



LOVE COUNTY

Financial Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**LOVE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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OKLAHOMA
Office of the State Auditor & Inspector

Cindy Byrd, CPA | State Auditor & Inspector

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

June 30, 2022

TO THE CITIZENS OF
LOVE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Love County, Oklahoma for the fiscal year ended June 30, 2020. 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.

This report is 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.

Sincerely,

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**LOVE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Board of County Commissioners

District 1 – David Magee
District 2 – Linda Hyman
District 3 – John Stacy Rushing

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, 2020**

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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 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, 2020, 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, 2020, 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 total of receipts, disbursements, and changes in cash balances for all county funds of Love County, as of and for the year ended June 30, 2020, 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 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 June 9, 2022, 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

June 9, 2022

REGULATORY BASIS FINANCIAL STATEMENT

LOVE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Beginning Cash Balances July 1, 2019	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
County Funds:						
County General	\$ 618,571	\$ 2,137,457	\$ 12,128	\$ -	\$ 2,184,790	\$ 583,366
County Highway Unrestricted	2,981,612	2,304,918	-	-	2,370,450	2,916,080
Health	444,811	278,153	-	-	239,459	483,505
Resale Property	416,825	43,460	-	-	24,133	436,152
Treasurer Mortgage Certification Fee	15,291	2,027	-	-	1,126	16,192
County Clerk Lien Fee	35,813	30,038	-	-	15,198	50,653
Sheriff Drug Buy	4,138	-	-	-	3,724	414
Sheriff Department of Corrections Reimbursement	13,758	-	-	13,758	-	-
Sheriff Computer Grant	8	-	-	8	-	-
Sheriff Service Fee	12,842	130,573	13,758	-	124,258	32,915
General Expenditures/Use Tax	886,200	388,563	-	713,319	214,201	347,243
Assessor Revolving Fee	12,813	3,627	-	-	1,420	15,020
Child Abuse Prevention	269	-	-	-	-	269
Love County Health Center Remittance	708,542	1,019	-	708,542	-	1,019
Senior Citizens Nutrition Site	43	-	-	43	-	-
Community Development Block Grant 2006	714	-	-	714	-	-
County Bridge and Road Improvement	990,877	348,911	-	-	267,553	1,072,235
County Rural Economic Action Plan 10-109	3,515	-	-	3,515	-	-
Sheriff Donation	1,203	400	-	1,203	-	400
Emergency 911 Wireless	46,588	2,083	-	46,587	2,084	-
Emergency 911 Landline	(2,781)	1,288	3,479	-	1,613	373
Noble Foundation Grant - Fair Board	4,020	-	-	-	3,663	357
Election Board Cash Fund	2,172	-	-	-	-	2,172
Sales Tax Revolving Fund	2,684,653	4,397,474	-	172,721	4,095,107	2,814,299
County Clerk Records Management and Preservation	32,177	36,716	-	-	40,183	28,710
Sheriff Drug Dog Kennel	15	-	-	15	-	-
Sheriff Commissary	17,748	71,526	-	-	55,424	33,850
Court Clerk Payroll	649	104,309	-	-	103,096	1,862
Love County Emergency Management	2,313	-	-	2,313	-	-
Sheriff Chickasaw Nation Donation	12,083	-	-	6,021	6,062	-
Sheriff Donation Southern Publishing	550	-	-	550	-	-
Sheriff Donation Casualties of War	777	-	-	777	-	-
County Donations	-	275,324	726,587	-	27,015	974,896
911 Phone Fees	-	135,763	43,108	-	148,218	30,653
Courthouse Improvement - Sales Tax	-	-	112,481	-	10,152	102,329
Courthouse Maintenance - Sales Tax	-	-	60,240	-	51,102	9,138
Use Tax	-	106,945	713,319	-	87,646	732,618
REAP 2020	-	31,000	-	-	-	31,000
County Donations (Court Area)	9,494	-	-	9,494	-	-
Total - All County Funds	\$ 9,958,303	\$ 10,831,574	\$ 1,685,100	\$ 1,679,580	\$ 10,077,677	\$ 10,717,720

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, 2020

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, libraries, 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.

During the fiscal year ended June 30, 2020, the County converted to a new chart of accounts; therefore, several fund names and descriptions change. However, these changes do not reflect a change in the sources and uses of revenues over the prior fiscal year.

Following are descriptions of the county funds included within the financial statement:

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

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

Health – accounts for monies collected on behalf of the County Health Department from ad valorem taxes and state and local revenues.

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

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

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

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

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 state and federal grant monies received and disbursed as restricted by grant agreement.

Sheriff Service Fee – accounts for the collection of fees and reimbursements for revenues such as: process fees, courthouse security fees, contracts for housing and feeding prisoners, and disbursements 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.

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

Child Abuse Prevention – 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 federal grant funds received and disbursed as restricted by grant requirements.

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

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

County Rural Economic Action Plan 10-109 – accounts for state 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 within 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.

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

Election Board Cash Fund – accounts for reimbursement of election costs 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 ballots approved by the voters of Love County.

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

Sheriff Drug Dog Kennel – accounts for donations for a new drug dog kennel.

Sheriff Commissary – accounts for revenues from sale of commissary items in the County jail and disbursed as restricted by state statute.

Court Clerk Payroll – accounts for payroll and benefits 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.

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.

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

County Donations – accounts for funds donated to Love County to be disbursed specifically for which the donations were made.

911 Phone Fees – accounts for the collections of fees imposed on cellular telephone users within the County and disbursed for the operations of the emergency 911 services.

Courthouse Improvement - Sales Tax – accounts for sales tax collections to be disbursed specifically in accordance with sales tax ballots approved by the voters of Love County.

County Maintenance - Sales Tax – accounts for sales tax collections to be disbursed specifically in accordance with sales tax ballots approved by the voters of Love County.

Use Tax – accounts for the use tax remitted to the County by the Oklahoma Tax Commission and disbursements are for the operations of the Love County Justice Center.

REAP 2020 – accounts for state grant funds received and disbursed as restricted by grant requirements.

County Donations (Court Area) – accounts for funds donated to Love County Court Clerk to be disbursed specifically for which the donations were made.

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 allows 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, which specifies the format and presentation of such regulatory basis financial statements: 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

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

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).

The County Treasurer has been authorized by the County’s governing board to make investments. 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

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

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

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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; however, 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 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 (BOCC). 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 percent (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 January 1, 2016 or at the date of retirement of all debt related thereto, whichever occurs earlier; one quarter (1/4) of the 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.

Sales Tax of July 11, 2017

The voters of Love County approved a continuation of a one percent (1%) sales tax on July 11, 2017, for the duration of five years commencing April 1, 2018, and ending April 1, 2023. The revenue from said sales tax to be used as follows: sales tax was established to provide revenue for the following: 5% for ambulance service; 5% for maintenance and operation of county senior citizens centers and equipment. 10% for county fire protection – maintenance of equipment and purchase of equipment and supplies; 5% for County OSU Extension Office; 5% for the County

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Assessor; 5% for the County Clerk; 5% for the County Treasurer; 5% for the County Sheriff; and 5% for the County Court Clerk; and 50% for County General Government – maintenance and operations of County property and operating expenses. These funds are accounted for in the Sales Tax Revolving Fund, Courthouse Improvement - Sales Tax fund, and Courthouse Maintenance - Sales Tax fund.

E. Interfund Transfers

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

- \$8,712 was transferred by BOCC resolution to the County General fund to close the following funds:
 - \$8 from the Sheriff Computer Grant fund,
 - \$43 from the Senior Citizens Nutrition Site fund,
 - \$714 from the Community Development Block Grant 2006 fund,
 - \$3,515 from the County Rural Economic Action Plan 10-109 fund,
 - \$15 from the Sheriff Drug Dog Kennel fund,
 - \$2,313 from the Love County Emergency Management fund,
 - \$319 from Ran Cemetery fund (a trust and agency fund),
 - \$150 from County Clerk/Court Clerk Cash fund (a trust and agency fund),
 - \$85 from Love County Senior Program fund (a trust and agency fund), and
 - \$1,550 from Love County Justice Authority fund (a trust and agency fund).
- \$3,416 was transferred to the County General fund from Sheriff Estray Cattle fund (a trust and agency fund) in accordance with 4 O.S. § 85.6d.
- \$726,587 was transferred by BOCC resolution to the County Donations fund to consolidate and close the following funds:
 - \$708,542 from the Love County Health Center Remittance fund,
 - \$1,203 from the Sheriff Donation fund,
 - \$6,021 from the Sheriff Chickasaw Nation Donation fund,
 - \$550 from the Sheriff Donation Southern Publishing fund,
 - \$777 from the Sheriff Donation Casualties of War fund, and
 - \$9,494 from the County Donations (Court Area) fund.
- \$13,758 was transferred to Sheriff Service Fee fund from the Sheriff Department of Corrections Reimbursement fund to consolidate the funds in accordance with 19 O.S. § 180.43.
- \$3,479 was transferred to Emergency 911 Landline fund from the Emergency 911 Wireless by BOCC resolution to close the fund.
- \$43,108 was transferred to 911 Phone Fees fund from the Emergency 911 Wireless fund by BOCC resolution to close the fund and to establish the new 911 Phone Fees fund.
- \$713,319 was transferred to the Use Tax fund from the General Expenditures/Use Tax fund by BOCC resolution establishing the new fund providing use tax collections be used for operations of the of the Love County Justice Center.

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- \$112,481 was transferred to the Courthouse Improvement - Sales Tax fund from the Sales Tax Revolving Fund by Excise Board and BOCC approval to appropriate funding.
- \$60,240 was transferred to the Courthouse Maintenance - Sales Tax fund from the Sales Tax Revolving Fund by Excise Board and BOCC approval to appropriate funding.

F. Special Items

The State of Oklahoma initially filed two counts of Embezzlement by the County Treasurer on September 4, 2020. On October 20, 2020, the State of Oklahoma dismissed the Indictments and requested that the Oklahoma State Bureau of Investigation further investigate any and all allegations of embezzlement by the Treasurer. The State Auditor and Inspector's Office has been requested to conduct a special investigative audit to be performed on the County Treasurer's office. This audit and any findings will be issued in a separate report and are not expected to have a material effect on the basic financial statement as of and for the year ending June 30, 2020. The BOCC accepted the resignation of the County Treasurer under investigation on September 8, 2020, and they appointed a new County Treasurer on the same date.

SUPPLEMENTARY INFORMATION

LOVE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 25,000	\$ 14,412	\$ 10,588
County Sheriff	535,244	532,352	2,892
County Treasurer	124,619	122,870	1,749
County Commissioners	-	1,039	(1,039)
O.S.U. Extension	100	-	100
County Clerk	195,262	195,141	121
Court Clerk	90,202	90,202	-
County Assessor	90,203	90,203	-
Revaluation of Real Property	153,848	147,551	6,297
Detention Center	403,950	418,986	(15,036)
General Government	578,004	237,783	340,221
Excise - Equalization Board	16,000	3,500	12,500
County Election Expense	74,492	73,787	705
Emergency Management	89,175	83,246	5,929
County Audit Budget Account	18,616	-	18,616
Free Fair Budget Account	14,000	13,988	12
Free Fair Improvement Account	6,000	6,000	-
E-911	211,717	209,669	2,048
Provisions for Interest	1,000	-	1,000
Total Expenditures, Budgetary Basis	<u>\$ 2,627,432</u>	<u>\$ 2,240,729</u>	<u>\$ 386,703</u>

LOVE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 300,442	\$ 300,441	\$ 1
Total Expenditures, Budgetary Basis	\$ 300,442	\$ 300,441	\$ 1

**LOVE COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health 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 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 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 total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Love County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprise Love County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 9, 2022.

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 as of and for the year ended June 30, 2020, 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) as a basis for designing 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: 2020-001 and 2020-007.

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 deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2020-004.

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 financial statement. 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 item 2020-007.

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

Love County's Response to Findings

Love County's response to the findings identified in our audit is 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 it.

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 results 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 9, 2022

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 2020-001 – Lack of County-Wide Internal Controls (Repeat Finding - 2018-001, 2019-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that the County has started having quarterly Risk Assessment meetings and has adopted a written internal control handbook outlining each office’s recommended internal control framework. However, the county-wide internal controls regarding Risk Assessment, Information and Communication, and Monitoring have not been fully implemented, which are required to address the risk, properly communicate pertinent information between offices, as well as monitor the performance over time.

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 policies and procedures to document their internal control framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps taken to properly communicate pertinent information in a timely manner and the methodology to monitor 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 BOCC has implemented quarterly meetings with all elected officials to discuss and act regarding county-wide internal controls and has designed a written internal control handbook outlining each offices recommended internal control framework. We will work to properly implement and document that these controls are active within each office.

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.

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

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 2020-004 – Lack of Internal Controls and Noncompliance Over the Collections and Reconciliation Processes within the Office of the County Treasurer (Repeat Finding - 2018-004, 2019-004)

Condition: Based upon inquiry and observation of the collection and reconciliation process, 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 sale tax collections.
- Monitoring over pledged 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 revealed in the review of bank reconciliations on June 30, 2020

- The Payroll Tax Account had an unidentified outstanding amount of \$1,488 that has been recurring since July 2017.
- The General bank account could not be reconciled to the General Ledger. There is an unidentified variance of \$15,964 between the bank balance and the General Ledger balance.

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Cause of Condition: Policies and procedures have not been designed and implemented to ensure property taxes are collected in accordance with state statutes, evidence of independent oversight of sales tax apportionments and appropriations is maintained, and pledged securities is monitored. Additionally, policies and procedures have not been designed and implemented to provide independent oversight of the bank reconciliation and review process.

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

Recommendation: OSAI recommends management be aware of these conditions 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. We further recommend that the funds collected through these partial payments be refunded to the taxpayer explaining the reason for the refund.

Further, to improve internal controls over the sales tax collections, OSAI recommends the 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 are reviewed and approved by someone other than the preparer and deputies should refrain from signing off as an individual who performed the work or performed the review unless they actually performed the work or review.

Management Response:

County Treasurer: Since I took office, September 8, 2020, the policy has changed over ad valorem 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 provisions of the payment schedule specified in the subsection."

Further, Title 62 O.S. § 517.4A states, "A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

entity in each such institution. The amount of collateral securities or instruments to be pledges 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 amount shall not be less than the amount of the deposit to be secured, less the amount insured.”

The GAO Standards – Principle 10 – Design of Appropriate Types of 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 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Furthermore, 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.

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Finding 2020-007 – Lack of Internal Controls and Noncompliance Over County Investments (Repeat Finding 2018-007, 2019-007)

Condition: Upon inquiry of the Treasurer’s staff, it was noted that the County does not have a written investment policy that addresses 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 have corrected this issue. The County has adopted a 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.

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.”

LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Finding 2020-013 – Lack of Internal Controls Over the Court Clerk Reconciling Process

Condition: Upon inquiry and observation of records, we noted that the Court Clerk’s office does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregation of duties over all aspects of the collection, disbursement, and reporting and reconciliation processes of Court Fund and Court Clerk Revolving Fund.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in the untimely detection of unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds.

Recommendation: OSAI recommends that the receipting and disbursement processes be adequately segregated to strengthen the internal controls.

Management Response:

Court Clerk: Going forward, we will work to implement controls and segregation of duties over the collection, reconciliation, and expenditure process for the Court Fund and Court Revolving Fund.

Criteria: The GAO Standards – Principle 10 – Design of Appropriate Types of 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 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.



Cindy Byrd, CPA | State Auditor & Inspector

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