



LOVE COUNTY

Financial Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**LOVE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

April 5, 2021

TO THE CITIZENS OF
LOVE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Love County, Oklahoma for the fiscal year ended June 30, 2018. 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 "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**LOVE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Board of County Commissioners

District 1 – Jerry McGill
District 2 – Linda Hyman
District 3 – Bub Peery

County Assessor

Missy Tunnell

County Clerk

Shelly Russell

County Sheriff

Marty Grisham

County Treasurer

Lorry Hull

Court Clerk

Kim Jackson

District Attorney

Craig Ladd

**LOVE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
LOVE COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Love County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statement is prepared by Love County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Love County as of June 30, 2018, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

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 balances for all county funds of Love County, for the year ended June 30, 2018, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2021, on our consideration of Love 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 solely 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 effectiveness of the County’s internal control over financial reporting or on compliance. That report is an integral part

of an audit performed in accordance with *Government Auditing Standards* in considering Love County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 23, 2021

REGULATORY BASIS FINANCIAL STATEMENT

LOVE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:						
County General Fund	\$ 644,360	\$ 2,128,434	\$ -	\$ -	\$ 2,060,794	\$ 712,000
County Highway Fund	2,235,000	2,508,074	-	-	1,933,729	2,809,345
County Health Department	397,844	265,329	-	-	247,077	416,096
Resale Property	323,809	123,088	-	-	59,570	387,327
Treasurer Mortgage Certification Fee	12,651	1,585	-	-	-	14,236
County Clerk Lien Fee	17,011	13,224	-	-	11,442	18,793
BDF Sheriff Drug Fund	423	1,273	-	-	682	1,014
Sheriff C.O.P.S. Grant	1,386	-	-	-	-	1,386
Sheriff Department of Corrections Reimbursemen	12,216	51,624	-	-	37,752	26,088
Sheriff Computer Grant	8	-	-	-	-	8
Educational Building/Jail	1,246	-	-	-	-	1,246
Sheriff Service Fee	10,843	98,631	5,370	-	103,312	11,532
General Expenditures/Use Tax	650,177	237,314	-	-	223,620	663,871
County Assessor Revolving	8,208	3,600	-	-	2,580	9,228
Child Abuse	269	-	-	-	-	269
Love County Health Center Remittance	635,612	31,906	-	-	-	667,518
Senior Citizens Nutrition Site	43	-	-	-	-	43
Community Development Block Grant 2006	714	-	-	-	-	714
Sheriff Restricted Bullet Proof Vest	500	-	-	-	-	500
Sheriff Restricted Equipment	5,200	-	-	-	-	5,200
County Bridge and Road Improvement 105 Highw	733,206	396,185	-	-	512,817	616,574
County Rural Economic Action Plan 10-109	3,515	-	-	-	-	3,515
Sheriff Donation	22,551	-	-	-	1,227	21,324
Emergency 911 Wireless	19,691	74,917	-	-	73,230	21,378
Emergency 911 Landline	(3,418)	57,439	-	-	51,640	2,381
G-14 Noble Foundation	38	-	-	-	-	38
Noble Foundation Grant - Fair Board	-	10,000	-	-	-	10,000
Election Board Cash Fund	2,728	-	-	-	-	2,728
Sales Tax Revolving Fund	2,028,841	3,599,824	-	-	3,290,886	2,337,779
County Clerk Records Management Preservation	19,253	18,533	-	-	26,808	10,978
Sheriff Drug Dog Kennel	15	-	-	-	-	15
Sheriff Commissary	7,965	9,162	-	-	9,504	7,623
Court Fund Payroll	637	103,502	-	-	103,491	648
Love County Emergency Management	20,344	-	-	-	2,361	17,983
Sheriff Chickasaw Nation Donation	7,294	55,000	-	-	48,497	13,797
Sheriff Donation Southern Publishing	-	500	-	-	401	99
Sheriff Donation Casualties of War	-	8,000	-	-	-	8,000
G-15 Show Arena Improvement	-	2,500	-	-	-	2,500
Combined Total - All County Funds	\$ 7,820,180	\$ 9,799,644	\$ 5,370	\$ -	\$ 8,801,420	\$ 8,823,774

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

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Love County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. 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, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

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.

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 county funds included as combining information within the financial statement:

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

County Highway Fund – accounts for state, local, and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

County Health Department – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues. Disbursements are for the operation of the county health department.

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

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

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

BDF Sheriff Drug Fund – accounts for the collection of the County Sheriff's percentage of drug forfeitures and disbursements as restricted by state statute.

Sheriff C.O.P.S. Grant – accounts for grant monies received and disbursed as restricted by grant agreement.

Sheriff Department of Corrections Reimbursement – accounts for monies received from the Oklahoma Department of Corrections for housing prisoners and disbursements as restricted by state statute.

Sheriff Computer Grant – accounts for grant monies received and disbursed as restricted by grant agreement.

Educational Building/Jail – accounts for monies received from donations and disbursed for the construction and maintenance of the jail's multi-purpose room.

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

General Expenditures/Use Tax – accounts for the use tax remitted to the County by the Oklahoma Tax Commission and disbursements are for the general operation of the County.

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

Child Abuse – accounts for monies received from jurors to aid in the prevention of child abuse.

Love County Health Center Remittance – accounts for monies collected from donations and disbursed for the operation of the Love County Health Center.

Senior Citizens Nutrition Site – accounts for donations/memorials to the Senior Citizens Nutrition Site and disbursed according to the donation requests.

Community Development Block Grant 2006 – accounts for grant funds received and disbursed as restricted by grant agreement.

Sheriff Restricted Bullet Proof Vest – accounts for donations to be disbursed for bullet proof vests.

Sheriff Restricted Equipment – accounts for donations to be disbursed for equipment for the Sheriff's office.

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

County Bridge and Road Improvement 105 Highway – accounts for funds received from the Oklahoma Department of Transportation and disbursements are restricted by state statutes for the purpose of constructing and maintaining county roads and bridges.

County Rural Economic Action Plan 10-109 – accounts for grant funds received and disbursed for 911 mapping and addressing.

Sheriff Donation – accounts for donations to the Sheriff's Department to be disbursed specifically for which the donation was made.

Emergency 911 Wireless – accounts for the collections of fees imposed on wireless users with the County and disbursed for the operations of the emergency 911 services.

Emergency 911 Landline – accounts for the collection of fees from private telephone companies and disbursed for the operation of the emergency 911 services.

G-14 Noble Foundation – accounts for money received from the Noble Foundation for the Fair Board for the purchase of hot water tank/bay/labor and supplies at show barn, as per grant agreement.

Noble Foundation Grant – Fair Board – accounts for grant monies received to be disbursed for fairground improvements.

Election Board Cash Fund – accounts for reimbursement of elections and disbursed for refunds of election fees and maintenance and operation of the office.

Sales Tax Revolving Fund – accounts for the collection of sales tax revenue to be allocated in accordance with the sales tax resolutions.

County Clerk Records Management Preservation – accounts for fees collected for instruments filed in the County Clerk's office as restricted by state statute for preservation of records.

Sheriff Drug Dog Kennel – accounts for donations from the Chickasaw Nation for a new drug dog kennel.

Sheriff Commissary – accounts for revenues from profits on commissary sales in the County jail. Disbursements are for jail operations as defined by state statute.

Court Fund Payroll – accounts for payroll and unemployment taxes for the office of the Court Clerk.

Love County Emergency Management – accounts for funds received from Love County Health Center for payroll for Emergency Management Director salary.

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Sheriff Chickasaw Nation Donation – accounts for funds donated to the Sheriff’s office to be disbursed specifically for which the donation was made.

Sheriff Donation Southern Publishing – accounts for funds donated to the Sheriff’s office to be disbursed specifically for which the donation was made.

Sheriff Donation Casualties of War – accounts for funds donated to the Sheriff’s office to be disbursed specifically for which the donation was made.

G-15 Show Arena Improvement – accounts for funds donated to be disbursed for improvements to the show arena.

C. Basis of Accounting

The 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 regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

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, 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.

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

E. Cash and Investments

For the purposes of financial reporting, "Ending Cash Balances, June 30" includes cash and cash equivalents and investments as allowed by statutes. 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).

Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

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. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

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."

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. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

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

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

3. Other Information

A. 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.

B. 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.

C. 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.

D. Sales Tax

Sales Tax of June 26, 2012

The voters of Love County approved a continuation of a one percent (1%) sales tax on June 26, 2012 for the duration of five years commencing April 1, 2013 and ending April 1, 2018. The sales tax was established to provide revenue for the following: 50% for maintenance and operation of

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

county-owned property and operating expenses; 10% for county fire protection; 5% for ambulance service; 5% for county senior citizens centers; 5% for County OSU Extension Office; 5% for the County Assessor; 5% for the County Clerk; 5% for the County Treasurer; 5% for the County Sheriff; and 5% for the County Court Clerk. These funds are accounted for in the Sales Tax Revolving Fund.

On July 11, 2017, the voters of Love County approved a continuation of a one percent (1%) sales tax for the duration of five years commencing April 1, 2018 and ending April 1, 2023. The sales tax was established to provide revenue for the following: 50% for maintenance and operation of county-owned property and operating expenses; 10% for county fire protection; 5% for ambulance service; 5% for county senior citizens centers; 5% for County OSU Extension Office; 5% for the County Assessor; 5% for the County Clerk; 5% for the County Treasurer; 5% for the County Sheriff; and 5% for the County Court Clerk. These funds are accounted for in the Sales Tax Revolving Fund.

Sales Tax of October 8, 2013

The voters of Love County approved a continuation of a one percent (1%) sales tax on October 8, 2013 for the duration of ten years. This sales tax was established to provide revenue for the equipping, maintaining and operating of the Love County Health Center. The Love County Health Center is a twenty-five bed, short-term, acute care, critical access hospital owned by Love County, Oklahoma, located in Marietta, Oklahoma. Management of the hospital is composed of a five-member board of control appointed by the Love County Board of County Commissioners. The hospital has entered into a Management Services Agreement with Mercy Memorial Health Center, Inc. Duration of the agreement is renewable annually. These funds are accounted for in the Sales Tax Revolving Fund.

Sales Tax of November 10, 2015

The voters of Love County approved a one half (1/2) of one cent sales tax on November 10, 2015 for the design, construction, financing, furnishing and equipping, capital facilities and improvements, equipment, fixtures, site preparation, street improvements, and continuing maintenance and operation expenses for a new detention facility to be located in Love County, with one quarter (1/4) cent to terminate at fifteen years from the effective date of the tax or at the date of retirement of all debt related thereto, whichever occurs earlier; one quarter (1/4) of one half cent to remain for an unlimited term for operations and maintenance of the new detention facility and any other lawful purpose relating to the same; authorizing the irrevocable pledging of said sales tax for payment of debt service and costs of issuance, fixing and effective date; making provisions severable; and declaring an emergency be approved. These funds are accounted for in the Sales Tax Revolving Fund.

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

E. Interfund Transfers

During the fiscal year, the County made the following interfund transfers between cash funds:

- \$5,370 was transferred from the TMLP-Sheriff Association Fund (a Trust and Agency Fund) to Sheriff Service Fee fund to reimburse the fund for warrants issued incorrectly from the Sheriff Service Fee fund in prior fiscal years and to close the TMLP-Sheriff Association Fund, by Resolution of the Board of County Commissioners.

F. Special Items

The State of Oklahoma filed two Indictments of Embezzlement by County Treasurer on September 4, 2020 and has requested that the State Auditor and Inspector's Office conduct a special investigative audit to be performed on the County Treasurer's Office. That audit and any findings will be issued in a separate report and are not expected to have a material effect on the financial statement of the County.

SUPPLEMENTARY INFORMATION

LOVE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund		
	Budget	Actual	Variance
District Attorney County	\$ 24,000	\$ 21,808	\$ 2,192
County Sheriff	851,990	850,633	1,357
County Treasurer	121,969	121,969	-
County Commissioners	199,577	195,708	3,869
OSU Extension	100	-	100
County Clerk	156,997	156,385	612
Court Clerk	88,752	88,752	-
County Assessor	88,752	88,752	-
Revaluation of Real Property	114,648	109,739	4,909
General Government	223,121	108,622	114,499
Excise-Equalization Board	16,000	3,250	12,750
County Election Board	73,318	68,147	5,171
Insurance - Benefits	118,750	13,250	105,500
Charity	40,000	7,518	32,482
Civil Defense	120,840	53,232	67,608
County Audit Budget Account	20,150	9,461	10,689
Free Fair Budget Account	19,900	19,900	-
Free Fair Improvement Account	100	100	-
Building Maintenance Account	207,320	204,208	3,112
Provision for Interest on Warrants	1,000	-	1,000
Total Expenditures, Budgetary Basis	<u>\$ 2,487,284</u>	<u>\$ 2,121,434</u>	<u>\$ 365,850</u>

LOVE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>County Health Department Fund</u>		
	Budget	Actual	Variance
Health and Welfare	<u>\$ 625,209</u>	<u>\$ 278,315</u>	<u>\$ 346,894</u>
Total Expenditures, Budgetary Basis	<u>\$ 625,209</u>	<u>\$ 278,315</u>	<u>\$ 346,894</u>

**LOVE COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—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 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.

INTERNAL CONTROL AND COMPLIANCE SECTION

**Independent Auditor's 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
LOVE COUNTY, OKLAHOMA

We have audited, in accordance with the 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, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Love County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprises Love County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 23, 2021.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2018, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Love County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Love County's internal control. Accordingly, we do not express an opinion on the effectiveness of Love County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.



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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2018-001, 2018-002, 2018-003, and 2018-007.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2018-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Love County's financial statement is free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-003 and 2018-007.

Love County's Response to Findings

Love County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Love County's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 23, 2021

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 2018-001 – Lack of County-Wide Internal Controls

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide internal controls regarding Risk Assessment and Monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed and implemented to address the risks of the County.

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design and implement monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners has since implemented and documented quarterly meetings with all elected officials to discuss and act regarding risk management and monitoring.

Criteria: The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 states in part:

Definition of Internal Control

Internal control is a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

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Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

Components, Principles, and Attributes

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Finding 2018-002 – Lack of Internal Controls Over the County Financial Statement

Condition: Love County has not designed and implemented internal controls to accurately present the County's financial statement. During the review and reconciliation of the financial statement as prepared by the County, we determined that the beginning cash balance was overstated \$780,983, cash receipts were overstated \$13,105,752, disbursements were overstated \$13,252,201, and the ending cash balance was overstated \$629,165. The misstatement was due to the County reflecting Trust and Agency funds on the County's financial statement.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the County's financial statement is accurately presented.

Effect of Condition: This condition resulted in the County's financial statement being materially overstated.

Recommendation: OSAI recommend the County design and implement policies and procedures to ensure the financial statement is accurately presented.

Management Response:

Chairman of the Board of County Commissioners, County Treasurer: We will ensure only county funds are reported on the County's financial statement and verify beginning balances reconcile to prior year ending balances on the County's financial statement.

Criteria: The County is required to present a financial statement for each fiscal year ended June 30. Title 19 O.S. § 171 states, in part, "Unless the county elects to prepare its financial statement in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board, the county shall present their financial statements in a regulatory basis of accounting."

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The limitations of the auditor are described in the American Institute of Certified Public Accountants Clarified Statements on Auditing Standards AU-C § 210, which states, in part: “The concept of an independent audit requires that the auditor's role does not involve assuming management's responsibility for the preparation and fair presentation of the financial statements or assuming responsibility for the entity's related internal control and that the auditor has a reasonable expectation of obtaining the information necessary for the audit insofar as management is able to provide or procure it. Accordingly, the premise is fundamental to the conduct of an independent audit.”

Finding 2018-003 – Lack of Internal Controls and Noncompliance Over the Disbursement Process

Condition: The audit of forty-nine (49) disbursements reflected the following:

- One (1) disbursement did not have an invoice attached to support the disbursement amount on the purchase order.
- Three (3) purchase orders and documentation could not be located.
- Four (4) disbursements were not properly encumbered in accordance with state statutes.

Cause of Condition: Policies and procedures have not been designed and implemented to strengthen internal controls and to ensure compliance with state statutes.

Effect of Condition: This condition resulted in noncompliance with state statute which could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the County implement a system of internal controls over the disbursement process. Such controls should include ensuring that funds are encumbered prior to the receipt of goods and/or services, purchase orders are properly maintained, and implementing a review process with adequate documentation to support the review, in accordance with 19 O.S. § 1505.

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners will express to fellow County Officials the importance of County funds being encumbered prior to the receipt of goods and/or services and the maintaining of invoices and documentation.

County Clerk: We will request the department retrieve and file documentation from the District Attorney for the encumbrance of funds if goods and/or services were received prior to encumbrance. We are working to ensure all offices properly encumber funds and that documentation is maintained and that all purchase orders are properly maintained.

Criteria: The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations

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apply to the entity. Management is expected to set objectives that incorporate these requirements

Further, GAO Standards – Principle 6 – Define Objectives and Risk Tolerances - 6.05 states:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity's objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment

Further, effective internal controls require that management properly implement procedures to ensure that purchases comply with 19 O.S. § 1505.

Finding 2018-004 – Lack of Internal Controls and Noncompliance Over the Collection and Reconciliation Processes within the Office of the County Treasurer

Condition: Upon inquiry and observation of the collection and reconciliation processes, the following was reflected:

- The County Treasurer accepts monthly installments for property tax payments for some taxpayers.
- Independent oversight does not exist pertaining to the apportionment and appropriation of sales tax collections.
- Monitoring over pledge securities does not exist.
- The County Treasurer performed the bank reconciliations and deputies were required to sign off without performing an independent review.

Further, the following was reflected in the review of bank reconciliations at June 30, 2018.

- The Payroll Tax Account had an outstanding amount of \$1,488 that has been recurring since July 2017; however, documentation as to the source and purpose of this amount could not be provided.
- The Official Depository Account had an amount of \$466 shown as a reconciling item; however, documentation could not be provided to confirm this amount.
- The General Account could not be reconciled to the General Ledger. A variance of \$101 was noted on the reconciliation sheet referring to an incorrect interest amount by the County Treasurer; however, documentation could not be provided to confirm this amount.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that property taxes are collected in accordance with state statutes. Further, policies and procedures have not been designed and implemented to show evidence to support the independent oversight of sales tax

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apportionments and appropriations, and monitoring of pledged securities. Additionally, procedures have not been designed and implemented to provide independent oversight of the bank reconciliation process.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Further, these conditions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of this condition and realize that duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in management's oversight of the office operations and a review of said operations while maintaining supporting documentation of designed and implemented internal controls.

OSAI recommends the County adhere to state statutes and stop the process of accepting partial payments and monthly installments for property tax payments.

Further, to improve internal controls over sales tax collections, OSAI recommends percentage breakdowns for appropriation of sales tax as approved by the voters of Love County should be calculated and reviewed by separate individuals.

Additionally, OSAI recommends the County Treasurer implement internal controls in which the bank reconciliations and review of said reconciliations are performed and reviewed by separate individuals. Further, deputies should refrain from signing off as an individual who performed the work or performed the review unless they actually performed the work or the review.

Management Response:

Current County Treasurer: The policy has changed over ad valorem tax collections. We currently only accept payments in no more than two equal installments. Any balance of partial payments on-hand will be returned to the taxpayer as soon as possible. We will correct the condition with regards to the calculation and review over sales tax apportionments and appropriations. I will ensure documentation is retained to show the daily monitoring of pledged collateral and I will ensure all documents are signed and dated by both the individual performing the work and performing the review. I will maintain documentation to show the bank reconciliation process and I will ensure all documents are signed and dated by both individuals performing the work and performing the review.

Criteria: Title 68 O.S. 2913(A) (2) states in part, "In no event may payment be made in more than two equal installments subject to the provisions of the payment schedule specified in this subsection."

Title 62 O.S. § 517.4.A. states, "A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such

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amount shall not be less than the amount of the deposit to be secured, less the amount insured.”

The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 16 – Perform Monitoring Activities: 16.05 states, in part:

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

Finding 2018-007 – Lack of Internal Controls and Noncompliance Over County Investment Policy

Condition: Upon inquiry of the Treasurer’s staff, observation and review of the County’s investment policy, it was noted that the written investment policy for the County does not address liquidity, diversification, safety of principle, yield, maturity and quality and capability of investment management.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County is in compliance with state statute regarding a written investment policy.

Effect of Condition: These conditions resulted in noncompliance with state statute and inadequate internal controls over the County’s investment policy and could result in loss of County funds.

Recommendation: OSAI recommends the County Treasurer implement a system of internal controls to provide reasonable assurance that the County complies with state statutes regarding the investment of County Funds and adhering to their formal investment policy.

Management Response:

Chairman of the Board of County Commissioners and County Treasurer: We will work to address this issue with the new Investment Policy to address liquidity, diversification, safety of principle, yield, maturity and quality and capability of investment management.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to ensure the County is in compliance with applicable state statutes.

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Title 62 O.S. § 348.3(A) states, “In addition to the investments authorized by Section 348.1 of this title, the governing body of a city or of a county may adopt a written investment policy directing the investment of the funds of the city or county and any of its public trusts or authorities. If such a policy is adopted by the governing body, such funds shall be invested pursuant to the provisions of the policy. The written policy shall address liquidity, diversification, safety of principal, yield, maturity and quality and capability of investment management, with primary emphasis on safety and liquidity. To the extent practicable, taking into account the need to use sound investment judgment, the written investment policies shall include provision for utilization of a system of competitive bidding in the investment of municipal funds. The system shall be designed to maximize yield within each class of investment instrument, consistent with the safety of the funds invested.”

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.

No matters were reported.



Cindy Byrd, CPA | State Auditor & Inspector

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