

**LINCOLN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

October 17, 2005

TO THE CITIZENS OF
LINCOLN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Lincoln County, Oklahoma, for the fiscal year ended June 30, 2004. 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 cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

LINCOLN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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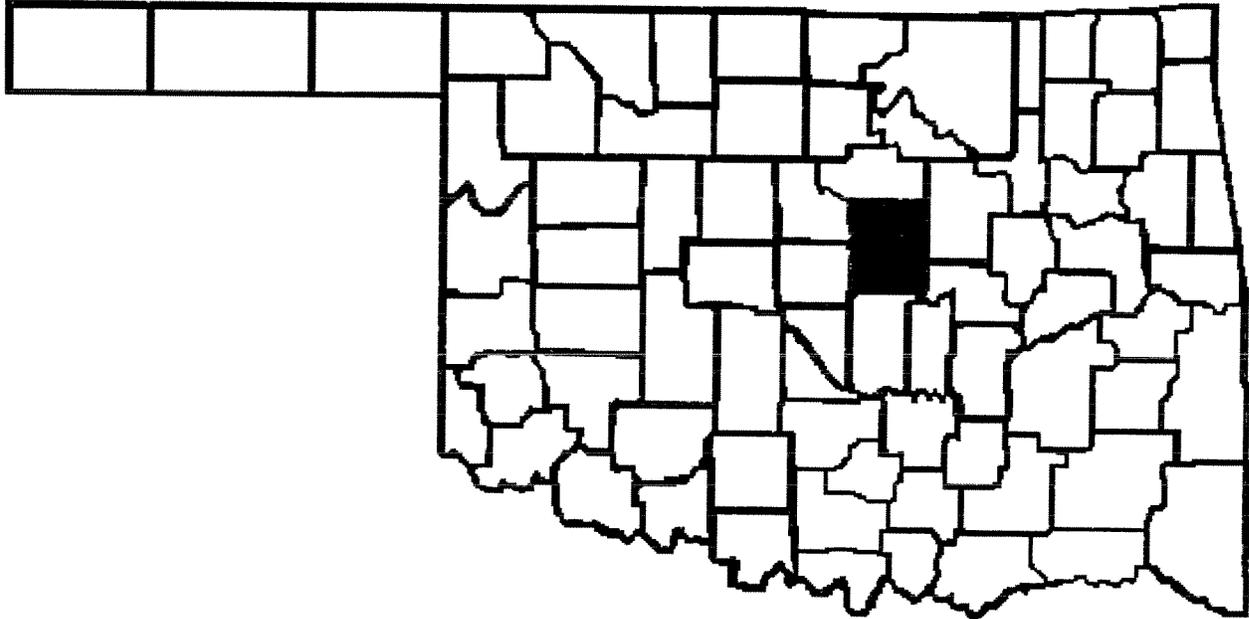
**LINCOLN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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REPORT TO THE CITIZENS
OF
LINCOLN COUNTY, OKLAHOMA



Lincoln County was originally part of the Creek Nation but ceded by the Creeks as a result of the Treaty of 1866 and settled by the Sac and Fox, Iowa, Kickapoo, and Pottawatomie Indians. After the Cherokee Commission allotted 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

Primary Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**LINCOLN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

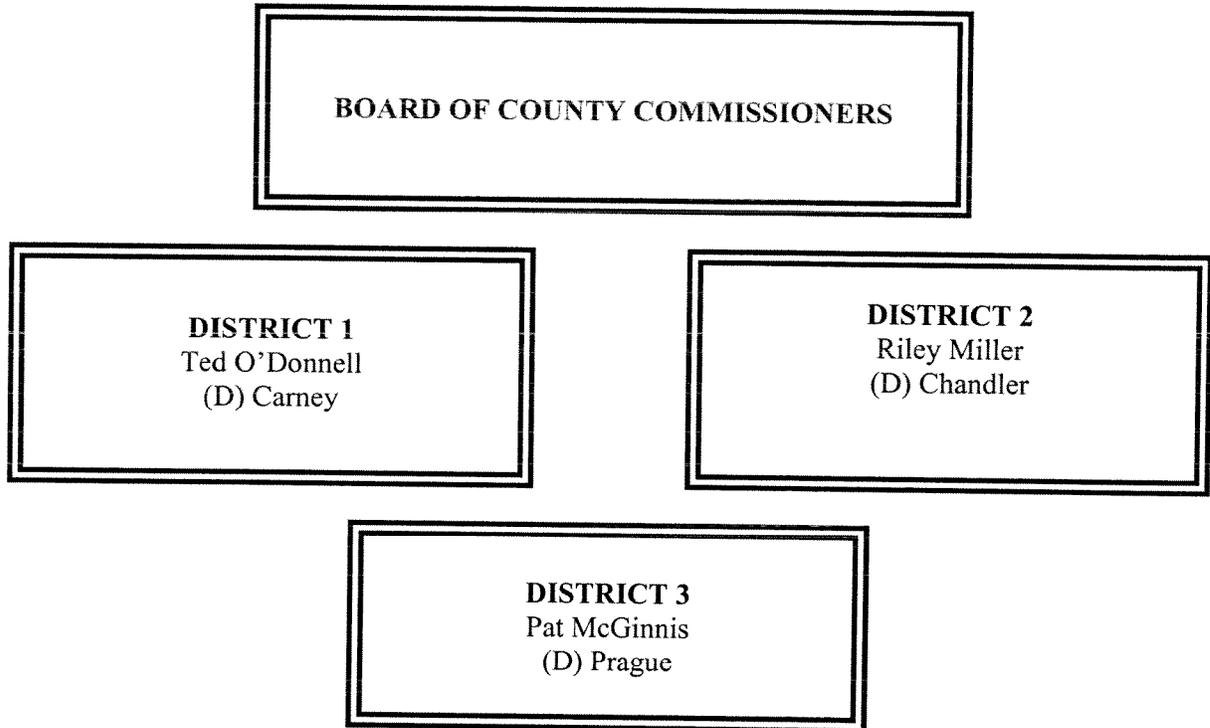
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**



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, 2004**

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 Smothermon
(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
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

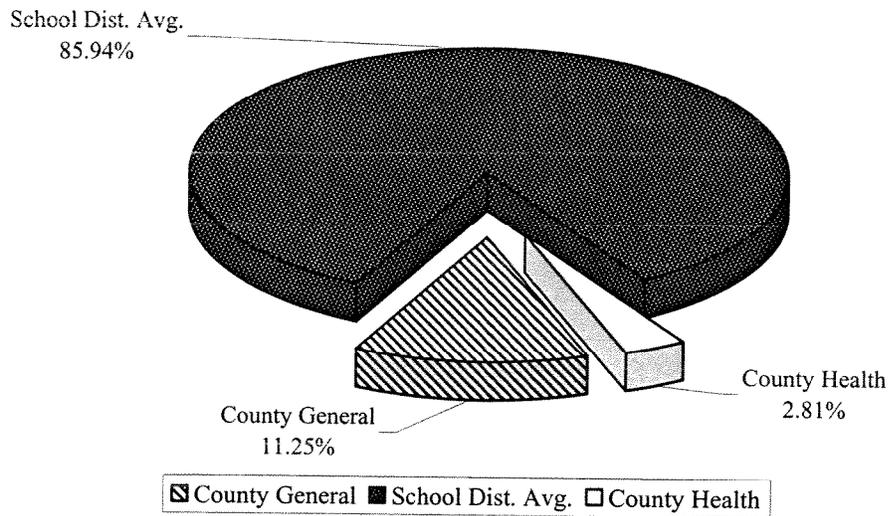
<p>ELECTION BOARD SECRETARY Melissa Stambaugh (D) Davenport</p>
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The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skd.	Career Tech	Common	Total
Co. General	10.00								
County Health	2.50	Chandler	I-1	35.00	5.00	27.06	15.00	4.00	86.06
		Davenport	I-3	35.00	5.00	19.14	13.00	4.00	76.14
		Wellston	I-4	35.00	5.00	19.33	15.00	4.00	78.33
		Stroud	I-54	35.00	5.00	21.17	13.00	4.00	78.17
		Meeker	I-95	35.00	5.00	20.15	15.00	4.00	79.15
		Prague	I-103	35.00	5.00	10.33	15.00	4.00	69.33
		Carney	I-105	35.00	5.00	22.98	15.00	4.00	81.98
		Agra	I-134	35.00	5.00	20.72	15.00	4.00	79.72
		White Rock	D-5	35.00	5.00		15.00	4.00	59.00

See independent auditor's report.

**LINCOLN COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

Total net assessed value as of January 1, 2003		<u>\$ 114,625,895</u>
Debt limit - 5% of total assessed value		5,731,295
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>295</u>	<u>-</u>
Legal debt margin		<u>\$ 5,731,295</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, 2004
 (UNAUDITED)**

	2004
Estimated population	32,080
Net assessed value as of January 1, 2003	\$ 114,625,895
Gross bonded debt	-
Less available sinking fund cash balance	295.04
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, 2004
 (UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2003	\$19,200,852	\$29,297,759	\$74,809,968	\$8,682,684	\$114,625,895	\$1,042,053,591

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 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, 2004, 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. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

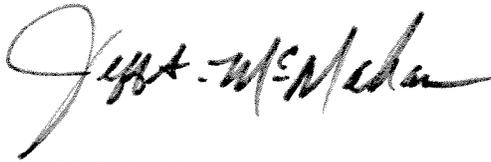
As described in Note 1, this financial statement was prepared using accounting practices prescribed by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory 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, 2004, 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, 2004, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2005, 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.

A handwritten signature in black ink, appearing to read "JEFF A. McMAHAN". The signature is fluid and cursive, with a large initial "J" and "M".

JEFF A. McMAHAN
State Auditor and Inspector

September 27, 2005

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, 2004**

	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
Combining Information:				
General Fund	\$ 247,389	\$ 1,556,943	\$ 1,517,570	\$ 286,762
Highway Cash	826,307	4,614,238	4,711,163	729,382
County Health	124,635	304,518	272,623	156,530
Resale Property	236,214	115,970	66,846	285,338
Sheriff Service Fee	46,644	132,028	111,975	66,697
Clerk's Lien Fee	49,286	11,414	10,686	50,014
Treasurer's Cert. Fees	37,270	11,250	7,267	41,253
Assessor Revolving	13,372	5,838	10,402	8,808
Visual Inspection	1,030		787	243
CSSP	10,556	26,216	3,066	33,706
County Use Tax	44,446	66,213	58,900	51,759
Preservation Fee	101,679	53,150	38,759	116,070
Sheriff Dispatching	12,023	23,700	9,271	26,452
Court Clerk Revolving	22,365	28,989	15,739	35,615
Sheriff Board Bills	12,732	30,830	22,861	20,701
CDBG		160,527	160,527	
County Sales Tax	974,857	1,462,691	1,543,918	893,630
Saferoom Grant	1,208		1,205	3
CSSP-BB	33,195	74,961	102,524	5,632
Hardware Upgrade	479			479
Civil Defense	12,856	7,407	12,934	7,329
Trash Dumping	400			400
Free Fair	46,834	34,679	31,043	50,470
Courthouse C.O.	35,432			35,432
Sinking Fund	295			295
Combined Total--All County Funds	\$ 2,891,504	\$ 8,721,562	\$ 8,710,066	\$ 2,903,000

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

LINCOLN COUNTY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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.

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.

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.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Clerk's Lien Fee – revenues are from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk'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 – revenues are from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public 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.

County Sales Tax – revenues are from a county sales tax. Disbursements are as described in footnote 9.

Saferoom Grant – revenues are from a federal grant. Disbursements are to provide assistance to residents of the County for the construction of saferooms.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

Civil Defense – revenues are from state and federal funds. Disbursements are for civil defense uses.

Trash Dumping – revenues are from fines. Disbursements are 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.

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.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, school districts and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations.

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 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, the general fund and the 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 by fund, office, or department and object. The County Board of Commissioners may

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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. 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 per year; and over 10 years of service earn 18 days. Annual accruals are limited to 5 days.

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, 2003, was approximately \$114,625,895.

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.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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, 2004, were approximately 95.98 percent of the tax levy.

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 various risks of loss as follows:

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - Torts - Errors and Omissions - Law Enforcement Officers Liability - Vehicle	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Group. (See 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.
Physical Plant - Theft - Damage to Assets - Natural Disasters		
Worker's Compensation - Employees' Injuries	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee - Medical - Disability - Dental - Life	The County carries commercial insurance.	None

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 \$50,000 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.

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

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Funding Policy

The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the plan for the years ending June 30, 2004, 2003, and 2002, were \$235,985.62, \$246,478.43, and \$257,937.05, respectively, equal to the required contributions for each year.

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

The County 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 County.

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. 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)

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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:

- 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

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, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 249,603	\$ 249,603	\$ 247,389	\$ (2,214)
Less: Prior Year Outstanding Warrants	(98,506)	(98,506)	(98,506)	
Less: Prior Year Encumbrances	(28,735)	(28,735)	(27,323)	1,412
Beginning Cash Balances, Budgetary Basis	<u>122,362</u>	<u>122,362</u>	<u>121,560</u>	<u>(802)</u>
Receipts:				
Ad Valorem Taxes	1,010,086	1,010,087	1,108,578	98,491
Charges for Services	156,457	156,457	165,455	8,998
Intergovernmental Revenues	207,614	207,614	215,651	8,037
Miscellaneous Revenues	66,538	67,130	67,259	129
Total Receipts, Budgetary Basis	<u>1,440,695</u>	<u>1,441,288</u>	<u>1,556,943</u>	<u>115,655</u>
Expenditures:				
District Attorney	3,000	3,000	2,960	40
Total District Attorney	<u>3,000</u>	<u>3,000</u>	<u>2,960</u>	<u>40</u>
County Sheriff	416,150	416,150	415,140	1,010
Total County Sheriff	<u>416,150</u>	<u>416,150</u>	<u>415,140</u>	<u>1,010</u>
County Treasurer	99,107	99,700	99,107	593
Total County Treasurer	<u>99,107</u>	<u>99,700</u>	<u>99,107</u>	<u>593</u>
County Clerk	135,281	135,281	135,280	1
Total County Clerk	<u>135,281</u>	<u>135,281</u>	<u>135,280</u>	<u>1</u>
Court Clerk	97,122	97,122	97,122	-
Total Court Clerk	<u>97,122</u>	<u>97,122</u>	<u>97,122</u>	<u>-</u>
County Assessor	101,538	101,538	100,915	623
Total County Assessor	<u>101,538</u>	<u>101,538</u>	<u>100,915</u>	<u>623</u>

continued on next page

The accompanying notes 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, 2004

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	173,753	173,753	148,125	25,628
Total Revaluation of Real Property	173,753	173,753	148,125	25,628
General Government	451,893	451,893	451,884	9
Total General Government	451,893	451,893	451,884	9
Excise-Equalization Board	2,875	2,875	2,044	831
Total Excise-Equalization Board	2,875	2,875	2,044	831
County Election Board	56,107	56,107	56,107	
Capital Outlay	1,318	1,318	1,318	
Total County Election Board	57,425	57,425	57,425	-
Civil Defense	3,600	3,600		3 600
Total Civil Defense	3,600	3,600	-	3,600
County Audit Budget Account	16,313	16,313		16 313
Total County Audit Budget Account	16,313	16,313	-	16,313
Provision for Interest on Warrants	5,000	5,000	4,569	431
Total Expenditures, Budgetary Basis	1,563,057	1,563,650	1,514,571	49,079
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	163,932	\$ 163,932
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			31,088	
Add: Current Year Outstanding Warrants			91,742	
Ending Cash Balance			\$ 286,762	

The accompanying notes 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, 2004**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 124,635	\$ 124,635	\$ 124,635	\$ -
Less: Prior Year Outstanding Warrants	(150)	(150)	(150)	
Less: Prior Year Encumbrances	(19,059)	(19,059)	(18,681)	378
Beginning Cash Balances, Budgetary Basis	<u>105,426</u>	<u>105,426</u>	<u>105,804</u>	<u>378</u>
Receipts:				
Ad Valorem Taxes	252,522	252,522	277,140	24,618
Charges for Services		27,216	27,216	
Miscellaneous Revenues			162	162
Contribution from other Funds	4,055	4,055		(4,055)
Total Receipts, Budgetary Basis	<u>256,577</u>	<u>283,793</u>	<u>304,518</u>	<u>20,725</u>
Expenditures:				
Health and Welfare	352,003	379,219	274,259	104,960
Capital Outlay	10,000	10,000	340	9,660
Total Expenditures, Budgetary Basis	<u>362,003</u>	<u>389,219</u>	<u>274,599</u>	<u>114,620</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	135,723	<u>\$ 135,723</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			20,807	
Ending Cash Balance			<u>\$ 156,530</u>	

The accompanying notes 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, 2004**

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 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, 2004**

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 debt and this residual balance will eventually be transferred to the general fund in accordance with 62 O.S. § 445.

INTERNAL CONTROL AND COMPLIANCE SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**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, 2004, 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 September 27, 2005. 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. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion 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 Lincoln County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying schedule of findings as item 98-1.

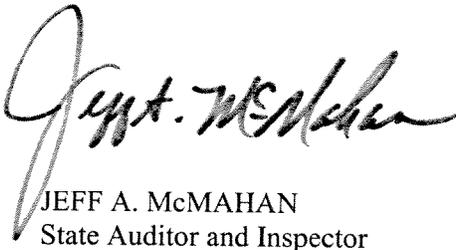
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being 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 believe the reportable condition described above is 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



JEFF A. McMAHAN
State Auditor and Inspector

September 27, 2005

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 98-1 - Segregation of Duties (Repeat Finding)

Criteria: The overall goal of accounting principles generally accepted in the United States of America as they relate to governmental entities is to demonstrate accountability and stewardship to be used in evaluating management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

Condition: Based on inquiries of County personnel, it was noted that the duties of receiving, receipting, recording, and depositing collections were not adequately segregated.

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

Recommendation: Management should be aware of these conditions and realize the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of office operations and a periodic review of those operations.