

COUNTY AUDIT

LOGAN COUNTY

For the fiscal year ended June 30, 2010



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**LOGAN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Oklahoma State Auditor & Inspector

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April 24, 2012

TO THE CITIZENS OF
LOGAN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Logan County, Oklahoma for the fiscal year ended June 30, 2010. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

**LOGAN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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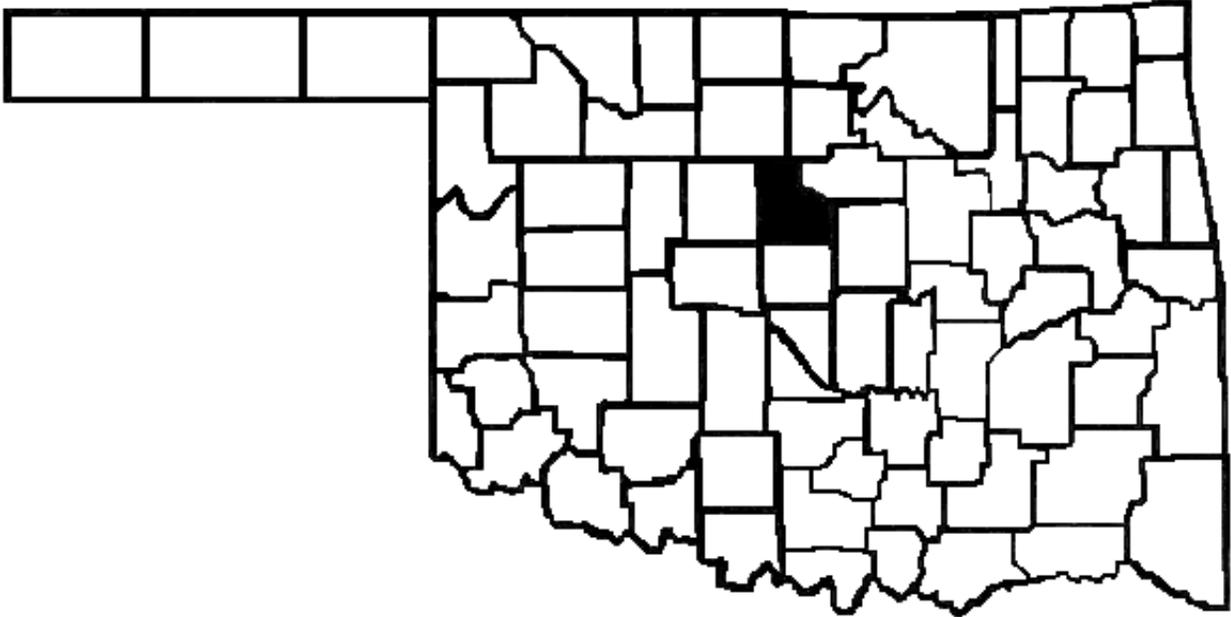
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**REPORT TO THE CITIZENS
OF
LOGAN COUNTY, OKLAHOMA**



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 – 748.92 Square Miles

County Population – 36,435
(2007 est.)

Farms – 1,241

Land in Farms – 403,810 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor's report.

**LOGAN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

COUNTY ASSESSOR

Jackie Gooch

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

Troy Cole

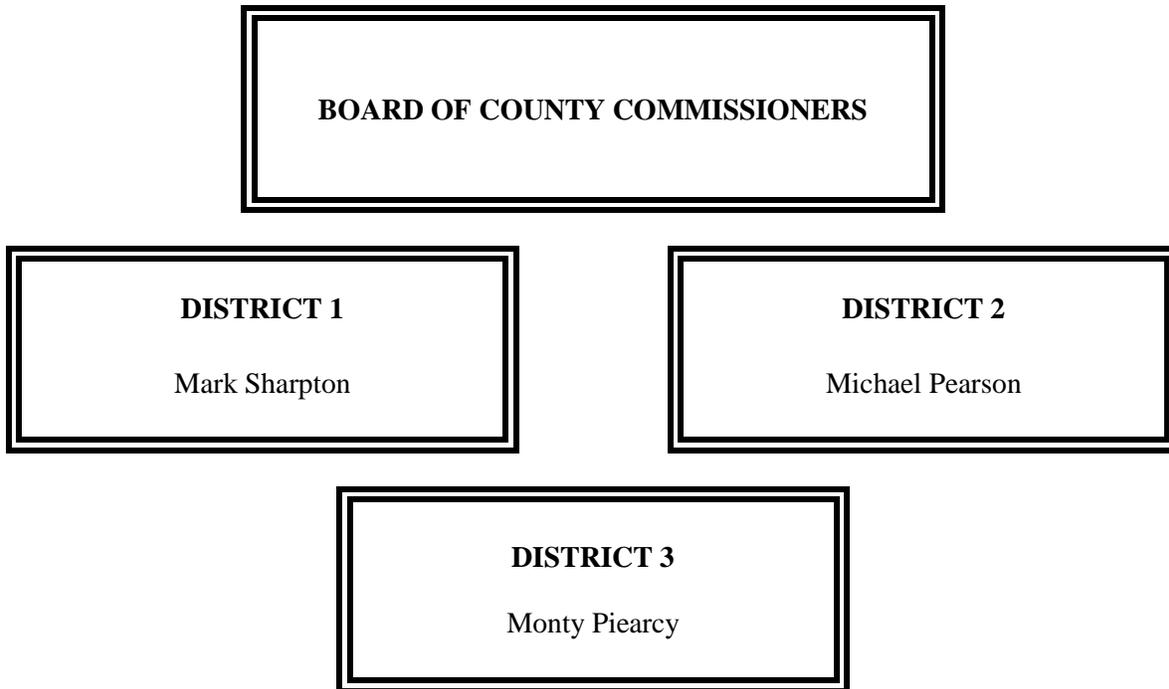
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**LOGAN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**



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.

**LOGAN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

COUNTY SHERIFF

Jim Bauman

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

Sherri Longnecker

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.

See independent auditor's report.

**LOGAN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

COURT CLERK

ReJeania Zmek

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.

DISTRICT ATTORNEY

Rob Hudson

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.

**LOGAN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

ELECTION BOARD SECRETARY

Erin Dorio

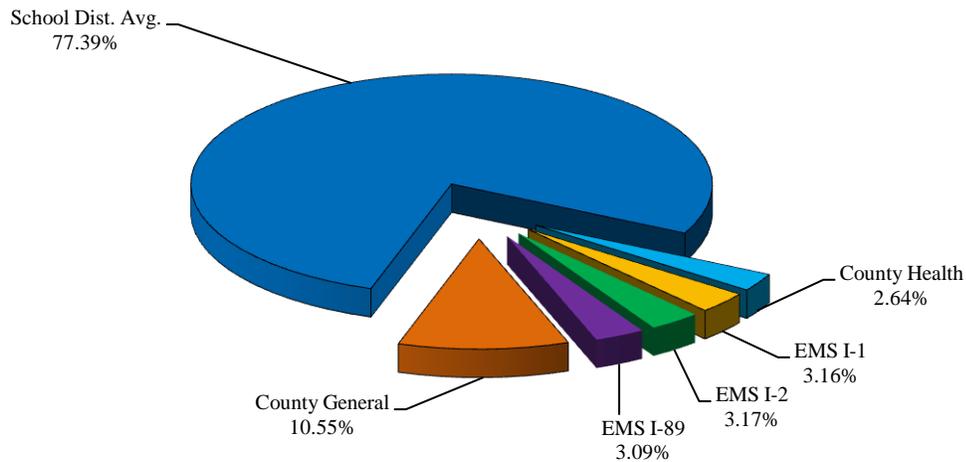
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

**LOGAN COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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		Total
							Tech	Common	
County General	10.24								
County Health	2.56	Guthrie	I-1	35.84	5.12	13.76	15.37	4.09	74.18
EMS I-1	3.07	Crescent	I-2	35.90	5.13	13.20	15.33	4.09	73.65
EMS I-2	3.08	Muhall-Orlando	I-3	36.20	5.17	11.67	15.37	4.09	72.50
EMS I-89	3.00	Coyle	I-4	36.42	5.20	10.86	-	4.09	56.57
		Payne	I-56	36.79	5.26	20.88	15.37	4.09	82.39
		Kingfisher	I-89	35.32	5.05	15.63	-	4.09	60.09
		Garfield	I-94	35.84	5.12	13.45	15.34	4.09	73.84
		Lincoln	I-4	36.76	5.25	15.50	15.60	4.09	77.20
		Oklahoma	I-3	36.32	5.19	13.70	15.57	4.09	74.87
		Oklahoma	I-6	35.70	5.10	35.51	15.33	4.09	95.73
		Oklahoma	I-12	35.69	5.10	24.40	15.33	4.09	84.61

See independent auditor's report.

**LOGAN COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

Total net assessed value as of January 1, 2009		<u>\$ 264,125,803</u>
Debt limit - 5% of total assessed value		13,206,290
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 13,206,290</u>

See independent auditor's report.

**LOGAN COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

	2010
Estimated population	36,435
Net assessed value as of January 1, 2009	\$ 264,125,803
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**LOGAN COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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>
1/1/2009	\$ 26,960,188	\$ 39,098,950	\$ 206,634,412	\$ 8,567,747	\$ 264,125,803	\$ 2,294,698,651

See independent auditor's report.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Independent Auditor's Report

TO THE OFFICERS OF
LOGAN COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Logan County, Oklahoma, as of and for the year ended June 30, 2010, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Logan County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

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

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Logan County as of June 30, 2010, 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 Logan County, for the year ended June 30, 2010, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2012, 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, 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. Logan County has not presented the budgetary comparison information for the Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances – Budget and Actual – Budgetary Basis – General Fund and Health Department Fund. Although not a part of the basic financial statement, such information is an integral part of the regulatory presentation for county government. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

April 4, 2012

Basic Financial Statement

**LOGAN COUNTY, OKLAHOMA
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 (WITH COMBINING INFORMATION)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Beginning Cash Balances July 1, 2009	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2010
Combining Information:				
County General Fund	\$ 1,148,183	\$ 3,714,097	\$ 4,011,037	\$ 851,243
Highway Cash	1,870,583	3,151,169	3,858,998	1,162,754
County Health	583,997	698,177	542,693	739,481
Resale Property	356,453	274,217	196,139	434,531
County Sinking	1,005		1,005	
Assessor Visual Inspection	352		352	
Commissary Profits	1,392			1,392
Sheriff Training Fund	131			131
County Sales Tax Fire District	1,505,534	633,081	862,986	1,275,629
Sheriff Drug Forfeiture	14,961	1,216		16,177
Fee Cash	917,655	259,832	1,177,487	
Reward Fund	915			915
Combined Total--All County Funds	\$ 6,401,161	\$ 8,731,789	\$ 10,650,697	\$ 4,482,253

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

**LOGAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 Logan County, Oklahoma. The financial statement referred to includes only the primary government of Logan County, Oklahoma, and does not include financial information for any of the primary government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. 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 – revenue is from ad valorem taxes, officers' fees, sales tax, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

Highway Cash – revenue is from state imposed fuel taxes 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.

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

**LOGAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

County Sinking - accounts for the payment of long-term debt. All debt was paid in full during the year ending June 30, 2003.

Assessor Visual Inspection – accounts for state collections. Disbursed as restricted by statute.

Commissary Profits – revenues are from profits derived from a commissary for county jail inmates.

Sheriff Training Fund – accounts for local collections. Disbursed to train deputies in public safety procedures.

County Sales Tax Fire District – accounts for sales tax collections. Disbursed to local volunteer fire departments.

Sheriff Drug Forfeiture – revenues are from the sale of items forfeited in drug related cases. Disbursements are for public safety and law enforcement.

Fee Cash – revenues are from collections received from treasurer, sheriff, assessor, and county clerk. Disbursements are for those office operations as restricted by statute.

Reward Fund – accounts for state collections. Disbursements are to stop illegal trash dumping.

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

C. Basis of Accounting

The basic financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year,

**LOGAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

E. Cash

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

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

F. Investments

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

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

**LOGAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may not be accumulated. After 6 continuous months of service, an employee will earn 5 days a year. Employees with service years from 1 to 10 years earn 10 days per year. Employees with service years exceeding 10 years earn 15 days per year. Vacation leave is accrued monthly. Vacation leave is paid upon termination.

Sick leave benefits are accrued at the rate of 3.33 hours per month and employees may accumulate up to 1,040 hours. Sick leave is not paid upon termination.

Personal leave benefits are not accumulated and expire at the end of the year. Full-time employees are entitled to 3 days per calendar year for personal business.

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, 2009, was approximately \$264,125,803.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.24 mills for general fund operations, 2.56 mills for county health department, and 3.00, 3.07, and 3.08 mills, respectively, for emergency medical service. In addition, the County collects the ad valorem taxes assessed by school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

Current year tax collections for the year ended June 30, 2010, were approximately 97.05 percent of the tax levy.

**LOGAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

3. Fuel Tax

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

4. Risk Management

ACCO-SIG – The County is exposed to the various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group (ACCO-SIG). If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.

5. Long-term Obligations

Capital Leases

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

6. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine

**LOGAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 10.5% and 15.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 15.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2010, 2009, and 2008, were \$611,252, \$593,085, and \$403,285, respectively, equal to the required contributions for each year.

2.5% Step-Up. Members have the option to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service.

7. Other Post Employment Benefits (OPEB)

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

8. Contingent Liabilities

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

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

9. Sales Tax

In September of 2008, the voters of Logan County approved a decrease from the 1% sales tax to $\frac{3}{4}$ % of 1%. This sales tax became effective January 1, 2008, and is unlimited in duration. The sales tax was established to provide revenue to be used to further any lawful purpose (including, but not limited to the support, capital improvements for and operation and maintenance) of the hospital. The hospital is owned by the County and leased to Logan County Hospital and Medical Center Authority. This sales tax flows through a trust and agency account.

**LOGAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The voters of Logan County authorized to extend a $\frac{1}{4}$ of 1% sales tax, effective October 1, 2005, for the duration of five years. The sales tax was established for the purpose of assisting county fire departments.

On March 1, 2005, the voters of Logan County approved a $\frac{3}{4}$ of 1% sales tax, effective July 1, 2005, and terminating after ten years or at the date of retirement of any debt incurred for land acquisition, construction, financing, furnishing, and equipping a new county jail and related facilities.

OTHER SUPPLEMENTARY INFORMATION

**LOGAN COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Beginning Cash Balance	<u>\$ 1,005</u>
Receipts	<u>-</u>
Total Receipts	<u>-</u>
Disbursements	<u>1,005</u>
Total Disbursements	<u>1,005</u>
Ending Cash Balance	<u><u>\$ -</u></u>

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

**LOGAN COUNTY, OKLAHOMA
NOTE TO THE OTHER SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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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
LOGAN COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Logan County, Oklahoma, as of and for the year ended June 30, 2010, which comprises Logan County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated April 4, 2012. Further, Logan County has not presented budgetary comparison information for the General Fund and County Health Department Fund that should have been included as supplementary information. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. 2010-1, 2010-2, 2010-3, 2010-4 and 2010-5. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

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

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

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

April 4, 2012

**LOGAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 2010-1—Encumbrance of Purchase Orders (Repeat Finding)

Criteria: Statutory control requirements have been established for county government for the timely encumbrance of county purchase orders.

Title 19 O.S. § 1505.C(1)(2) states in part:

The procedure for the purchase of...shall be as follows: (1) The county purchasing agent shall prepare a purchase order... and submit it... to the county clerk; (2) The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order.

Condition: During our procedures performed, in testing 44 purchase orders, there were 3 instances noted in which goods or services were received prior to funds being encumbered in the Logan Highway Fund and the General Fund.

Cause: The County is not following purchasing procedures established by state statutes.

Effect: This condition results in the County having misstated financial reports, unrecorded transactions, and being in violation of the law, regulation, or legislative intent. This condition could also result in judgments being levied against the County.

Recommendation: OSAI recommends that the County place an emphasis on encumbering funds prior to receiving goods or services as set forth in 19 O.S. § 1505.C(1)(2).

Management Response: All effort is made to ensure proper purchasing procedures are followed. When an item is non-compliant, that item is flagged, signed by the Requisitioning Officer and is approved by the Board of County Commissioners. Logan County will emphasize to all departments the importance of following purchasing procedures and encumbering funds prior to receiving goods.

Finding 2010-2-Revenue—Miscoding of Oklahoma Tax Commission Revenue

Criteria: An internal control objective is to ensure all transactions are analyzed and accurately posted to the correct account for the correct amount.

Condition: During test work conducted for Oklahoma Tax Commission Revenue, two exceptions were noted. Logan County deposited two amounts in differing accounts from what the Oklahoma Tax Commission specified.

**LOGAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Cause: The County failed to deposit Oklahoma Tax Commission Revenue in the specified account.

Effect: Depositing funds into the incorrect account could lead to the misstatement of funds.

Recommendation: OSAI recommends that deposits are verified for accuracy to ensure funds are deposited properly.

Management Response: Miscoding was done in human error. Great care is and will continue to be taken to prevent future miscoding error. The coding error did not cause funds to be placed into the wrong fund or account.

Finding 2010-3—Estimate of Needs – Budget to Actual (Repeat Finding)

Criteria: The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent. Effective internal controls as they relate to government entities financial reporting should assist in fulfilling government's duty to be publicly accountable and should enable users access to that accountability by demonstrating whether resources were obtained and used in accordance with the entity's adopted budget.

Condition: During our examination of the Estimate of Needs for Logan County, the following was noted:

- The County Health Fund revenues exceeded expenditures by \$36,183 for the Original Budget.
- The County Health Fund had \$12,016 in expenditures that were incurred in excess of appropriations.
- The County General Fund revenues exceeded expenditures by \$15,109 for the Original Budget and \$15,110 for the Final Budget.
- The County General Fund had \$34,259 in expenditures that were incurred in excess of appropriations.

Cause: The County failed to present a complete and correct Estimate of Needs.

Effect: This condition results in an incomplete and/or incorrect Estimate of Needs being approved by the Excise Board and results in the County being unable to present an accurate Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances – Budget and Actual – Budgetary Basis – General Fund and Health Fund.

Recommendation: OSAI recommends the financial records of the County be a true and accurate reflection of the County's financial activity for the year.

**LOGAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Management Response: Logan County employed a new budget maker who was not completely familiar with county budgeting procedures. Logan County will confer with the budget maker and SA&I to ensure accurate record keeping.

Finding 2010-4—Disaster Recovery Plan Estimate (Repeat Finding)

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support 4), information services function management should ensure that a written disaster recovery plan is documented and contains the following:

- Guidelines on how to use the recovery plan;
- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution;
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc., and a source and alternative source defined;
- Training and/or awareness of individual and group roles in continuity plan;
- Listing of contracted service providers;
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation;
- Current names, addresses, telephone/pager numbers of key personnel;
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support) DS11.6 Security Requirements for Data Management, management should define and implement policies and procedures to identify and apply security requirements applicable to the receipt, processing, storage and output of data to meet business objectives, the organization's security policy and regulatory requirements.

Condition: The County Clerk and County Treasurer both have Disaster Recovery Plans; however the County Treasurer's Disaster Recovery Plan has not been updated since 2002. The County Clerk does not have any written polices describing proper use of county office computer equipment or written policies that detail duties performed on computers.

Cause: The County failed to update and implement a Disaster Recovery Plan.

**LOGAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Effect: The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. Storing backup tapes in several locations in the event of a disaster could cause significant problems in ensuring county business could continue uninterrupted. Without an IT security policy in place, the County is at risk of a loss of financial and taxpayer data as well as a risk for misappropriation of county assets.

Recommendation: OSAI recommends the County develop a formal Disaster Recovery Plan. The County should study and act on different proposals to ensure that backup tapes of all records in the County are stored in a safe, secure and remote location, off the premises from the courthouse, where information could be easily retrieved by authorized personnel in the event of a disaster. OSAI further recommends that prior to storage, all backup data be tested to determine the data is reliable and working. OSAI also recommends management establish and implement a computer and internet policy that describes acceptable computer and internet usage by county employees.

Management Response: The County Treasurer has updated their Disaster Recovery Plan. The County Clerk will implement computer use policies.

Finding 2010-5—Appropriation Ledger

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. Clerical errors can be minimized through supervisory review and segregation of duties.

Condition: Based upon test work performed, the Appropriation Ledger reported amount of \$23,776,459.03 did not match the ACL Ad Valorem data received from the County Treasurer which totaled \$23,789,572.03. This created a variance of \$13,113.

Cause: The County failed to review the amounts entered into the Appropriation Ledger.

Effect: This could result in the possible misstatement of budgeted funds.

Recommendation: OSAI recommends someone other than the individual who enters the budget amounts on the appropriation ledger verify that correct amounts are entered for the budgeted funds in order to prevent clerical errors that could result in overstating budget accounts.

Management Response: I have spoken to Tom Martin who is the IT person for the Treasurer's office. He and I have concluded that the only explanation for the variance is because of any unfinished or incorrect apportionment dates, which would cause some numbers to be left hanging out there. When any data is gathered it would gather the unused numbers. All of my monthly reports, apportionments, general ledgers, appropriation ledgers and bank statements all balance. The Treasurer balances to the County Clerk and the banks as well as all other offices. There is no other explanation that there would be or should be any variances except for in the gathering of data.

**LOGAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

Finding 2010-6—Consumable Inventory

Criteria: Title 19 O.S. § 1502 prescribes procedures for administering a consumable inventory of items purchased in lots of Five Hundred Dollars (\$500.00) or more. In addition, safeguarding controls are an aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls such as performing periodic counts of consumable inventories and reconciling those counts to inventory records are deficiencies of internal control.

Condition: Based on procedures performed we noted the following regarding fuel:

District	Consumable Description	Inventory Amount	Amount Verified	Variance
District 1	Diesel	1718.61 Gal.	1013 Gal.	705.61 Gal.
District 1	Unleaded	1066.07 Gal.	901 Gal.	165.07 Gal.
District 2	Diesel	8008.8 Gal.	4758.5 Gal.	3250.3 Gal.
District 2	Unleaded	351.46 Gal.	860.32 Gal.	508.86 Gal.
District 3	Diesel	6678 Gal.	6489.5 Gal.	188.5 Gal.
District 3	Unleaded	619.5 Gal.	979 Gal.	359.5 Gal.

Cause: The County failed to keep accurate and up-to-date records of fuel.

Effect: Without proper documentation and recording of inventory, the inventory may be misstated or misappropriated.

Recommendation: OSAI recommends that more emphasis be placed on maintaining accurate inventory records for consumable items. OSAI also recommends that periodic counts of consumable inventory be conducted and documented.

Management Response: District 1 – District 1 has a computer controlled fuel distribution system and each employee must put in a code specific to the user and to the vehicle being fueled. This provides a printable record of who accesses fuel and when. However, in 2011, software for the system failed. In order to access fuel, the system had to be manually overridden. We believe this event contributed to a variance in fuel amounts. Since that event, District 1 has purchased new, updated software and in the future plans to monitor and document whenever a software, hardware or electrical outage problem occurs so that fuel usage may be accurately accounted for.

**LOGAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

District 2 – For many years Logan County District 2 has kept a log on which all employees are required to write the amount of fuel they pump, the vehicle it was put in and initial the entry. At the end of each day the pump readouts are recorded. Every week these numbers are transferred to a form which was downloaded from the Oklahoma State Auditor’s website and the employee log is reconciled with the pump readouts. By this method internal controls are in place to detect any unauthorized access and on what day it would have occurred.

These figures are then recorded in the Kellpro accounting program using transfer documents. In Kellpro the fuel used is subtracted from the purchase order which corresponds with the price per gallon which was paid for the fuel. While this process accurately tracks the purchase orders, fuel receipts and how much is used, it does not give a running total of how much fuel was in the tanks on any given day.

In order to correct this we have inserted a column on the Oklahoma State Auditor’s form whereby the daily usage is subtracted from fuel received.

District 3 – The clock gauge on the fuel tank is incorrect and has been since we received it. We have had it worked on twice to no avail.



OFFICE OF THE STATE AUDITOR AND INSPECTOR

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