouchers for this account.

The County Health Department with respect to official depository accounts because one employee opens the mail, prepares the deposit slip, takes deposits to the bank/Treasurer, posts to the official depository ledger and reconciles the account to the Treasurer's balance, prepares customer billings, and posts customer payments to the account. Further, the same employee also prepares the vouchers, signs the vouchers, posts the vouchers to the cash book, and mails the vouchers for this account.

The Court Clerk's office with respect to official depository accounts because one deputy opens the mail, writes the receipts, balances the cash drawer to daily receipts, prepares and takes deposits to the bank, and posts deposits to the cash book. Further, the Court Clerk can perform all accounting functions.

Effect: These conditions could result in unrecorded transactions, misstated reports, undetected errors, or misappropriation of funds with respect to the Official Depository Accounts.

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Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions: Management chose not to respond.



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