

**LINCOLN COUNTY, OKLAHOMA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2003**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

January 27, 2005

TO THE CITIZENS OF
LINCOLN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Lincoln County, Oklahoma, for the fiscal year ended June 30, 2003. 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,

JEFF A. McMAHAN
State Auditor and Inspector

**LINCOLN COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Lincoln County	iii
County Officials and Responsibilities	iv
Ad Valorem Tax Distribution.....	ix

FINANCIAL SECTION

Report of State Auditor and Inspector.....	1
Special-Purpose Financial Statements:	
Statement of Receipts, Disbursements, and Changes in Cash Balances - All Funds.....	3
Comparative Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund	4
Comparative Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - County Health Department Fund.....	6
Detailed Statement of Receipts, Disbursements, and Changes in Cash Balances - Sinking Fund.....	7
Detailed Statement of Receipts, Disbursements, and Changes in Cash Balances - Official Depository Accounts	8
Notes to the Financial Statements.....	9

COMPLIANCE AND INTERNAL CONTROL SECTION

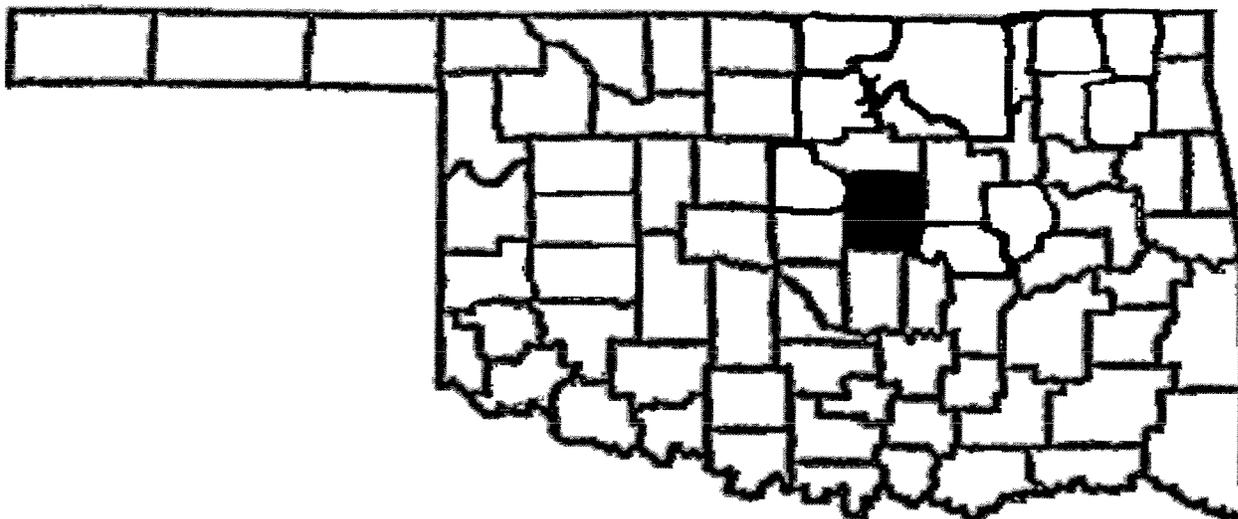
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	21
Schedule of Findings.....	23

**LINCOLN COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

STATISTICAL SECTION (Unaudited)

Top Ten Taxpayers.....	24
Computation of Legal Debt Margin	25
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	26
Assessed Value of Property	27

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 – 32,080
(2000 est.)

Farms – 1,916

Land in Farms – 431,368 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**LINCOLN 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

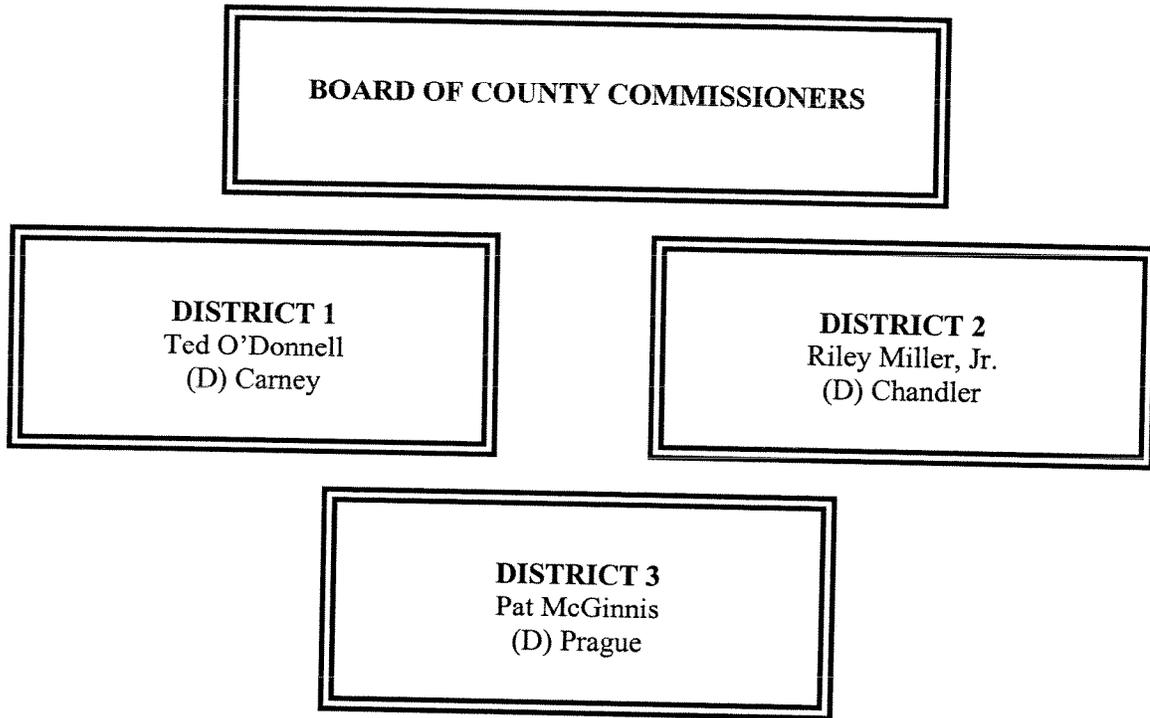
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**LINCOLN COUNTY OFFICIALS
AND RESPONSIBILITIES**



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**

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 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**

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
Richard L. Smotherman (1-03 - present)
Kay Christiansen (to 1-03)
(D) 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.

**LINCOLN COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

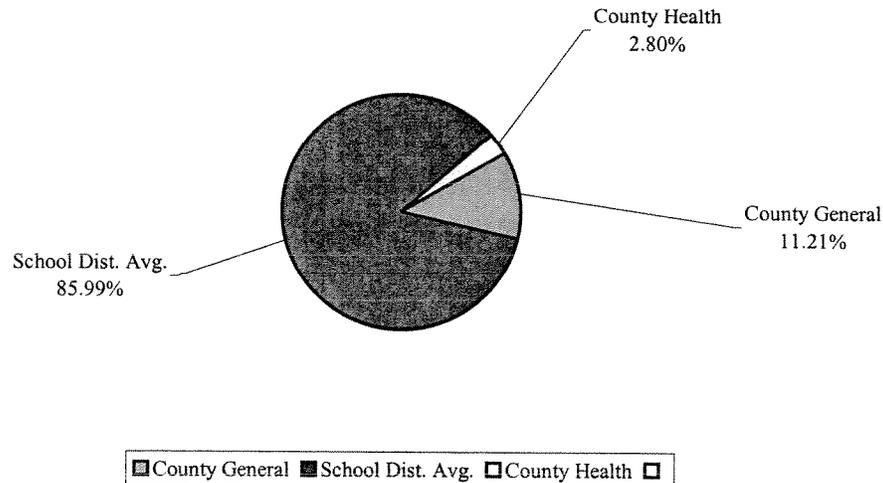
Patricia Gaines
(D) Sparks

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 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.

**LINCOLN COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
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 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	
Co. General	10.00
Co. Health	2.50
<hr/>	
Cities and Towns	
Chandler	6.52

	School District Millages						Total
	Gen.	Bldg.	Skg.	Career-Tech	Common		
Chandler I-1	35.00	5.00	28.19	15.00	4.00	87.19	
Davenport I-3	35.00	5.00	17.99	13.00	4.00	74.99	
Wellston I-4	35.00	5.00	19.83	15.00	4.00	78.83	
Stroud I-54	35.00	5.00	19.96	13.00	4.00	76.96	
Meeker I-95	35.00	5.00	19.96	15.00	4.00	78.96	
Prague I-103	35.00	5.00	11.37	15.00	4.00	70.37	
Carney I-105	35.00	5.00	23.78	15.00	4.00	82.78	
Agra I-134	35.00	5.00	22.29	15.00	4.00	81.29	
White Rock D-5	35.00	5.00		15.00	4.00	59.00	

See independent auditor's report.

Financial Section



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 special-purpose financial statements of Lincoln County, Oklahoma, as of and for the year ended June 30, 2003, as listed in the table of contents. These special-purpose 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.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Lincoln County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Lincoln County in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Lincoln County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, as of and for the year ended June 30, 2003, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2004, 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 and contracts. 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 special-purpose financial statements of Lincoln County, Oklahoma, taken as a whole. The other information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we express no opinion on such data.

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 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,

A handwritten signature in black ink, appearing to read "Jeff A. McMahon". The signature is written in a cursive, flowing style with a large initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

September 29, 2004

Special-Purpose Financial Statements

**LINCOLN COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003**

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
General Fund	\$ 269,084	\$ 1,548,945	\$ 1,570,640	\$	\$ 247,389
Highway Cash	898,100	3,896,336	3,968,129		826,307
County Health	136,286	308,961	320,612		124,635
Resale Property	212,774	102,707	79,267		236,214
Sheriff Service Fee	26,580	81,823	61,759		46,644
Clerk's Lien Fee	43,735	8,638	3,087		49,286
Treasurer's Cert. Fees	30,864	11,305	4,899		37,270
Assessor Revolving	10,145	4,015	788		13,372
Visual Inspection	1,170		140		1,030
CSSP	3,847	7,044	335		10,556
County Use Tax	43,258	48,270	47,082		44,446
Preservation Fee	51,134	50,545			101,679
Sheriff Dispatching	2,555	24,660	15,192		12,023
Court Clerk Revolving	11,344	19,396	8,375		22,365
Sheriff Board Bills	3,779	31,604	22,651		12,732
CDBG	821	150,508	151,329		
Child Abuse Fund	878	38			916
County Sales Tax	1,638,554	1,444,681	2,108,378		974,857
Saferoom Grant	2,255		1,047		1,208
LLEBG	4,901	10,941	15,842		
CSSP-BB	36,024	94,347	97,176		33,195
Hardware Upgrade	479				479
Civil Defense	3,067	9,789			12,856
Trash Dumping	1,000		600		400
Free Fair	25,135	49,723	28,024		46,834
Bogus Check Fund	11,376	108,226	108,625		10,977
Courthouse C.O.	35,432				35,432
Sinking Fund	295				295
Cities and Towns	31,916	255,653	275,223		12,346
Official Depository	896,118	3,783,182	4,264,727	1,222	415,795
Court Fund	63,559	503,523	459,300		107,782
Individual Redemption	2,744	38,892	34,325		7,311
Excess Resale	10,548	1,295	3,242		8,601
Protest Tax	3,359	137,652	3,369		137,642
Law Library	1,667	18,142	12,166		7,643
Reward Fund	1,800				1,800
Jail Phone Deposit	1,000				1,000
Sheriff Commissary	1,240	3,044	4,284		
Cemetery Fund	57,469	1,515	1,155		57,829
Flood Plain	5,935	700	141		6,494
Fire Tax	702	85,885	81,803		4,784
Tax Refunds	11,097	10,331	10,412		11,016
Schools	677,410	11,436,140	11,307,451		806,099
Total County Funds	<u>\$ 5,271,436</u>	<u>\$ 24,288,456</u>	<u>\$ 25,071,575</u>	<u>\$ 1,222</u>	<u>\$ 4,489,539</u>

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

**LINCOLN COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 286,875	\$ 286,875	\$ 269,084	\$ (17,791)
Less: Prior Year Outstanding Warrants	(63,030)	(63,030)	(63,030)	
Less: Prior Year Encumbrances	(42,911)	(42,911)	(40,659)	2,252
Beginning Cash Balances, Budgetary Basis	<u>180,934</u>	<u>180,934</u>	<u>165,395</u>	<u>(15,539)</u>
Receipts:				
Ad Valorem Taxes	1,011,616	1,011,616	1,034,166	22,550
Charges for Services	168,710	168,710	173,841	5,131
Intergovernmental Revenues	252,775	252,775	253,422	647
Miscellaneous Revenues	71,460	71,460	87,516	16,056
Total Receipts, Budgetary Basis	<u>1,504,561</u>	<u>1,504,561</u>	<u>1,548,945</u>	<u>44,384</u>
Expenditures:				
Total District Attorney	19,075	11,772	10,653	1,119
Total County Sheriff	425,650	425,650	424,999	651
Total County Treasurer	100,292	100,292	100,288	4
County Clerk	169,149	167,382	167,821	(439)
Capital Outlay		1,767	1,326	441
Total County Clerk	169,149	169,149	169,147	2
Total Court Clerk	97,122	97,260	97,260	-
Total County Assessor	108,322	108,322	106,697	1,625
Total Revaluation of Real Property	172,801	172,801	154,026	18,775
Total General Government	510,231	515,991	454,507	61,484
Total Excise-Equalization Board	3,000	3,000	2,392	608
County Election Board	57,425	58,630	58,630	
Capital Outlay		200	200	
Total County Election Board	57,425	58,830	58,830	-
Total Civil Defense	6,300	6,300	6,300	-
Total County Audit	<u>11,128</u>	<u>11,128</u>	<u>5,926</u>	<u>5,202</u>

continued on next page

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

**LINCOLN COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003**

continued from previous page

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Provision for Interest on Warrants	5,000	5,000	3,167	1,833
Total Expenditures, Budgetary Basis	<u>\$ 1,685,495</u>	<u>\$ 1,685,495</u>	<u>\$ 1,594,192</u>	<u>\$ 91,303</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	120,148	<u>\$ 120,148</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			28,735	
Add: Current Year Outstanding Warrants			<u>98,506</u>	
Ending Cash Balance			<u>\$ 247,389</u>	

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

**LINCOLN COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
COUNTY HEALTH DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2003**

	County Health Department			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 136,286	\$ 136,286	\$ 136,286	\$ -
Less: Prior Year Outstanding Warrants	(525)	(525)	(525)	
Less: Prior Year Encumbrances	(47,726)	(47,726)	(47,197)	529
Beginning Cash Balances, Budgetary Basis	<u>88,035</u>	<u>88,035</u>	<u>88,564</u>	<u>529</u>
Receipts:				
Ad Valorem Taxes	252,904	252,904	258,520	5,616
Charges for Services		47,794	47,794	
Intergovernmental Revenues			2,320	2,320
Miscellaneous Revenues			327	327
Total Receipts, Budgetary Basis	<u>252,904</u>	<u>300,698</u>	<u>308,961</u>	<u>8,263</u>
Expenditures:				
Health and Welfare	325,939	373,733	277,994	95,739
Capital Outlay	15,000	15,000	14,105	895
Total Expenditures, Budgetary Basis	<u>340,939</u>	<u>388,733</u>	<u>292,099</u>	<u>96,634</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	105,426	<u>\$ 105,426</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			19,059	
Add: Current Year Outstanding Warrants			<u>150</u>	
Ending Cash Balance			<u>\$ 124,635</u>	

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

**LINCOLN COUNTY, OKLAHOMA
DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2003**

Beginning Cash Balance	\$ 295
	<hr/>
Receipts:	
Ad Valorem Taxes	
Miscellaneous	
Total Receipts	<hr/> <hr/> -
Disbursements:	
Interest Paid	
Total Disbursements	<hr/> <hr/> -
Ending Cash Balance	<hr/> <hr/> \$ 295

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

**LINCOLN COUNTY, OKLAHOMA
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2003**

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
Ok. Liquid Resources	\$ 65,569	\$	\$	\$	\$ 65,569
County Treasurer	10,133	32,403	32,462		10,074
Co. Treas - Mob. Home	26,834	36,460	40,576		22,718
Lincoln Co. EFTPS		593,797	593,797		
White Rock EFTPS		132,961	132,961		
Long and Short Acct	2,090	786,195	786,300	1	1,986
Pavt Trust Acct	3,400	30,215	27,660		5,955
County Clerk	37	261,186	240,731	30	20,522
County Clerk - MM Lien	1,077	2,385	3,449		13
County Clerk - Rev. Share	200	10,307	10,307		200
District Court Clerk	733,123	1,270,703	1,762,563	316	241,579
DA - Bogus Check	13,941	200,525	204,156	195	10,505
DA - Drug Account	8,209	18,445	19,966		6,688
DA - Witness	68	1,831	1,468	68	499
DA - Incarceration	215	611			826
DA - Seizure	7,602	818			8,420
Sheriff	16,615	304,679	306,109	453	15,638
Sheriff - Stray Animal	3,943	1,010	2,086		2,867
Sheriff - Drug Fund	275	4,565	4,817		23
Election Board	1,235	38,879	38,670	159	1,603
County Health	1,415	51,219	52,634		
County Assessor	137	3,988	4,015		110
Total Official Depository Accounts	<u>\$ 896,118</u>	<u>\$ 3,783,182</u>	<u>\$ 4,264,727</u>	<u>\$ 1,222</u>	<u>\$ 415,795</u>

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

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 special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of Lincoln County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County. The funds presented 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 government 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.

C. Basis of Accounting

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

D. Budgetary Policies

Under current Oklahoma Statutes, the general fund and county health department fund are the only funds required to adopt a formal budget. The budget presented for the general fund and county health department fund includes the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other 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 fund and county health department fund.

LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Summary of Significant Accounting Policies (continued)

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

The Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund and County Health Department 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 Statement of Receipts, Disbursements, and Changes in Cash Balances - All Funds because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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. These other budgetary entities produce and file their own financial statements and estimates of needs (budgets). These related cash receipts and disbursements of other budgetary entities are not included in the County's Estimate of Needs.

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, 2003.

F. 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	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Group (ACCO-SIG).	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
- Torts		
- Errors and Omissions		
- Law Enforcement Officers Liability		
- Vehicle		
Physical Plant		
- Theft		
- Damage to Assets		
- Natural Disasters		

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Worker's Compensation - Employees' Injuries	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Employee - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of coverage.	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 chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$25,000 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 amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. 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.

Commercial Insurance - The County obtains commercial insurance coverage to pay legitimate worker's compensation claims and employees' insurance. 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.

Management believes coverage is sufficient to preclude any significant uninsured losses to the County.

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may accumulate from 30 to 45 days depending on the number of years of service. The County has no established policy regarding compensated sick pay.

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

Stewardship, Compliance, and Accountability (continued)

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

A. Deposits

At year-end, the reported amount of the County's deposits was \$4,489,539 and the bank balance was \$4,504,578. 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.

Title 62 O.S. § 348.1 and 348.3 allow the following types of investments:

- U. S. government obligations
- Certificates of deposit
- Saving 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
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

B. Description of Funds

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 – accounts for ad valorem tax and fee collections on behalf of the county health department.

Resale Property – revenues are from interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Account Balances (continued)

Sheriff Service Fee – revenues are from fees charged by the Sheriff for serving warrants. Disbursements are for any lawful expense of the Sheriff's office.

Clerk's Lien Fee – revenues are from a fee charged by the Clerk for filing liens. Disbursements are for any lawful expense of the Treasurer's office.

Treasurer's Certification Fees – revenues are from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's office.

Assessor Revolving – revenues are from fees charged by the County Assessor (copies, etc.). Disbursements are for any lawful expense of the Assessor's office.

Visual Inspection – revenues are from fees charged to all entities receiving ad valorem taxes. Disbursements are for the re-valuation of all county property for ad valorem purposes.

CSSP – revenues are from the State Department of Corrections to reimburse the County for the expense of administering the Community Service Sentencing Program.

County Use Tax – accounts for the collection and disbursement of monies received from the State of Oklahoma in counties that have a county sales tax. Disbursements are for courthouse maintenance and operation.

Preservation Fee – accounts for fees collected for instruments filed with the County Clerk. Disbursements are for preservation of records.

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 expenditures.

Court Clerk Revolving – revenues are from the courts and disbursements are for any legal expense of the Court Clerk's office.

Sheriff Board Bills – revenues are from other governments boarding prisoners in the county jail. Disbursements are for the operation of the jail.

Community Development Block Grant (CDBG) – accounts for the collection and disbursement of grant money supplied to the County for the purpose of the development of viable communities by providing decent housing, a suitable living environment and expanded economic opportunities, principally for persons of low and moderate income.

Child Abuse Fund – revenues are from donated juror fees. Disbursements are used for child abuse prevention activities.

LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Account Balances (continued)

County Sales Tax – revenues are from a county sales tax. Disbursements are as described in footnote 5.

Saferoom Grant – accounts for the collection and disbursement of grant money supplied to the County for the purpose of providing assistance to residents of the County for the construction of saferooms.

LLEBG – accounts for the collection and disbursement of grant money supplied to the County by the Department of Justice for local law enforcement agencies.

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.

Hardware Upgrade – accounts for the collection and disbursement of state funds to provide the County Assessor's office with new hardware equipment.

Civil Defense – accounts for the collection and disbursement of monies used for any civil defense expense.

Trash Dumping – accounts for monies collected from fines and apportionments used to prevent the dumping of trash throughout the County.

Free Fair – revenues are from donations, rental of fair property, entry fees, etc. and disbursements are for the upkeep and operations of the fair board.

Bogus Check Fund – revenues are from fees charged by the District Attorney for collecting bogus checks. Disbursements are for any legal expense of the District Attorney's office.

Courthouse C.O. – revenues are from a county sales tax. Disbursements are for capital improvements to the courthouse.

Sinking Fund – accounts for monies collected and disbursed to service the County's general long-term debt such as bonds, judgments, notes, etc.

Cities and Towns – All funds collected on behalf of cities and towns are recorded in this fund and remitted to the individual cities and towns monthly.

Official Depository – All officers and agencies collecting fees deposit those fees to this account daily. At the end of each month the fees are distributed to the appropriate fund or agency.

LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Account Balances (continued)

Court Fund – accounts for fees collected from violators of the law and disbursements made for the general maintenance to any part of the courthouse primarily used by the Judges or Court Clerk, OSBI, CLEET and Judicial Retirement Fund.

Individual Redemption – revenues are from taxpayers who redeem tax certificates previously sold on their property. Disbursements are to reimburse the certificate holders for taxes paid, interest penalties, and cost.

Excess Resale – revenues are from funds collected in excess of taxes owed when the County sells property for taxes. Disbursements are to the original landowner or eventually transferred to county sinking.

Protest Tax – ad valorem taxes paid under protest are held in this account until a court order is issued for their dispersal.

Law Library – revenues are from an annual payment from the courts. Disbursements are for the operation of the county law library.

Reward Fund – accounts for the collection and disbursement of monies received from fines for littering and the cleanup costs of litter.

Jail Phone Deposit – accounts for the monies received from the use of a pay phone in the county jail.

Sheriff Commissary – accounts for monies collected (from prisoners) and used as a checking account for the prisoners to make purchases during their incarceration.

Cemetery Fund – accounts for monies collected and disbursed to provide general maintenance to the County's cemeteries.

Flood Plain – accounts for the collection and disbursement of monies received from road crossing permits in the Flood Plain. This money is used for travel by the Flood Plain Director.

Fire Tax – accounts for monies collected on behalf of the county fire departments from ad valorem taxes and state and local revenues.

Tax Refunds – accounts for the collection and disbursement of monies transferred from the tax fund to cover any monies that were overpaid.

Schools – accounts for monies collected on behalf of the public schools in the County from ad valorem taxes, state and local revenues, and remitted to them monthly.

Detailed Notes on Account Balances (continued)

The following narrative details the official depository accounts.

Ok. Liquid Resources – accounts for funds being held in trust.

County Treasurer – accounts for all collections of the sale of motor vehicle stamps and farm implement stamps. Disbursements are for the purpose of remittance to OTC.

County Treasurer – Mobile Home – accounts for the collection of pre-paid mobile home taxes. Disbursements are for the purpose of paying the prepaid mobile home taxes.

Lincoln County E.F.T.P.S. – holding account used to transfer tax and social security withholding to the federal government.

White Rock E.F.T.P.S. – account was established to transfer the White Rock School District employee's payroll deductions so they can be transferred to the appropriate government agency.

Long and Short Accounts – accounts for the overpayment of ad valorem taxes from taxpayers and mortgage companies. Disbursements are made for the payment of ad valorem taxes and refund to taxpayers.

PAVT Trust Account – accounts for partial payments made by taxpayers for payment of ad valorem taxes. When the ad valorem account is paid in full, a disbursement is made for the ad valorem taxes due.

County Clerk – holding account for fees transferred to the county general fund.

County Clerk - MM Lien – accounts for the collection of juvenile detention payments from the State of Oklahoma.

County Clerk – Revenue Sharing - accounts for the collection of juvenile detention payments from the State of Oklahoma Office of Juvenile Affairs. Disbursements are to the Sac and Fox Nation for juvenile detention expenditures.

District Court Clerk – accounts for the collection of bond money, court fines and fees. Money is disbursed for fees and restitution.

D.A. Bogus Check – fund used for the collection of fees for bogus checks. Disbursements are made to vendors for payment of bogus checks and to the District Attorney's Council for payment of monthly fees.

Detailed Notes on Account Balances (continued)

D.A. Drug Account – accounts for collections from drug forfeiture cases seized by local law enforcement agencies and restitution payments ordered on drug cases. Disbursements are for federal drug grants, outside agencies involved in the forfeiture cases, filing fees, registration fees for drug conferences.

D.A. Witness – collections are from the State of Oklahoma for state witness fees. Disbursements are for payments of fees paid to state witnesses.

D.A. Incarceration – accounts for the percentage of court fees collected in the County Court Clerk's account.

D.A. Seizure – accounts for collections from local law enforcement agencies on seized funds on drug arrest cases. Disbursements are to local law enforcement agencies once the forfeiture case has been completed and to the DA Drug Fund account.

Sheriff – accounts for all collections of foreign service fees, bond monies, and concealed weapons fees. Monies are disbursed to Sheriff Service Fee account and to the District Court Clerk.

Sheriff - Stray Animals – holding account for stray livestock sold.

Sheriff Drug Fund – accounts for the collections received from drug case seizures. Money is disbursed for fees and restitution.

Election Board – fund used to account for the collection and disbursement of fees from the election board.

County Health – accounts for the collection of charges for services performed by the Health Department. Disbursements are made to the Health Department fund for budgeting purposes.

County Assessor – accounts for monies received from copies made. Disbursements are made to the County Assessor's Revolving Fund.

C. 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."

LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Account Balances (continued)

The net assessed property value as of January 1, 2002, was approximately \$111,277,792.

The County levied 10 mills (the legal maximum) for general fund operations and 2.5 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 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. 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, 2003, were approximately 95 percent of the tax levy.

D. 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.

E. 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. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all subsequent pieces of machinery acquired.

Detailed Notes on Account Balances (continued)

F. 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. Contingent Liabilities

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

5. 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. 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:

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)

In April 2003, Lincoln County voters approved to levy a 1% county-wide sales tax beginning January 1, 2004, for a duration of five years. The sales tax revenues are designated for the following uses with money over capped amounts to go into the Lincoln County Courthouse Capital Outlay Fund:

LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Sales Tax (continued)

59%	County road and bridge improvements
13%	Capital outlay for annexation to the county jail
7%	Lincoln County Extension (capped at \$82,950)
6%	Senior Citizens Nutrition
7%	Lincoln County Fire Department
2.5%	Lincoln County Free Fair
2.5%	Economic Development
2%	Emergency Management, Lincoln County Safety Office and Flood Plains Manager (capped at \$23,700)
1%	Lincoln County Courthouse Improvement Fund

Compliance and Internal Control Section



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 special-purpose financial statements of Lincoln County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated September 29, 2004. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. 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 special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 special-purpose 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 special-purpose financial statements. The reportable condition is described in the accompanying schedule of findings as item 98-1.

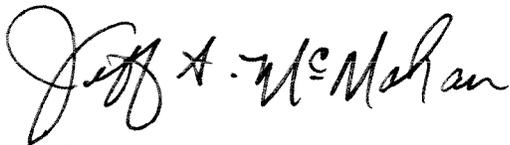
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 do not consider item 98-1 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 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 the 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,

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

September 29, 2004

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003**

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

Finding 98-1 - Segregation of Duties (Repeat Finding)

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation is an important element of effective internal control over government assets and resources.

Condition: The limited number of office personnel within several County offices prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control structure.

Recommendation: We recommend management be aware of this condition 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 knowledge of office operations and a periodic review of operations.

**Statistical Section
(Unaudited)**

**LINCOLN COUNTY, OKLAHOMA
TOP TEN TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

<u>TAXPAYER NAME</u>	<u>JANUARY 1, 2002 NET ASSESSED VALUATION</u>	<u>% OF TOTAL NET VALUATION</u>
OG&E	\$ 3,931,653	3.53%
Southwestern Bell	3,475,710	3.12%
Seaway Pipelines (All)	2,823,735	2.54%
Enogex (All Systems)	2,734,000	2.46%
Plains Resources Inc	2,426,694	2.18%
Oneok (All Systems)	2,337,232	2.10%
Highland Dairy Foods	2,152,480	1.94%
Central Oklahoma Telephone	1,842,930	1.66%
Valor Communications	1,549,870	1.39%
MCI WorldCom	1,469,441	1.32%
Total	<u>\$ 24,743,745</u>	<u>22.24%</u>

Source: (Provided by the Oklahoma Tax Commission - Ad Valorem Division)

**LINCOLN COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

Total net assessed value as of January 1, 2002		<u>\$ 111,277,792</u>
Debt limit - 5% of total assessed value		5,563,890
Total bonds outstanding	0	
Total judgments outstanding	0	
Cash in sinking fund	<u>295</u>	<u>-</u>
Legal debt margin		<u>\$5,563,890</u>

**LINCOLN COUNTY, OKLAHOMA
 RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
 VALUE AND NET BONDED DEBT PER CAPITA
 FOR THE YEAR ENDED JUNE 30, 2003
 (UNAUDITED)**

	2003
Estimated population	32,080
Net assessed value as of January 1, 2002	\$ 111,277,792
Gross bonded debt	-
Less available sinking fund cash balance	295
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0%
Net bonded debt per capita	\$ -

**LINCOLN COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 FOR THE YEAR ENDED JUNE 30, 2003
 (UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/02	\$19,099,547	\$28,828,809	\$72,035,938	\$8,686,502	\$111,277,792	\$631,347,975