

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

---

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, 35 copies have been prepared and distributed at a cost of \$72.45. 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

April 30, 2003

TO THE CITIZENS OF  
LOGAN COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon".

JEFF A. McMAHAN  
State Auditor and Inspector

LOGAN COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

---

**TABLE OF CONTENTS**

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Logan County.....	ii
County Officials and Responsibilities.....	iii
Ad Valorem Tax Distribution.....	viii

FINANCIAL SECTION

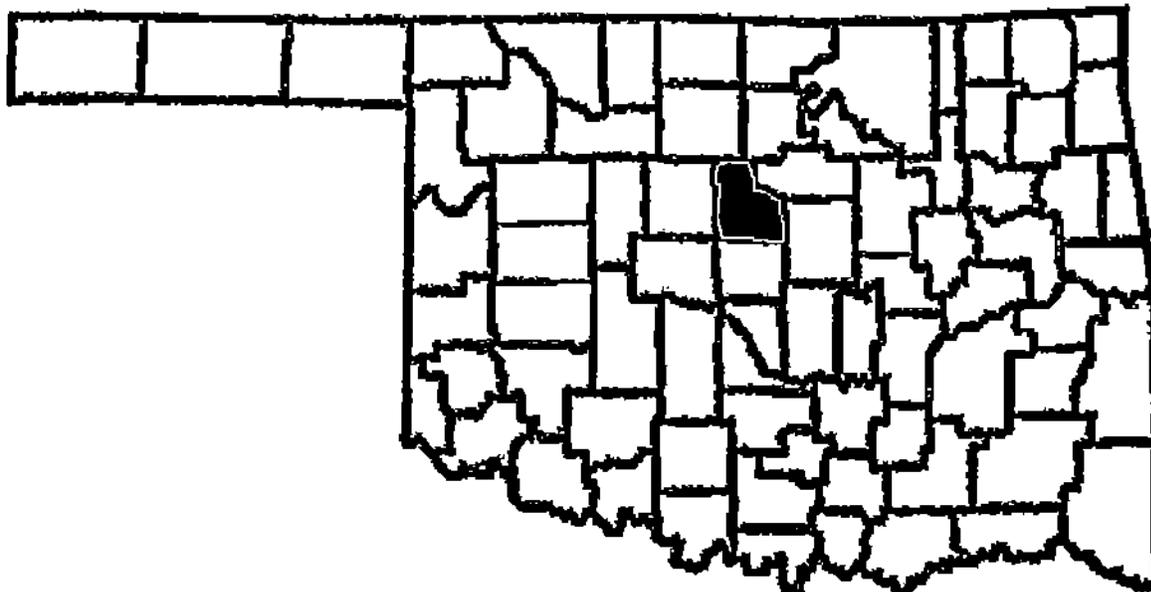
Report of State Auditor and Inspector.....	1
Primary Government Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Group.....	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types .....	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue (County Health Department only) Funds .....	5
Notes to the Financial Statements.....	6

COMPLIANCE/INTERNAL CONTROL SECTION

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	16
---	----

REPORT TO THE CITIZENS  
OF  
LOGAN COUNTY, OKLAHOMA

---



Logan County was settled by the Land Run of April 22, 1889. It was designated as County No. 1 when Oklahoma Territory was organized in 1890. The county seat, Guthrie, was the capital of Oklahoma Territory and the original state capital.

Places of interest include the Oklahoma Territorial Museum, the Oklahoma State Capital Publishing Museum, the Scottish Rite Masonic Temple, and the Lazy E Arena complex.

County Seat - Guthrie

Area - 744.6 Square Miles

County Population - 30,437  
(1999 est.)

Farms - 983

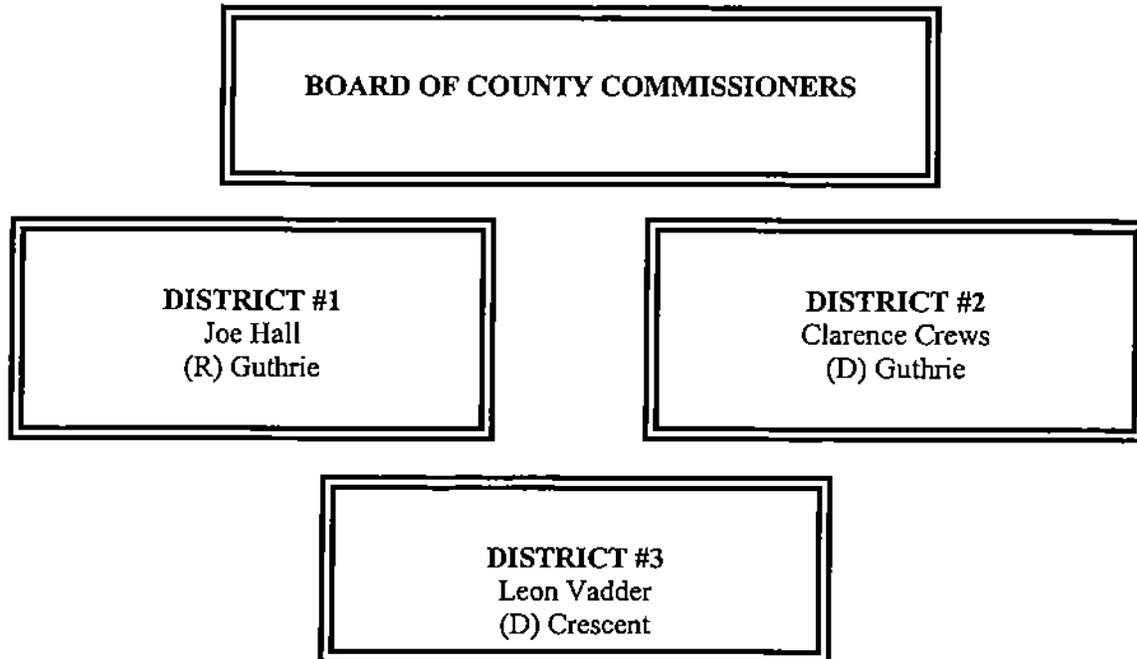
Land in Farms - 380,529 Acres

Source: Oklahoma Almanac 2001-2002

See independent auditor's report

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

---



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

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

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

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

---

**COUNTY SHERIFF**  
Randy Richardson  
(D) Guthrie

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**  
Sheila Longnecker  
(R) Guthrie

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

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

See independent auditor's report

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

---

**COURT CLERK**  
Mariann Carroll  
(D) Guthrie

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**  
Robert Hudson  
(D) Guthrie

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.

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

---

**COUNTY ASSESSOR**  
Jacquelyn Gouch  
(D) Guthrie

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**  
Mary Lou Orndorff  
(D) Guthrie

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

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

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

See independent auditor's report

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

---

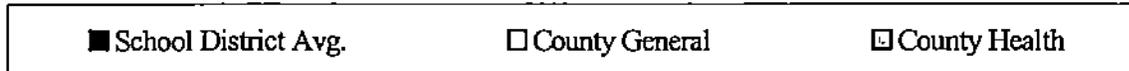
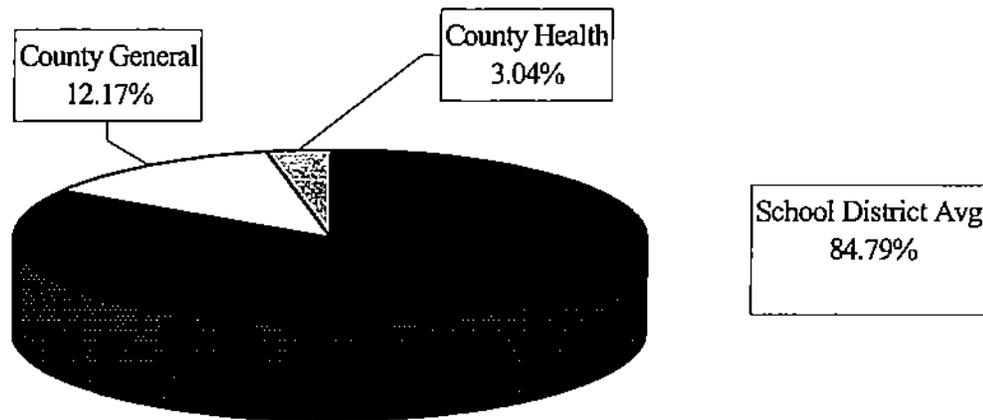
**ELECTION BOARD SECRETARY**  
Dondee Klein  
(D) Guthrie

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

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

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

Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of 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.	Vo-Tech	Common Schools	Total
Co. General	10.24	Guthrie I-1	35.84	5.12	11.90	15.37	4.09	72.32
Co. Health	2.56	Crescent I-2	35.90	5.13	13.50	15.37	4.09	73.99
		Mulhall-Orlando I-3	36.20	5.17	18.94	15.37	4.09	79.77
<u>Other</u>		Coyle I-4	36.42	5.20	8.24		4.09	53.95
		Oklahoma I-3	36.32	5.19	18.84	15.57	4.09	80.01
I-1 EMS	3.07	Oklahoma I-89	35.58	5.08	6.81		4.09	51.56
I-2 EMS	3.08	Oklahoma I-6	35.70	5.10	34.35	15.33	4.09	94.57
		Oklahoma I-12	35.69	5.10	24.41	15.33	4.09	84.62
		Payne I-56	35.00	5.00	16.22	15.37	4.09	75.68
		Kingfisher I-89	35.32	5.05	11.70		4.09	56.16
		Garfield I-94	35.84	5.12	11.48	15.34	4.09	71.87
		Lincoln I-4	36.76	5.25		15.60	4.09	61.70

See independent auditor's report

**Independent Auditor's Report**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Independent Auditor's Report**

TO THE OFFICERS OF  
LOGAN COUNTY, OKLAHOMA

We have audited the accompanying primary government financial statements of Logan County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of Logan County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1(A), the financial statements referred to above do not include the financial statements of the Logan County Trust Authority, a component unit of Logan County, which should be included in order to conform with accounting principles generally accepted in the United States of America. Those financial statements, which are prepared by other auditors, were not available for inclusion in our report.

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

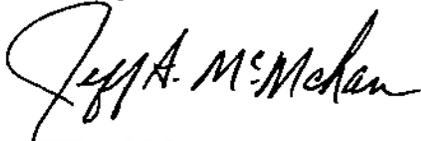
A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, except for the effect on the primary government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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2003, on our consideration of Logan County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the primary government financial statements of Logan County, Oklahoma, 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 such data.

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahen". The signature is written in black ink and is positioned above the printed name and title.

JEFF A. McMAHAN  
State Auditor and Inspector

January 23, 2003

**Primary Government Financial Statements**

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

	Governmental Fund Types			Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Trust and Agency	General Long-Term Debt	
<b><u>ASSETS</u></b>						
Cash	\$ 628,299	\$ 3,098,242	\$ 604	\$ 1,081,793	\$	\$ 4,808,938
Ad valorem taxes receivable	17,704	4,426	30	128,203		150,363
Sales tax receivable		40,382		161,526		201,908
Accrued interest receivable	1,464	283				1,747
Due from other governments	30,857	227,816		13,043		271,716
Amount to be provided for capitalized lease agreements					693,950	693,950
Total assets	<u>\$ 678,324</u>	<u>\$ 3,371,149</u>	<u>\$ 634</u>	<u>\$ 1,384,565</u>	<u>\$ 693,950</u>	<u>\$ 6,128,622</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
Liabilities:						
Warrants payable	\$ 160,448	\$ 291,244	\$	\$	\$	\$ 451,692
Accounts payable	52,234	170,016				222,250
Due to other taxing units				671,454		671,454
Due to others				713,111		713,111
Capitalized lease obligations payable					693,950	693,950
Total liabilities	<u>212,682</u>	<u>461,260</u>	<u>-</u>	<u>1,384,565</u>	<u>693,950</u>	<u>2,752,457</u>
Fund balances:						
Reserved for encumbrances	27,750	76,644				104,394
Unreserved:						
Undesignated	437,892	2,833,245	634			3,271,771
Total fund balances	<u>465,642</u>	<u>2,909,889</u>	<u>634</u>	<u>-</u>	<u>-</u>	<u>3,376,165</u>
Total liabilities and fund balances	<u>\$ 678,324</u>	<u>\$ 3,371,149</u>	<u>\$ 634</u>	<u>\$ 1,384,565</u>	<u>\$ 693,950</u>	<u>\$ 6,128,622</u>

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

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

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,432,736	\$ 473,164	\$ 634	\$ 1,906,534
Sales tax		508,984		508,984
Charges for services	216,489	618,431		834,920
Intergovernmental revenues	372,676	2,444,330		2,817,006
Miscellaneous revenues	117,613	297,645		415,258
<b>Total revenues</b>	<u>2,139,514</u>	<u>4,342,554</u>	<u>634</u>	<u>6,482,702</u>
<b>Expenditures:</b>				
<b>Current operating:</b>				
General government	1,340,514	291,878		1,632,392
Public safety	630,596	164,589		795,185
Culture & recreation	26,879			26,879
Education	26,909			26,909
Health and welfare	566	370,131		370,697
Roads and highways	154,081	3,347,323		3,501,404
<b>Total expenditures</b>	<u>2,179,545</u>	<u>4,173,921</u>	<u>-</u>	<u>6,353,466</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(40,031)</u>	<u>168,633</u>	<u>634</u>	<u>129,236</u>
<b>Other financing sources (uses):</b>				
Capitalized lease agreements	79,446	596,231		675,677
<b>Total other financing sources (uses)</b>	<u>79,446</u>	<u>596,231</u>	<u>-</u>	<u>675,677</u>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<u>39,415</u>	<u>764,864</u>	<u>634</u>	<u>804,913</u>
<b>Beginning fund balances</b>	<u>426,227</u>	<u>2,145,025</u>		<u>2,571,252</u>
<b>Ending fund balances</b>	<u>\$ 465,642</u>	<u>\$ 2,909,889</u>	<u>\$ 634</u>	<u>\$ 3,376,165</u>

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

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

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance	County Health Department		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 336,149	\$ 345,795	\$ 9,646	\$ 159,651	\$ 163,928	\$ 4,277
Revenues:						
Ad valorem taxes	1,325,441	1,432,677	107,236	331,360	357,970	26,610
Charges for services	175,614	216,489	40,875	36,059	36,059	
Intergovernmental revenues	192,677	344,473	151,796	25	1,551	1,526
Miscellaneous revenues	106,427	118,838	12,411		1,605	1,605
Total revenues, budgetary basis	<u>1,800,159</u>	<u>2,112,477</u>	<u>312,318</u>	<u>367,444</u>	<u>397,185</u>	<u>29,741</u>
Expenditures:						
Current operating:						
General government	1,375,573	1,319,891	55,682			
Public safety	555,635	546,046	9,589			
Culture and recreation	26,985	26,966	19	527,095	369,653	157,442
Education	26,148	25,965	183			
Health and welfare	566	566				
Roads and highways	151,401	150,971	430			
Total expenditures, budgetary basis	<u>2,136,308</u>	<u>2,070,405</u>	<u>65,903</u>	<u>527,095</u>	<u>369,653</u>	<u>157,442</u>
Excess of revenues and beginning fund balances over (under) expenditures, budgetary basis	<u>\$ -</u>	<u>387,867</u>	<u>\$ 387,867</u>	<u>\$ -</u>	<u>191,460</u>	<u>\$ 191,460</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem taxes receivable		17,704			4,426	
Sales tax receivable						
Accrued interest receivable		1,464				
Due from other governments		30,857				
Reserved for encumbrances		<u>27,750</u>			<u>4,687</u>	
Ending fund balances		<u>\$ 465,642</u>			<u>\$ 200,573</u>	

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

**Notes to the Financial Statements**

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, the County is required to present the entities that comprise the primary government and its legally separate component units in the fiscal year 2002 financial statements.

Component Unit

Logan County Trust Authority

The Logan County Trust Authority is a public trust organized under the Oklahoma Trust Act. The Authority is a component unit of Logan County because the board is substantially the same as the governing board of the primary government. The Logan County Trust Authority's financial statements were not available for inclusion with the financial statements of the County.

Related Organizations Excluded from the Reporting Entity

The County officials are also responsible for appointing the members of the boards of other organizations but the County's accountability for these organizations does not extend beyond making the appointments. These organizations are not included in the financial statements of the reporting entity.

Logan County Hospital and Medical Authority

Logan County Industrial Development Authority

B. Fund Accounting

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

Summary of Significant Accounting Policies (continued)

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

Funds are classified into the following categories: governmental and fiduciary.

Governmental Funds

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

Fiduciary Funds

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

Account Groups

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

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

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. All governmental fund types are accounted for using

Summary of Significant Accounting Policies (continued)

a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these fund types present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

D. Budgetary Policies and Procedures

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

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

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

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue (County Health Department only) Funds presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Revenues,

Summary of Significant Accounting Policies (continued)

Expenditures, and Changes in Fund Balances - All Governmental Fund Types because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

E. Cash

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

F. Receivables

All receivables are reported at their gross value.

G. Interest Receivable

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

H. Fixed Assets

While the County presently maintains some individual records of personal property, it does not keep similar records for land, buildings, and improvements. For this reason, a Statement of General Fixed Assets, required by accounting principles generally accepted in the United States of America, is not presented on the Combined Balance Sheet - All Fund Types and Account Group.

I. Risk Management

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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability	The County participates in a	If claims exceed pool
- Torts	public entity risk pool -	assets, the County would
- Errors and Omissions	Association of County	have to pay its share of
- Law Enforcement	Commissioners of Oklahoma -	the pool deficit.
Officers Liability	Self-Insured Group. (See	
- Vehicle	ACCO-SIG.)	

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

---

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Worker's Compensation -Employees' Injuries	The County participates in a public entity risk pool. (See ACCO Self-Insured Fund ACCO-SIF)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life -Medical -Disability -Dental -Life	The County carries commercial insurance for these types of risk.	None

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

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

The County continues to carry commercial insurance for employees' health and accident insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. No significant reductions in insurance coverage occurred during the fiscal year ended June 30, 2002.

Summary of Significant Accounting Policies (continued)

J. Compensated Absences

The County does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and may be accumulated. Leave must be used before December 31 of each year or it is lost. Leave is accrued at the following rates:

<u>After</u>	<u>Accrued</u>
6 Months	5 Days
1 Year	10 Days
10 Years	15 Days

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

K. Long-Term Obligations

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

L. Memorandum Only - Total Columns

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

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Account Balances

A. Deposits

Title 62 O.S. § 348.1 authorizes the County Treasurer to invest in:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- General obligation 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

At year-end, the carrying amount of the County's deposits was \$4,808,938 and the bank balance was \$4,817,636. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

B. Receivables

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

The net assessed property value as of January 1, 2001, was approximately \$142,381,321. The County levied 10.24 mills for general fund operations and 2.56 mills for the County Health Department. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and apportions the ad valorem taxes collected to the appropriate taxing units.

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

Current year tax collections for the year ended June 30, 2002, were approximately 91 percent of the tax levy.

Detailed Notes on Account Balances (continued)

C. Pension Plan

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

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 contributed between 5% and 10% of earned compensation for fiscal year 2002. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributed 10% of earned compensation for elected officials. The County's contributions to the plan for the years ending June 30, 2002, 2001, and 2000, were \$177,993, \$176,074, and \$161,732, respectively, equal to the required contributions for each year.

D. Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest-free. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all subsequent pieces of machinery acquired. The one-time fee is reported as interest. Oklahoma Statutes prohibit the County from entering into contracts of this nature longer than one year. For this reason, these lease-purchase agreements do not qualify for capitalization until the year the lease-purchase agreements are completed and title to the equipment is transferred to the County. However, because it is the County's intent to exercise its right to purchase this property, the lease-purchase agreements have been capitalized to conform to accounting principles generally accepted in the United States of America. The unpaid portions of these agreements have been reflected as capitalized lease obligations within the general long-term debt account group.

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

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

Detailed Notes on Account Balances (continued)

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$153,609	\$34,027	\$187,636
2004	155,974	25,537	181,511
2005	172,737	14,962	187,699
2006	86,810	9,477	96,287
2007	<u>124,820</u>	<u>4,241</u>	<u>129,061</u>
Total	<u>\$ 693,950</u>	<u>\$ 88,244</u>	<u>\$ 782,194</u>

During the year, the County capitalized leases totaling \$675,677 and paid \$98,002 on the outstanding balances of lease-purchase agreements.

E. Long-Term Debt

Changes in Long-Term Debt

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

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2002</u>
Capital leases	\$ <u>116,275</u>	\$ <u>675,677</u>	\$ <u>98,002</u>	\$ <u>693,950</u>
Total	\$ <u>116,275</u>	\$ <u>675,677</u>	\$ <u>98,002</u>	\$ <u>693,950</u>

F. Fund Balance

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

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

Detailed Notes on Account Balances (continued)

G. Sales Tax

The voters of Logan County approved a 1% sales tax effective April 14, 1992. This sales tax is unlimited in duration. The sales tax was established to provide revenue for the operation and maintenance of the hospital owned by the County and leased to the Logan County Hospital and Medical Center Authority.

The voters of Logan County approved a ¼ of 1% sales tax, effective October 1, 2000, for the duration of five (5) years. The sales tax was established for the purpose of assisting County fire departments.

H. Fuel Taxes

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

4. Contingent Liabilities

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

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



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

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

TO THE OFFICERS OF  
LOGAN COUNTY, OKLAHOMA

We have audited the financial statements of Logan County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated January 23, 2003. We qualified our opinion because the general fixed assets account group was not included in the financial statements. The financial statements present only the primary government of Logan County and do not include the financial activities of the County's component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Logan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

**Finding 97-1 (Repeat Finding) – General Fixed Assets**

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

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

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

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

**Finding 97-2 (Repeat Finding) – Information and Communication**

Criteria: The Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, requires that the County's financial statements include their component units.

Condition: The component unit of the County did not provide audited financial statements prepared in accordance with accounting principles generally accepted in the United States of America for inclusion in the County's financial statements.

Effect: The County's financial statements do not include their component unit as required by GASB Statement 14 and therefore, do not present fairly the financial position of the County.

Recommendation: The County should require its component unit to furnish complete audited financial statements reported on the modified accrual basis of accounting for inclusion in the County's financial statements.

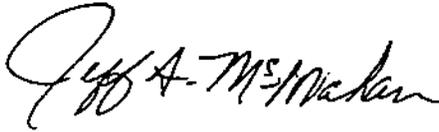
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider items 97-1 and 97-2 to be material weaknesses.

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

This report is intended solely for the information and use of the management of the County and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahán". The signature is written in a cursive style with a large, looping initial "J".

JEFF A. McMAHAN  
State Auditor and Inspector

January 23, 2003