

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

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June 15, 2006

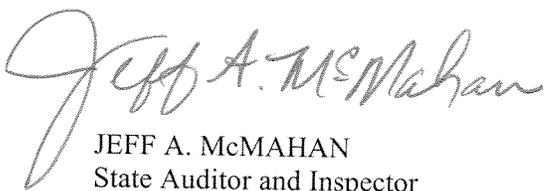
TO THE CITIZENS OF
LOGAN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Logan County, Oklahoma, for the fiscal year ended June 30, 2005. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

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

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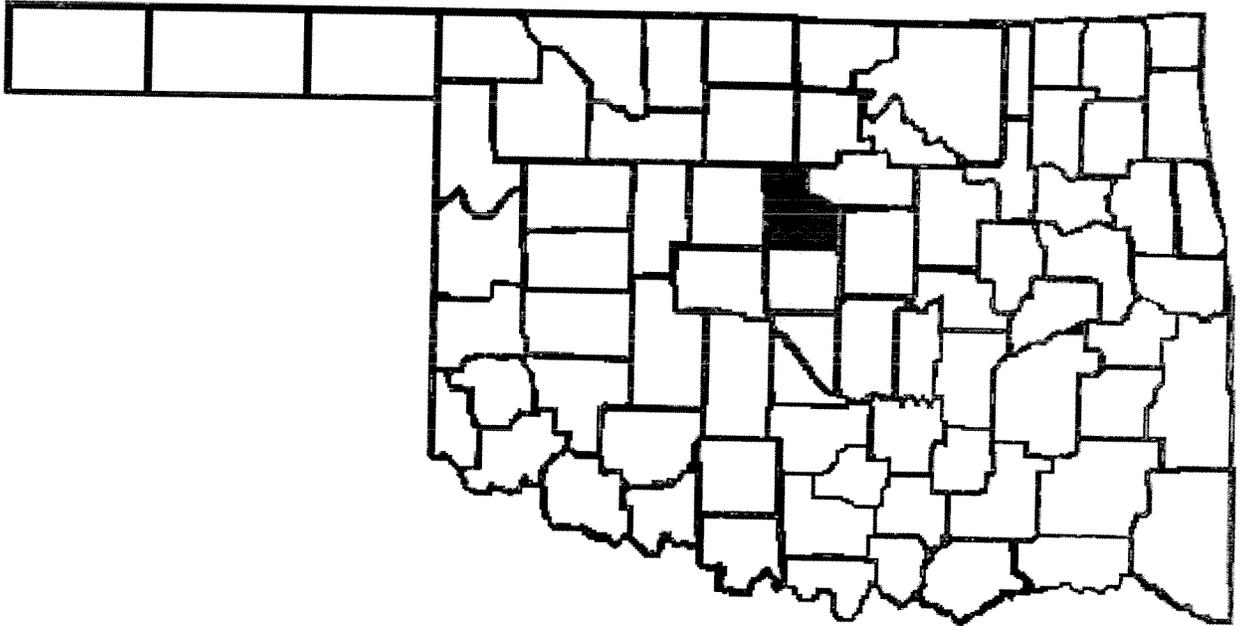
**LOGAN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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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 – 36,301
(2004 est.)

Farms – 1,205

Land in Farms – 365,671 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

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

COUNTY ASSESSOR
Jacquelyn Gooch
(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

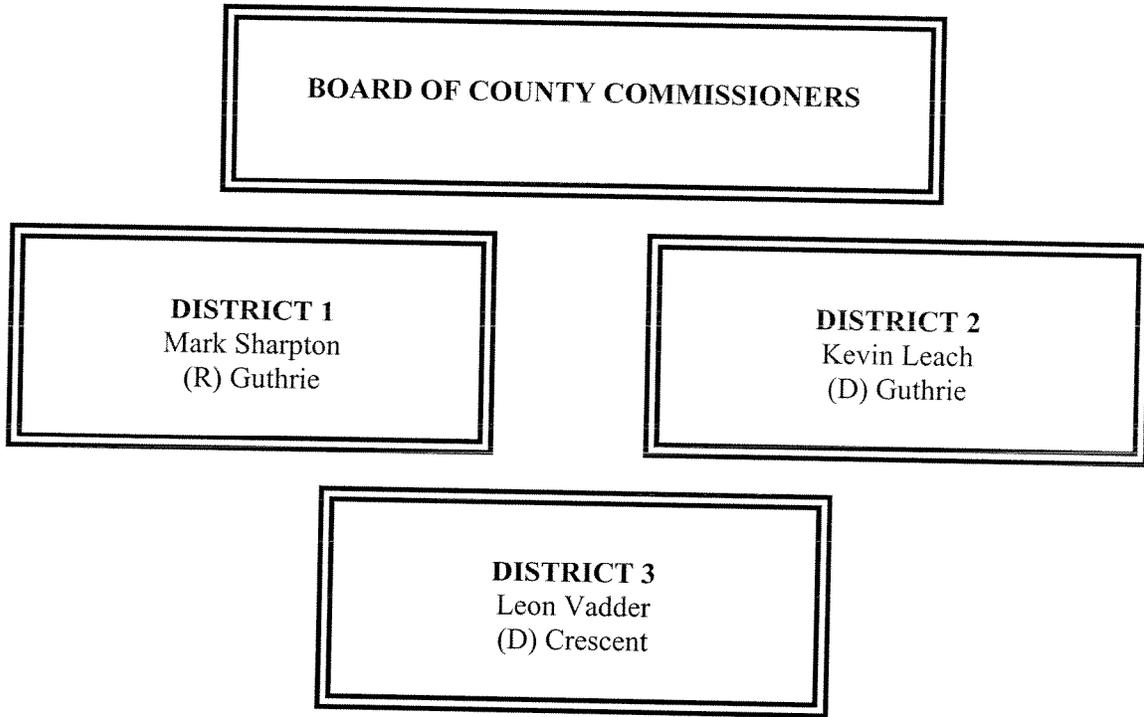
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

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



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

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

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

See independent auditor's report.

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

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

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

See independent auditor's report.

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

COURT CLERK
ReJeania Zmek
(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.

See independent auditor's report.

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

ELECTION BOARD SECRETARY

Dondee Klein
(D) Guthrie

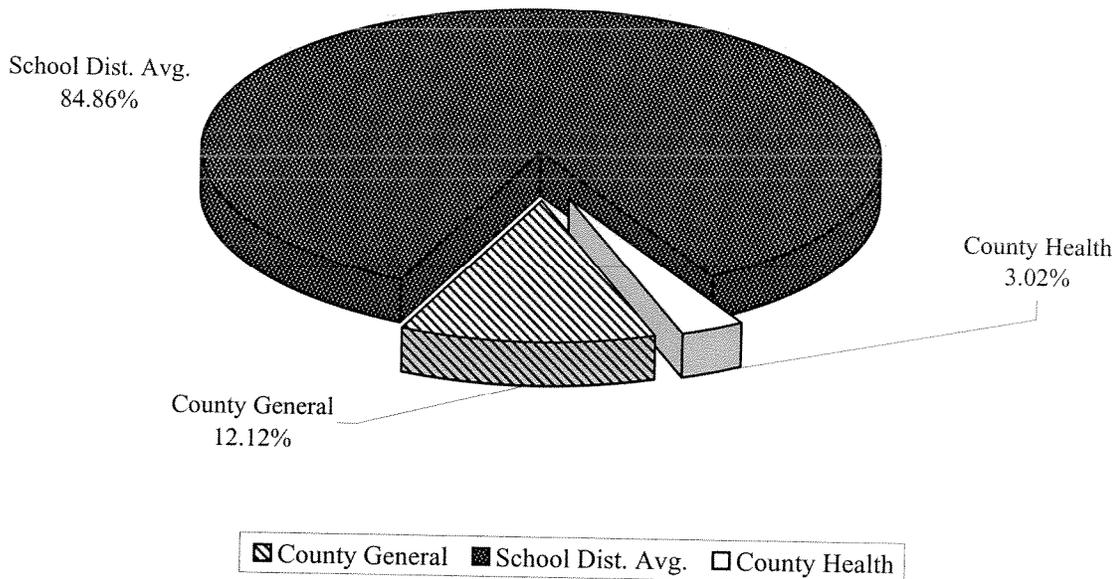
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

To finance the 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, 2005**

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



County-Wide Millages		School District Millages						
		Gen.	Bldg.	Skg.	Career-Tech	Common	Total	
Co. General	10.24	Guthrie I-1	35.84	5.12	9.49	15.37	4.09	69.91
Co. Health	2.56	Crescent I-2	35.90	5.13	9.63	15.33	4.09	70.08
Other		Mulhall-Orlando I-3	36.20	5.17	13.80	15.37	4.09	74.63
I-1 EMS	3.07	Coyle I-4	36.42	5.20	6.06		4.09	51.77
I-2 EMS	3.08	Oklahoma I-3	36.32	5.19	4.94	15.57	4.09	66.11
		Oklahoma I-6	35.70	5.10	32.59	15.33	4.09	92.81
		Oklahoma I-12	35.79	5.10	24.25	15.33	4.09	84.56
		Payne I-56	36.79	5.26	17.16	15.37	4.09	78.67
		Kingfisher I-89	35.32	5.05	6.43		4.09	50.89
		Garfield I-94	35.84	5.12	10.50	15.34	4.09	70.89
		Lincoln I-4	36.76	5.25	16.93	15.60	4.09	78.63

See independent auditor's report.

**LOGAN COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)**

Total net assessed value as of January 1, 2004		<u>\$ 186,380,492</u>
Debt limit - 5% of total assessed value		9,319,025
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>981</u>	<u>-</u>
Legal debt margin		<u>\$ 9,319,025</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, 2005
(UNAUDITED)

	2005
Estimated population	36,301
Net assessed value as of January 1, 2004	\$ 186,380,492
Gross bonded debt	-
Less available sinking fund cash balance	981
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, 2005
 (UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2004	\$28,660,608	\$36,960,051	\$128,730,500	\$7,970,667	\$186,380,492	\$1,553,170,767

See independent auditor's report.

FINANCIAL SECTION

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, 2005, 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. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

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

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Logan County as of June 30, 2005, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Logan County, for the year ended June 30, 2005, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2006, 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. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.



JEFF A. McMAHAN
State Auditor and Inspector

March 6, 2006

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, 2005**

	Beginning Cash Balances July 1, 2004	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2005
Combining Information:				
General Fund	\$ 483,628	\$ 2,524,801	\$ 2,448,610	\$ 559,819
Highway Cash	1,815,328	3,387,541	3,281,181	1,921,688
County Health	256,519	499,952	376,155	380,316
Resale Property	193,654	158,708	134,957	217,405
County Sinking	968	13		981
Hospital Special Election		2,217,589	2,217,589	
Visual Inspection	352			352
REAP Grant Springdale		42,322	10,222	32,100
Commissary	5,337	12,000	10,609	6,728
Hardware Upgrade	9,490		9,490	
Court Clerk Revolving		53,908	23,765	30,143
Sheriff Training	1,151			1,151
County Sales Tax	915,494	570,773	415,172	1,071,095
Drug Forfeiture	12,908		1,700	11,208
Combined Total--All County Funds	<u>\$ 3,694,829</u>	<u>\$ 9,467,607</u>	<u>\$ 8,929,450</u>	<u>\$ 4,232,986</u>

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, 2005**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Logan County, Oklahoma. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the funds included as supplementary information within the financial statement:

General Fund – revenues are from ad valorem taxes, officers' fees, sales tax, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

Highway Cash – revenues are from state imposed fuel taxes and disbursements are for the maintenance and construction of county roads and bridges.

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

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

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

Hospital Special Election – accounts for sales tax collections. Disbursed to maintain the county hospital.

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

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

REAP Grant Springdale – revenues are from a State REAP Grant. Disbursements are for road improvements.

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

Hardware Upgrade – accounts for state collections. Disbursed by the Assessor to improve their computer systems.

Court Clerk Revolving – accounts for funds received for warrants issued and the Court Clerk's portion of inmate incarceration fees. Money is disbursed in the same manner as the Court Fund.

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

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

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

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

C. Basis of Accounting

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

D. Budget

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office, or department and object. The County Board of Commissioners may

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

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.

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may not be accumulated. Employees with service years up 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.

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

Sick leave benefits are accrued at 5 days per year with a maximum accumulation of 30 days. Sick leave is not paid upon termination.

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2004, was approximately \$186,380,492.

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

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

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2005, were approximately 89.66 percent of the tax levy.

3. Fuel Tax

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

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

4. Risk Management

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

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers Liability • Vehicle 	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 		
Workers' Compensation <ul style="list-style-type: none"> • Employees' Injuries 	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee <ul style="list-style-type: none"> • Medical • Disability • Dental • Life 	The County carries commercial insurance.	None

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$10,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Commercial Insurance - The County obtains commercial insurance coverage to pay legitimate workers' compensation claims and employees' insurance. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

5. **Long-term Obligations**

Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all pieces of machinery subsequently acquired.

6. **Pension Plan**

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2005, 2004, and 2003 were \$218,082, \$207,303, and \$191,489, respectively, equal to the required contributions for each year.

7. **Other Post Employment Benefits (OPEB)**

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

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

8. Contingent Liabilities

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

9. Sales Tax

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 $\frac{1}{4}$ of 1% sales tax, effective October 1, 2000, 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
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 483,628	\$ 483,628	\$ 483,628	\$ -
Less: Prior Year Outstanding Warrants	(150,672)	(150,672)	(150,672)	
Less: Prior Year Encumbrances	(188,988)	(188,988)	(186,883)	2,105
Beginning Cash Balances, Budgetary Basis	<u>143,968</u>	<u>143,968</u>	<u>146,073</u>	<u>2,105</u>
Receipts:				
Ad Valorem Taxes	1,735,033	1,735,033	1,778,477	43,444
Charges for Services	228,444	228,444	245,595	17,151
Intergovernmental Revenues	182,730	182,730	370,539	187,809
Miscellaneous Revenues	42,181	80,040	130,190	50,150
Total Receipts, Budgetary Basis	<u>2,188,388</u>	<u>2,226,247</u>	<u>2,524,801</u>	<u>298,554</u>
Expenditures:				
District Attorney	20,500	20,500	20,466	34
Total District Attorney	<u>20,500</u>	<u>20,500</u>	<u>20,466</u>	<u>34</u>
County Sheriff	698,023	698,023	688,324	9,699
Capital Outlay	18,460	18,460	18,059	401
Total County Sheriff	<u>716,483</u>	<u>716,483</u>	<u>706,383</u>	<u>10,100</u>
County Treasurer	86,008	86,008	85,806	202
Capital Outlay	5	5		5
Total County Treasurer	<u>86,013</u>	<u>86,013</u>	<u>85,806</u>	<u>207</u>
County Commissioners	164,789	164,789	155,885	8,904
Capital Outlay	3,000	3,000	1,183	1,817
Total County Commissioners	<u>167,789</u>	<u>167,789</u>	<u>157,068</u>	<u>10,721</u>
OSU Extension	12,000	12,000	11,958	42
Capital Outlay	1,300	1,300	1,236	64
Total OSU Extension	<u>13,300</u>	<u>13,300</u>	<u>13,194</u>	<u>106</u>
County Clerk	167,252	167,252	166,133	1,119
Capital Outlay	400	400	367	33
Total County Clerk	<u>167,652</u>	<u>167,652</u>	<u>166,500</u>	<u>1,152</u>

continued on next page

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Court Clerk	95,012	95,012	93,813	1,199
Total Court Clerk	<u>95,012</u>	<u>95,012</u>	<u>93,813</u>	<u>1,199</u>
County Assessor	87,001	87,001	86,370	631
Capital Outlay	550	550	503	47
Total County Assessor	<u>87,551</u>	<u>87,551</u>	<u>86,873</u>	<u>678</u>
Revaluation of Real Property	109,500	109,500	104,624	4,876
Capital Outlay	15,000	15,000	14,434	566
Total Revaluation of Real Property	<u>124,500</u>	<u>124,500</u>	<u>119,058</u>	<u>5,442</u>
General Government	356,437	394,296	381,959	12,337
Capital Outlay	26,564	26,564	1,458	25,106
Total General Government	<u>383,001</u>	<u>420,860</u>	<u>383,417</u>	<u>37,443</u>
Excise-Equalization Board	4,800	4,800	4,301	499
Total Excise-Equalization Board	<u>4,800</u>	<u>4,800</u>	<u>4,301</u>	<u>499</u>
County Election Board	111,979	111,979	104,342	7,637
Total County Election Board	<u>111,979</u>	<u>111,979</u>	<u>104,342</u>	<u>7,637</u>
Insurance	282,866	282,866	276,549	6,317
Total Insurance	<u>282,866</u>	<u>282,866</u>	<u>276,549</u>	<u>6,317</u>
Charity	1,000	1,000	993	7
Total Charity	<u>1,000</u>	<u>1,000</u>	<u>993</u>	<u>7</u>
Civil Defense	14,400	14,400	13,944	456
Capital Outlay	400	400		400
Total Civil Defense	<u>14,800</u>	<u>14,800</u>	<u>13,944</u>	<u>856</u>
County Audit Budget	19,155	19,155	19,155	
Total County Audit Budget	<u>19,155</u>	<u>19,155</u>	<u>19,155</u>	<u>-</u>

continued on next page

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Free Fair Budget	34,107	34,107	34,107	
Capital Outlay	1,848	1,848	1,848	
Total Free Fair Budget	<u>35,955</u>	<u>35,955</u>	<u>35,955</u>	<u>-</u>
Provision for Interest on Warrants	-	-	3,069	(3,069)
Total Expenditures, Budgetary Basis	<u>2,332,356</u>	<u>2,370,215</u>	<u>2,290,886</u>	<u>79,329</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	379,988	<u>\$ 379,988</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			30,959	
Add: Current Year Outstanding Warrants			148,872	
Ending Cash Balance			<u>\$ 559,819</u>	

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

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

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 256,519	\$ 256,519	\$ 256,519	\$ -
Less: Prior Year Outstanding Warrants	(37,367)	(37,367)	(37,367)	
Less: Prior Year Encumbrances	(4,846)	(4,846)	(1,755)	3,091
Beginning Cash Balances, Budgetary Basis	<u>214,306</u>	<u>214,306</u>	<u>217,397</u>	<u>3,091</u>
Receipts:				
Ad Valorem Taxes	433,758	433,758	444,619	10,861
Charges for Services			24,193	24,193
Intergovernmental Revenue		21,110	11,176	(9,934)
Miscellaneous Revenues	399	399	19,964	19,565
Total Receipts, Budgetary Basis	<u>434,157</u>	<u>455,267</u>	<u>499,952</u>	<u>44,685</u>
Expenditures:				
Health and Welfare	561,908	583,018	407,733	175,285
Capital Outlay	86,555	86,555	13,037	73,518
Total Expenditures, Budgetary Basis	<u>648,463</u>	<u>669,573</u>	<u>420,770</u>	<u>248,803</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	296,579	<u>\$ 296,579</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			9,075	
Add: Current Year Outstanding Warrants			74,662	
Ending Cash Balance			<u>\$ 380,316</u>	

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

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

Beginning Cash Balance		\$	968
Receipts:			
Ad Valorem Tax			
Miscellaneous			13
Total Receipts			13
Disbursements:			
G.O. Bonds			
Interest Paid			
Total Disbursements			-
Ending Cash Balance		\$	981

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

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

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis, for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year, unencumbered appropriations lapse.

2. Sinking Fund Schedule

Debt service revenues are from current collections of prior year ad valorem taxes. There is no levy on current taxes.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

**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, 2005, 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 March 6, 2006. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Logan County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying schedule of findings and responses as item 1998-2.

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

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2005-1.

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

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

JEFF A. McMAHAN
State Auditor and Inspector

March 6, 2006

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

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 1998-2—Segregation of Duties (Repeat Finding)

Criteria: Demonstration of accountability and stewardship are goals used in evaluating management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

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

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

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

Views of responsible officials and planned corrective actions: It is the desire of Logan County to perform all duties as prescribed by the State Auditor and Inspector. However, due to lack of funds, it is not possible to totally segregate all the duties required. We are cognizant of the problem and will manage it to the best of our ability.

Finding 2005-1—Restricted Fund Expenditures

Criteria: Title 69 O.S. § 1503 states, "All monies raised for use on the county highways in each county, or apportioned to each county for road purposes, from any source, including all funds and monies derived by law, levy, taxation, or apportionment shall, unless otherwise provided by law, be placed in the county treasury in a fund to be known as the county highway fund, to be expended on order of the board of county commissioners on county highways as defined herein, or on state highways within their respective counties including the lighting thereof, if, in the judgment of the board of county commissioners, such expenditure would be just and equitable for the best of the county."

Condition: Highway funds are being spent for the preparation, printing and mailing of a county publication pertaining to District 1 road improvements. There does not appear to be any statutory authority that allows this type of expenditure from highway funds.

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

Cause: Possible misinterpretation of statutory restrictions.

Effect: The County may not be in compliance with statutory restrictions.

Recommendation: We recommend management take steps to ensure highway funds are used only for the construction and maintenance of county highways and bridges.

Views of responsible officials and planned corrective actions: See attached response to finding.

Auditor's Response: We agree that the citizens should be provided with substantive information about how their tax dollars are being spent. The cost for printing and mailing a county newsletter may be an allowable expenditure from the general fund, if approved by the Board of County Commissioners. However, 69 O.S. § 1503 restricts the use of highway funds to be expended on building and maintaining county roads and highways. On May 1, 2006, upon recommendation of the District Attorney, the Logan County Board of Commissioners approved a motion to approve the reimbursement from the general fund into highway cash for District 1 expenses for the newsletters sent out.



COMMISSIONER MARK SHARPTON
LOGAN COUNTY DISTRICT I

2315 S.W. 19TH STREET
GUTHRIE, OKLAHOMA 73044
marksharpton@yahoo.com

PHONE: (405) 282-3581
CELL: (405) 640-5214
FAX: (405) 282-8980

April 17, 2006

Robert Klein
Room 100
State Capitol Building
2300 N. Lincoln Blvd.
Oklahoma City, OK 73105

Dear Bob,

On April 12, 2006, I was advised by Angie Welch, Tulsa District Audit Supervisor, that I had ten days in which to respond to her 2005 audit report for Logan County. A copy of the Audit Finding Input Sheet is attached to this letter.

My purpose in writing is to protest the finding that the county is not in compliance with statutory restrictions in regard to the publication of a public service communication to residents of District 1.

As I understand it, Angie believes the statute we are not in compliance with is O.S. Title 69, Section 1503 (a). She indicated that she felt there was no allowance in statute for what we are doing in publishing, printing and mailing a newsletter. As I see it, there is no provision in statute prohibiting it. I find it difficult to believe that providing citizens with substantive information about how their tax money is being spent to repair and improve their roads is an improper use of highway cash.

The last sentence of O.S. 69, 1503 (a) refers to doing what is "just and equitable for the best interest of the county." I believe it to be in the best interest of the county to inform citizens of how county government is working to meet their transportation needs. The following issues addressed in the newsletter and listed in the summary below, are road-related matters which in my opinion, qualify the publication as a proper use of highway cash.

In our public service communication, we inform Logan County residents about:

- Road and Bridge Improvements (past, present and future projects)
- The process for upgrading and improving roads
- The purpose for reclassifying roads in order to qualify for (STP) Surface Transportation Funds for roadway upgrades
- Safety improvements, including right-of-way clearance
- The use of Industrial Access Funds for road improvements
- The availability of Rural Economic Action Program funds for county road improvements (As a result, a Homeowners' Association in Timberlake Estates applied for funding and received a grant for roadway improvement in their area)
- Commissioner meeting dates so citizens can attend and express transportation concerns
- How to contact county officials
- How citizens can assist with county road clean up
- Railroad crossing safety upgrades
- How road improvements are funded
- How citizens may contribute to road improvements through gifts to the county in accordance with O.S. Title 60, Section 390
- Costs on stabilization, chip-sealing and asphalt for county roads
- Commonly asked questions about road maintenance, tin horns, etc.

We have found that our publication generates a response from those read it. Often, those who contact us upon receiving it alert us to other needed road repairs. The newsletter is a tool for informing citizens of areas in which our crews will be working and generates dialogue between citizens and county government, creating an avenue for action in meeting the needs of the people.

The majority of residents in District 1 do not subscribe to the local newspaper. Its target readership is basically relegated to the municipal area of Guthrie. We see no way to communicate as effectively through other means, and would hate to distance ourselves from the people and their needs by ceasing publication.

While we understand the thrust of O.S. Title 69, Section 1503 is to ensure proper use of highway cash, it would be unfortunate to set precedent by denying our ability to use it responsibly, when state-wide, there are county expenditures with far less compatibility to this statute, which cannot be so clearly justified and which may not

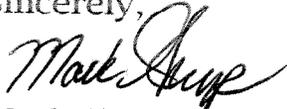
serve the best interest of the people. In fact, the "restricted fund" issue may have opened a Pandora's box regarding the legality of various purchases and payments across the board that could come under scrutiny.

Should not all expenditures fall under equity in the application of the law? For instance, when counties are called upon to fight rural fires, expenses incurred are generally funded from highway cash, though technically, such would not fall under the maintenance and construction of "roads and bridges." When grants for economic improvement require a matching fund, such funds are usually provided from highway cash though the project itself may not apply to "roads and bridges."

O.S. Title 25, Section 302 states, "It is the public policy of the State of Oklahoma to encourage and facilitate an informed citizenry's understanding of the governmental processes and governmental problems." Though that law relates to open meetings, I think the principle applies to what we're endeavoring to do in regard to the transportation needs of the citizens of Logan County.

I hope you will take these thoughts into consideration when evaluating the auditor's findings.

Sincerely,



Mark Sharpton
Commissioner
Logan County District 1

Contact: State Auditor and Inspector Jeff McMahan
Room 100 State Capitol Building
Oklahoma City, OK 73105
Phone: 405-521-3495

June 15, 2006
FOR IMMEDIATE RELEASE

STATE AUDIT RELEASED ON LOGAN COUNTY

(OKLAHOMA CITY) State Auditor and Inspector Jeff McMahan has released the Logan County financial audit for the fiscal year ending June 30, 2005. Oklahoma law requires that the books, records and accounts of each county in Oklahoma be audited and the results be made a public record.

“We appreciate the diligence of the officials and employees of Logan County and their efforts in performing their duties and responsibilities,” McMahan said.

“Accountability in government is extremely important and the citizens of Logan County should be assured that their tax dollars are being examined and the financial condition reported,” he added.

County government audits are conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States of America. The report is on file at the Logan County Clerk’s office or may be accessed at www.sai.state.ok.us. Copies may also be obtained by contacting the Office of the State Auditor and Inspector, Room 100 State Capitol Building, Oklahoma City, Oklahoma 73105.