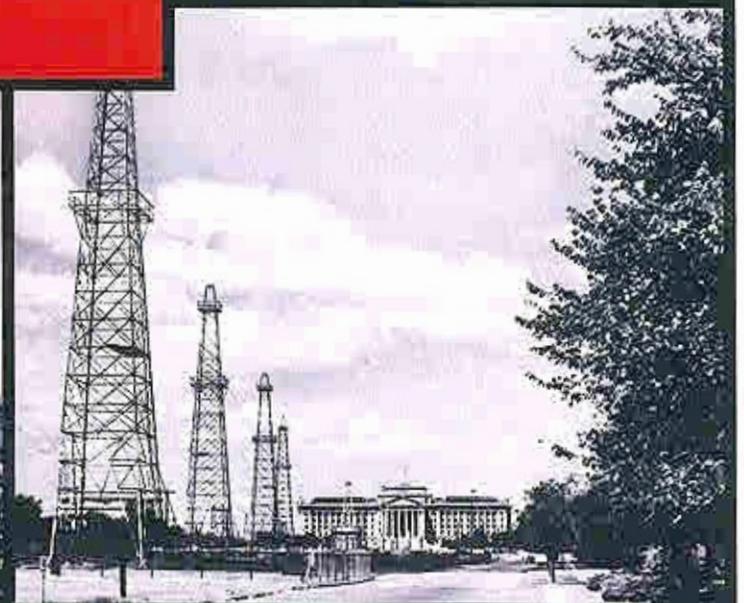


County Audit

**Lincoln County,
Oklahoma**

**For The Fiscal Year Ended
June 30, 2005**



**Office of the Oklahoma State Auditor and Inspector
Jeff A. McMahan, CFE**

**LINCOLN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

This publication is printed and issued by the State Auditor and Inspector as authorized by 19 O.S. § 171. Pursuant to 74 O.S. § 3105.B, thirty-five (35) copies have been prepared and distributed at a cost of \$93.91. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

September 18, 2007

TO THE CITIZENS OF
LINCOLN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Lincoln County, Oklahoma, for the fiscal year ended June 30, 2005. 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 black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

**LINCOLN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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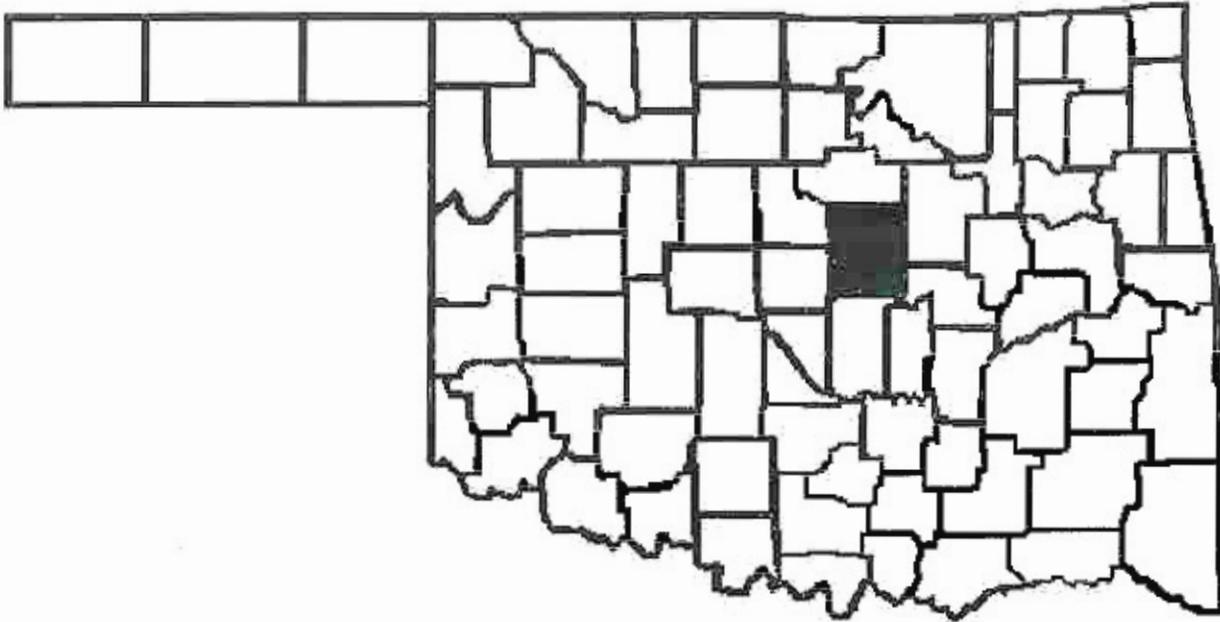
**LINCOLN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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REPORT TO THE CITIZENS
OF
LINCOLN COUNTY, OKLAHOMA



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

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

County Seat – Chandler

Area – 965.62 Square Miles

County Population – 32,386
(2004 est.)

Farms – 2,218

Land in Farms – 472,446 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

**LINCOLN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

Linda Turk
(D) Chandler
To January 2005

Debbie Greenfield
(D) Chandler
January 2005 to present

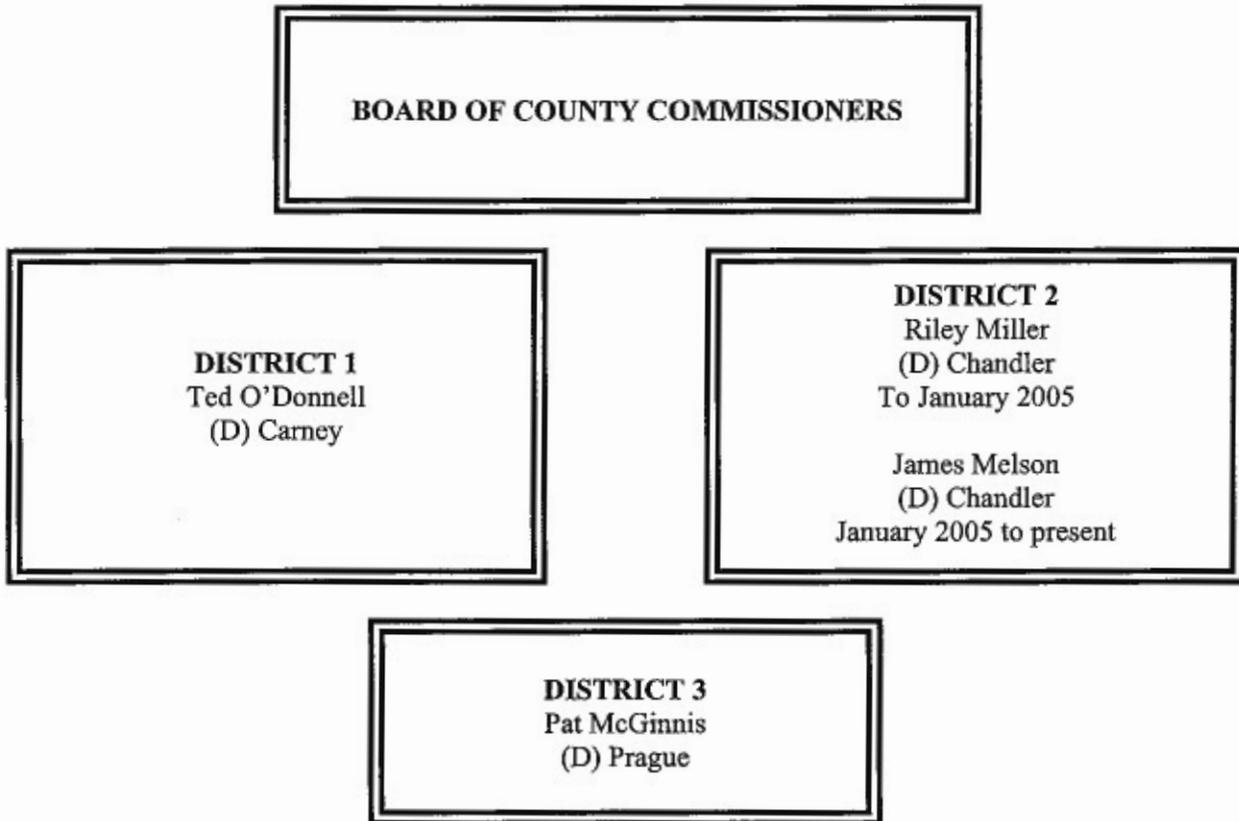
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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, 2005**



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, 2005**

<p>COUNTY SHERIFF Dale McNelly (D) Carney To January 2005</p> <p>A.T. Brixey (R) Chandler January 2005 to present</p>
--

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.

<p>COUNTY TREASURER Babe Milam (D) Chandler</p>
--

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, 2005**

COURT CLERK

Linda Siler
(D) Davenport
To January 2005

Cindy Kirby
(D) Chandler
January 2005 to present

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, 2005**

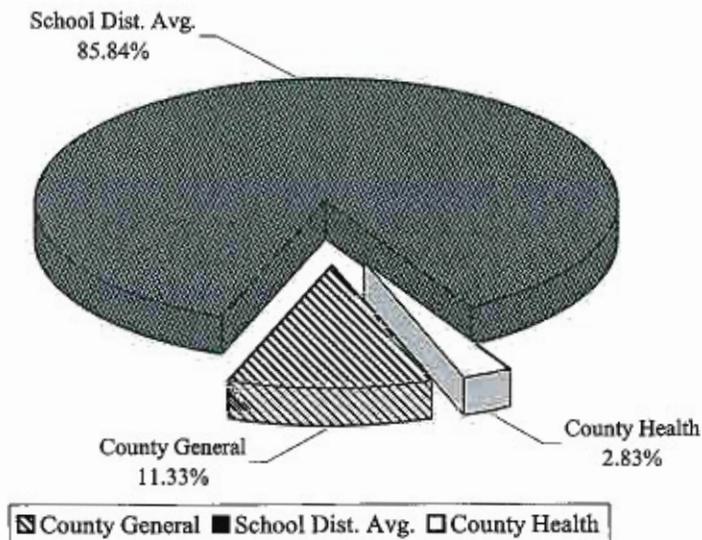
<p>ELECTION BOARD SECRETARY Melissa Stambaugh (D) Davenport</p>
--

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, 2005**

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.	Skg.	Career Tech	Common	Total
Co. General	10.00	Chandler	I-1	35.00	5.00	19.19	15.00	4.00	78.19
County Health	2.50	Davenport	I-3	35.00	5.00	24.41	13.00	4.00	81.41
		Wellston (Lincoln)	I-4	35.00	5.00	16.93	15.00	4.00	75.93
		Wellston (Logan)	I-4	36.76	5.25	16.93	15.00	4.00	77.94
		Stroud	I-54	35.00	5.00	16.77	13.00	4.00	73.77
		Meeker (Lincoln)	I-95	35.00	5.00	15.81	15.00	4.00	74.81
		Meeker (Pott)	I-95	36.28	5.18	15.81	15.00	4.00	76.27
		Prague (Lincoln)	I-103	35.00	5.00	13.36	15.00	4.00	72.36
		Prague (Pott)	I-103	36.62	5.23	13.36	15.00	4.00	74.21
		Carney	I-105	35.00	5.00	27.99	15.00	4.00	86.99
		Agra	I-134	35.00	5.00	20.17	15.00	4.00	79.17
		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, 2005
(UNAUDITED)**

Total net assessed value as of January 1, 2004		<u>\$ 115,264,897</u>
Debt limit - 5% of total assessed value		5,763,245
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>295</u>	<u>-</u>
Legal debt margin		<u>\$ 5,763,245</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, 2005
 (UNAUDITED)**

	2004
Estimated population	32,386
Net assessed value as of January 1, 2004	\$ 115,264,897
Gross bonded debt	-
Less available sinking fund cash balance	295
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**LINCOLN COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)**

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2004	\$19,690,620	\$29,008,660	\$74,901,899	\$8,336,282	\$115,264,897	\$1,047,862,700

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, 2005, 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.

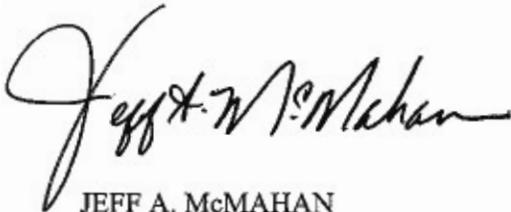
As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between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

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Lincoln County as of June 30, 2005, 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, 2005, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2007, 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.



JEFF A. McMAHAN
State Auditor and Inspector

September 10, 2007

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, 2005**

	Beginning Cash Balances July 1, 2004	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2005
Combining Information:				
County General Fund	\$ 290,161	\$ 1,615,474	\$ 1,563,876	\$ 341,759
Highway Cash	724,981	4,190,318	3,890,516	1,024,783
County Health	156,530	327,915	287,224	197,221
Courthouse Capital Outlay	35,432			35,432
Courthouse Insurance Cash Fund Management		20,000		20,000
Assessor Visual Inspection	243		203	40
Sheriff Service Fee	66,697	114,729	128,153	53,273
County Clerk Lien Fee	50,014	16,193	15,267	50,940
Sheriff Dispatching	26,452	24,139	44,232	6,359
Free Fair	50,470	28,709	27,916	51,263
Sheriff Trash Dumping Fund	400			400
Resale Property	285,339	114,106	105,102	294,343
Sheriff Board Bills	4,042	13,449	12,851	4,640
Assessor Hardware Upgrade	479			479
Treasurer Certification Fee	41,252	11,823	31,460	21,615
CSSP-BB (Prisoners)	79,092	117,337	164,523	31,906
Safe Room Grant	3	86,132	69,116	17,019
County Clerk Preservation Fee	116,070	59,655	79,013	96,712
County Use Tax	51,759	83,698	62,005	73,452
County Sales Tax	893,630	1,529,107	1,576,641	846,096
COEDD Grant	59,000	22,000	22,000	59,000
Assessor Revolving Fund	8,808	5,121	1,369	12,560
County Sinking	295			295
Sheriff Commissary	4,937	2,921	4,937	2,921
CSSP	36,457	845	37,081	221
Combined Total--All County Funds	\$ 2,982,543	\$ 8,383,671	\$ 8,123,485	\$ 3,242,729

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

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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:

County General Fund - accounts for the general operations of the government.

Highway Cash - accounts for state, local and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

County Health - accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

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

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

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

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

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

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

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

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

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

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

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

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

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

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

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

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

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

County Sinking – accounts for the payment of interest and principal on the matured portion of long-term bonded debt and civil judgments.

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

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

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including county health departments, 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 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.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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). At June 30, 2005 the balance on deposit at Vision Bank was under-collateralized by \$5,000.

F. Investments

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

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

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

G. Compensated Absences

Employees with 1 to 5 years of service earn 10 days of annual leave per year; 6 to 10 years of service earn 15 days per year; and over 10 years of service earn 18 days. Annual accruals are limited to 5 days.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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, 2004, was approximately \$115,264,897.

The County levied 10.00 mills (the legal maximum) for general fund operations and 2.5 mills for county health department. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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, 2005, were approximately 94.79 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.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

4. Risk Management

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

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers Liability • Vehicle 	The County 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 <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 		
Workers' Compensation <ul style="list-style-type: none"> • Employees' Injuries 	The County carries commercial insurance.	None
Employee <ul style="list-style-type: none"> • Medical • Disability • Dental • Life 	The County carries commercial insurance.	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 \$10,000 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 workers' 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.

LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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.

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, 2005, 2004, and 2003 were \$246,575, \$246,478, and \$257,937, 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.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

8. Contingent Liabilities

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

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. On April 1, 2003, Lincoln County voters approved extending the sales tax for another five years. The sales tax revenues received are designated for the following uses with money over capped amounts to go into the Lincoln County Courthouse Capital Outlay Fund:

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

10. Restatement of Beginning Balance as Reported

Due to the reclassification of funds for fiscal year ending June 30, 2004, the ending balance as reported is different than the June 30, 2005, beginning balance. The difference is due to three funds reported as county funds that should have been trust and agency, resulting in a reduction of \$42,944. One fund was reported as trust and agency that should have been county funds, resulting in an increase of \$63,937. Additionally, errors were detected and corrected by the budget maker on the County Cash basis financial budget for the FYE June 30, 2004. These errors were not corrected by the County until 2005, resulting in a restatement of beginning fund balance.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Prior Year Ending as Reported	\$ 2,903,000
Funds Moved to Trust and Agency	(42,944)
Funds Moved to County Funds	63,937
Restatement 2004 Fund Balance	58,550
Prior Year Ending Balance as Restated	<u>\$ 2,982,543</u>

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, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 290,161	\$ 290,161	\$ 290,161	\$ -
Less: Prior Year Outstanding Warrants	(91,741)	(91,741)	(91,741)	
Less: Prior Year Encumbrances	(31,088)	(31,088)	(31,088)	
Beginning Cash Balances, Budgetary Basis	<u>167,332</u>	<u>167,332</u>	<u>167,332</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	1,047,684	1,047,684	1,133,532	85,848
Charges for Services	157,909	157,909	190,361	32,452
Intergovernmental Revenues	205,668	205,668	212,620	6,952
Miscellaneous Revenues	36,815	43,634	78,961	35,327
Total Receipts, Budgetary Basis	<u>1,448,076</u>	<u>1,454,895</u>	<u>1,615,474</u>	<u>160,579</u>
Expenditures:				
District Attorney	4,500	4,500	4,446	54
Total District Attorney	<u>4,500</u>	<u>4,500</u>	<u>4,446</u>	<u>54</u>
County Sheriff	422,650	422,650	422,623	27
Total County Sheriff	<u>422,650</u>	<u>422,650</u>	<u>422,623</u>	<u>27</u>
County Treasurer	80,069	85,180	85,180	-
Total County Treasurer	<u>80,069</u>	<u>85,180</u>	<u>85,180</u>	<u>-</u>
County Clerk	142,397	142,397	142,397	-
Total County Clerk	<u>142,397</u>	<u>142,397</u>	<u>142,397</u>	<u>-</u>
Court Clerk	99,522	99,522	99,207	315
Total Court Clerk	<u>99,522</u>	<u>99,522</u>	<u>99,207</u>	<u>315</u>
County Assessor	110,222	110,222	109,993	229
Total County Assessor	<u>110,222</u>	<u>110,222</u>	<u>109,993</u>	<u>229</u>

continued on next page

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

LINCOLN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	178,524	178,524	140,889	37,635
Total Revaluation of Real Property	<u>178,524</u>	<u>178,524</u>	<u>140,889</u>	<u>37,635</u>
General Government	481,312	483,020	472,984	10,036
Total General Government	<u>481,312</u>	<u>483,020</u>	<u>472,984</u>	<u>10,036</u>
Excise-Equalization Board	2,200	2,200	2,141	59
Total Excise-Equalization Board	<u>2,200</u>	<u>2,200</u>	<u>2,141</u>	<u>59</u>
County Election Board	57,425	57,425	57,425	-
Total County Election Board	<u>57,425</u>	<u>57,425</u>	<u>57,425</u>	<u>-</u>
Civil Defense	3,750	3,750	3,750	-
Total Civil Defense	<u>3,750</u>	<u>3,750</u>	<u>3,750</u>	<u>-</u>
County Audit Budget Account	27,837	27,837	27,837	-
Total County Audit Budget Account	<u>27,837</u>	<u>27,837</u>	<u>27,837</u>	<u>-</u>
Provision for Interest on Warrants	5,000	5,000	2,498	2,502
Total Expenditures, Budgetary Basis	<u>1,615,408</u>	<u>1,622,227</u>	<u>1,571,370</u>	<u>50,857</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	211,436	<u>\$ 211,436</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			41,783	
Add: Current Year Outstanding Warrants			88,540	
Ending Cash Balance			<u>\$ 341,759</u>	

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

LINCOLN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 156,530	\$ 156,530	\$ 156,530	\$ -
Less: Prior Year Encumbrances	(20,807)	(20,807)	(20,807)	
Beginning Cash Balances, Budgetary Basis	<u>135,723</u>	<u>135,723</u>	<u>135,723</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	261,921	261,921	283,374	21,453
Miscellaneous Revenues		44,531	44,541	10
Total Receipts, Budgetary Basis	<u>261,921</u>	<u>306,452</u>	<u>327,915</u>	<u>21,463</u>
Expenditures:				
Health and Welfare	360,000	404,532	318,288	86,244
Capital Outlay	37,644	37,643	8,509	29,134
Total Expenditures, Budgetary Basis	<u>397,644</u>	<u>442,175</u>	<u>326,797</u>	<u>115,378</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	136,841	<u>\$ 136,841</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			60,380	
Add: Current Year Outstanding Warrants				
Ending Cash Balance			<u>\$ 197,221</u>	

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

**LINCOLN COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Beginning Cash Balance	\$ 295
Receipts:	
Total Receipts	-
Disbursements:	
Total Disbursements	-
Ending Cash Balance	\$ 295

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

**LINCOLN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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.

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, 2005, 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 10, 2007. 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Lincoln County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings and responses as items 2005-1, 2005-4 and 2005-5.

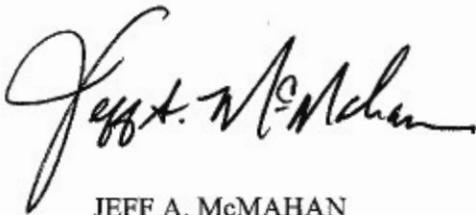
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being 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, of the reportable conditions described above, we consider item 2005-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2005-2.

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

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



JEFF A. McMAHAN
State Auditor and Inspector

September 10, 2007

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

Finding 2005-1—Segregation of Duties

Criteria: Demonstration of accountability and stewardship are goals 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 inquires of County personnel, it was noted that the duties of receiving, receipting, recording, and depositing collections were not adequately segregated. Payroll preparation, review, and distribution are not adequately segregated.

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

Recommendation: We recommend management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desired 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 operations.

Views of responsible officials and planned corrective actions: Management is aware of the condition and has taken steps to provide regular reviews to minimize the impact of the lack of adequate segregation of duties.

Finding 2005-2—Pledged Securities

Criteria: Title 62 O.S. § 511 states, "Any custodian of public funds of any kind or character, required by law to secure proper collateral before depositing public funds in a bank or trust company, shall hereafter, in depositing public funds in a bank or trust company whose deposits are insured by the Federal Deposit Insurance Corporation, be required to secure proper collateral only for sums deposited in excess of the amount of deposit insured by such Federal Deposit Insurance Corporation."

Title 62 O.S. § 513 states, "...treasurers of counties...having custody, control and management of any public or trust fund or funds charged with the safekeeping and deposit of said fund...are hereby specifically authorized to deposit said fund or funds...in an amount and to the extent that such deposit is fully insured by the Federal Savings and Loan Insurance Corporation or any other instrumentality of the United States Government." Title 62 O.S. § 517.3.A. states in part, "All public deposits made by a treasurer of a public entity in financial institutions shall be secured as provided for in the Security for

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Local Public Deposits Act.” Also, 19 O.S. § 121 states in part, “the county treasurer shall take from each of such banks security in a sum equal to the largest approximate amount that may be deposited in each bank respectively at any one time.”

Condition: We noted that Vision Bank deposits for the months tested of December 2004, January 2005, March 2005, April 2005, and June 2005 were under-collateralized in the amount of \$5,000 for each of these months. We also noted that pledged securities reflected on the monthly report did not match the market value as verified with the depository bank.

Effect: The County is not in compliance with the above listed statutes.

Recommendation: We recommend the County Treasurer monitor county pledges routinely to ensure that deposits are adequately secured and verify market values of pledge securities are adequate to secure County deposits at all the County’s depository banks.

Views of responsible officials and planned corrective actions: The banks are now sending pledge security reports monthly and the County Treasurer’s office is maintaining a closer eye on pledge securities during heavy tax collection months.

Finding 2005-4—Reconciliations by Treasurer and County Clerk Offices

Criteria: The overall goal of effective internal controls as they relate to governmental entities in evaluating management’s accounting for funds is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds, reconciliations should be performed in a timely manner.

Condition: Based on test work procedures performed, it appears that reconciliations are not being performed and maintained between the Treasurer’s warrant register and the County Clerk’s warrant and appropriation ledger.

Effect: By failing to reconcile accounts in a timely manner the risk of misstatement or misappropriation increases.

Recommendation: We recommend management take steps to ensure that reconciliations are performed on a monthly basis and that the reconciliation be approved/reviewed by someone other than the preparer.

Views of responsible officials and planned corrective actions: The County Clerk and Treasurer’s office will begin to reconcile at the end of this month.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Finding 2005-5—Payroll Warrant Register

Criteria: The overall goal of effective internal controls as they relate to governmental entities in evaluating management's accounting for funds is to demonstrate accountability and stewardship. A demonstration of accountability would be the warrants register being signed by the elected official or designated employee picking up payroll checks.

Condition: We noted that no one is signing the warrant register when picking up payroll warrants from the County Clerk's payroll clerk.

Effect: The possibility of misappropriation of County monies.

Recommendation: We recommend that the warrant register be signed by the elected official or the designated employee when picking up payroll warrants, in order to properly account for the disposition of payroll checks.

Views of responsible officials and planned corrective actions: The County Clerk's office will require everyone picking up payroll warrants to sign the register.

SECTION 2—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 2005-3—Waived Penalties and Interest

Criteria: Title 68 O.S. § 2913.F states, "The county treasurer may waive penalties and interest where it is shown to the county treasurer that such penalties or interest were incurred through no fault of the taxpayer. Each waiver of penalties or interest shall be audited by the Office of the State Auditor and Inspector each year during the annual audit of the county offices."

Condition: It was noted in some instances that the County Treasurer's office waived penalties or interest during the 2005 fiscal year, and no documentation was maintained to determine the amount of penalties and interest waived or the reason for the waiver, other than documentation within the receipt, which could not be individually identified as to waived amounts.

Effect: The County is not documenting evidence to support the waiver of penalties or interest, which could result in undetected errors and misappropriation of assets.

Recommendation: We recommend that management maintain a file to record the dollar amount of penalties and interest waived and the reason for the waiver of any delinquent taxes. This file should be available for audit at all times.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Views of responsible officials and planned corrective actions: The Treasurer's office will begin to maintain a file for all waived penalty and interest.

Finding 2005-6—Protest Tax

Criteria: 62 O.S. 331 states, "For the purposes of simplifying budgetary accounting of the several counties and other municipal subdivisions of the State of Oklahoma, all public officers charged under the law with making financial statements, budgets, levies, and accounting for public funds of such municipal subdivisions of the state are hereby directed and required to account for all such public funds in the manner provided for in this act.

First. All funds for current requirements arising out of an ad valorem tax levy assessed and collected under the provisions of Section 9, Article X, Constitution, as amended, except Separate School Funds, are hereby declared to constitute the "General Fund" of such county, city, town, independent or dependent school district, or other municipal subdivisions of the state. All special "Funds" arising out of an ad valorem tax levy, within the limitations of said Section 9, Article X, Constitution, except Separate School Funds, authorized or required by existing laws to be devoted to a specific or special purpose, or that may hereafter be so authorized or required, unless specifically excepted, shall, from and after the effective date of this act, be accounted for as integral "budget accounts" within and as a part of the said "General Fund." Each such integral budget account shall bear the title ascribed by law to such special purpose, and it shall be subject to be so itemized for purpose of appropriation as the law may direct for the accomplishment of such special purpose, and none of the items of appropriation within such special budget account shall ever be expended for any purpose other than provided by the law creating such special fund (now budget account) nor shall any part of it ever be available for transfer to any other budget account within the General Fund. It is provided, however, that cancellation and/or transfer between the several items of appropriation for a special purpose within the limitations and in the manner provided by law is hereby authorized."

Condition: The County Treasurer apportioned protest tax money into the General Fund. This resulted in an overstatement of the ending cash balance in the General Fund. The budget maker did not know of the overstatement and the 2005-2006 budget included the \$158,193 of protest tax money, which could have resulted in the County spending money that did not belong to the County. However, the County did not spend the protest tax and the protest tax was transferred out of the General Fund in FYE June 30, 2006.

Effect: The County could have spent money that does not belong to them.

Recommendation: We recommend the County Treasurer take greater care when apportioning funds; if unsure of where the money goes or how it is to be handled, the County Treasurer should obtain guidance in order to avoid the overstatement of the General Fund budget.

Views of responsible officials and planned corrective actions: Protest Tax is now being maintained in a trust account and is accruing interest.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Finding 2005-7—Treasurer Monthly Reports

Criteria: The overall goal of effective internal control as they relate to governmental entities in evaluating management's accounting for funds is to demonstrate accountability and stewardship.

Condition: We found the following conditions in the County Treasurer's office:

1. By running credit card payments through the general fund, receipts and disbursements are overstated on the Treasurer's monthly reports.
2. Occasionally, monthly report ending balances do not agree to the next months beginning balances.
3. Considerable errors are being made on apportionments and the registering of warrants.
4. Funds are being combined on the monthly report, resulting in some funds being unreported and other fund activity being overstated.

Effect: The County Treasurer reports are often incorrect and individual fund activity is not being reported monthly.

Recommendation: We recommend the County Treasurer verify that beginning balances as reported are the same as the prior months ending balance; that apportionments by fund on the apportionment ledger agree to the money's collected for that fund for the month; that warrants are properly posted; and that all funds be separately reported on the Treasurer's monthly reports.

Views of responsible officials and planned corrective actions: The Treasurer is cross training other employees in the office on financial matters in order to relieve some of the burden off of the First Deputy. The First Deputy will then review the reports and reconcile to the County Clerk on a monthly basis further reducing the risk of errors.