



LOVE COUNTY

Financial Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**LOVE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



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, 2021. 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,

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, 2021**

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

Karla Smith

Court Clerk

Kim Jackson

District Attorney

Craig Ladd

**LOVE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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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, 2021, 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, 2021, 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 receipts, disbursements, and changes in cash balances for all county funds of Love County, as of and for the year ended June 30, 2021, 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.



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, 2021

| | Beginning Cash Balances July 1, 2020 | Receipts Apportioned | Transfers In | Transfers Out | Disbursements | Ending Cash Balances June 30, 2021 |
|--|--|-------------------------|-------------------|-------------------|---------------------|--|
| County Funds: | | | | | | |
| County General | \$ 583,366 | \$ 2,142,108 | \$ - | \$ - | \$ 2,305,783 | \$ 419,691 |
| County Highway Unrestricted | 2,916,080 | 2,193,837 | - | - | 1,891,291 | 3,218,626 |
| Health | 483,505 | 304,948 | - | - | 301,361 | 487,092 |
| Resale Property | 436,152 | 134,726 | - | - | 134,096 | 436,782 |
| Treasurer Mortgage Certification Fee | 16,192 | 2,365 | - | - | - | 18,557 |
| County Clerk Lien Fee | 50,653 | 13,223 | - | - | 15,030 | 48,846 |
| Sheriff Commissary | 33,850 | 128,722 | - | - | 108,197 | 54,375 |
| Sheriff Service Fee | 32,915 | 236,808 | - | - | 154,434 | 115,289 |
| Sales Tax Revolving Fund | 2,814,299 | 3,882,267 | - | 105,774 | 3,452,409 | 3,138,383 |
| Sheriff Donation | 400 | - | - | - | - | 400 |
| Sheriff Drug Buy | 414 | - | - | - | - | 414 |
| Assessor Revolving Fee | 15,020 | 3,192 | - | - | 1,223 | 16,989 |
| Election Board Cash Fund | 2,172 | - | - | - | - | 2,172 |
| Love County Health Center Remittance | 1,019 | - | - | - | - | 1,019 |
| Child Abuse Prevention | 269 | - | - | - | - | 269 |
| County Clerk Records Management and Preservation | 28,710 | 44,201 | - | - | 34,213 | 38,698 |
| General Expenditures/Use Tax | 347,243 | 471,776 | - | - | - | 819,019 |
| County Bridge and Road Improvement | 1,072,235 | 325,834 | - | - | 188,968 | 1,209,101 |
| Court Clerk Payroll | 1,862 | 129,194 | - | - | 111,260 | 19,796 |
| Emergency 911 Landline | 373 | - | - | - | - | 373 |
| Noble Foundation Grant - Fair Board | 357 | - | - | - | 357 | - |
| 911 Phone Fees | 30,653 | 132,419 | - | - | 112,726 | 50,346 |
| REAP 2020 | 31,000 | 5,256 | - | - | 36,256 | - |
| Courthouse Improvement - Sales Tax | 102,329 | - | 45,704 | - | 19,789 | 128,244 |
| Courthouse Maintenance - Sales Tax | 9,138 | - | 60,070 | - | 46,378 | 22,830 |
| County Donations | 974,896 | 135,822 | - | - | 74,672 | 1,036,046 |
| Use Tax | 732,618 | 130,319 | - | - | 613,290 | 249,647 |
| Emergency Management Performance Grant | - | 2,500 | - | - | - | 2,500 |
| Covid Aid and Relief | - | 529,618 | - | - | 140,294 | 389,324 |
| Total - All County Funds | \$ 10,717,720 | \$ 10,949,135 | \$ 105,774 | \$ 105,774 | \$ 9,742,027 | \$ 11,924,828 |

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, 2021**

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.

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.

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, 2021**

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

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

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.

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.

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

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

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

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

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

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

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.

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 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, 2021**

Court Clerk Payroll – accounts for payroll and benefits for the office of the Court Clerk.

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.

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.

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

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.

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

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.

Emergency Management Performance Grant – accounts for federal grant funds received and disbursed as restricted by grant requirements.

Covid Aid and Relief – accounts for federal grant funds received and disbursed as restricted by grant requirements.

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.

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 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.

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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.

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.

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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.

See FY 2020 Note

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 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

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 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:

- \$45,704 was transferred to the Courthouse Improvement - Sales Tax fund from the Sales Tax Revolving Fund by Excise Board and (BOCC) approval to appropriate funding.
- \$60,070 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, 2021. 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, 2021

| | General Fund | | |
|--|---------------------|---------------------|-------------------|
| | Budget | Actual | Variance |
| District Attorney | \$ 15,000 | \$ 14,828 | \$ 172 |
| District Attorney County | 5,000 | 3,600 | 1,400 |
| County Sheriff | 564,750 | 554,961 | 9,789 |
| County Treasurer | 124,619 | 124,619 | - |
| OSU Extension | 100 | - | 100 |
| County Clerk | 195,263 | 195,263 | - |
| Court Clerk | 90,202 | 90,202 | - |
| County Assessor | 90,202 | 90,202 | - |
| Visual Inspection | 129,848 | 122,271 | 7,577 |
| County Audit Budget | - | 18,616 | (18,616) |
| Juvenile Shelter Bureau | 15,000 | 3,720 | 11,280 |
| General Government | 162,000 | 112,411 | 49,589 |
| Excise-Equalization Board | 16,000 | 3,915 | 12,085 |
| County Election Board | 75,492 | 73,074 | 2,418 |
| Insurance Benefits | 8,085 | - | 8,085 |
| Emergency Management | 55,540 | 48,002 | 7,538 |
| Free Fair Improvement | 5,500 | 7,819 | (2,319) |
| Building Maintenance | 38,040 | 38,040 | - |
| County Jail | 413,750 | 394,636 | 19,114 |
| E-911 | 228,480 | 193,123 | 35,357 |
| Safety | - | 715 | (715) |
| Fire Departments (Dept 5301) | 7,500 | 500 | 7,000 |
| Fire Departments (Dept 5302-5314) | - | 6,500 | (6,500) |
| Detention Maintenance (reflected as Sales Tax) | 200,000 | 193,200 | 6,800 |
| County Audit Budget (reflected as Sales Tax) | 30,080 | - | 30,080 |
| Total Expenditures, Budgetary Basis | <u>\$ 2,470,451</u> | <u>\$ 2,290,217</u> | <u>\$ 180,234</u> |

LOVE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| | Health Fund | | |
|-------------------------------------|-------------|------------|------------|
| | Budget | Actual | Variance |
| Health and Welfare | \$ 673,814 | \$ 397,509 | \$ 276,305 |
| Total Expenditures, Budgetary Basis | \$ 673,814 | \$ 397,509 | \$ 276,305 |

**LOVE COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the 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, 2021, 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, 2021, 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.

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. *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.

Our consideration of internal control was for the limited purpose described in the first 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2021-001 and 2021-007.

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 2021-007.

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 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, 2021**

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 2021-001 – Lack of County-Wide Internal Controls (Repeat Finding - 2018-001, 2019-001, 2020-001)

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
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The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OVI.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 2021-007 – Lack of Internal Controls and Noncompliance Over County Investments (Repeat Finding - 2018-007, 2019-007, 2020-007)

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.

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
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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.”

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 2021-013 – Lack of Internal Controls Over the Court Clerk Reconciling Process (Repeat Finding 2020-013)

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.

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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.

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.

Finding 2021-016 – Lack of Internal Controls Over the Estimate of Needs

Condition: Upon inquiry of County personnel and the review of the County’s Estimate of Needs for the fiscal year ending June 30, 2021, the BOCC did not perform a review over the Estimate of Needs to ensure all funds were accounted for and accurately presented. The following was noted:

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

General Fund:

- Approved original appropriations by the Excise Board totaled \$2,473,451; however, original appropriations reflected on the Estimate of Needs totaled \$2,470,451, a shortage of \$3,000 which was the provisions for interest on warrants.
- Appropriations shown on the Estimate of Needs totaled \$2,470,451; however, available appropriations per the Estimate of Needs was \$2,472,017 which resulted in the shortage of appropriations of \$1,566.
- For the department of Free Fair Maintenance, accurate appropriations approved by the Excise Board were not reported on the Estimate of Needs, and the expenditures reported resulted in the department appearing to exceed appropriations by \$2,319.
- For the department of Safety, accurate appropriations approved by the Excise Board were not reported on the Estimate of Needs; however, expenditures in the amount of \$715 were reported and resulted in the department appearing to overspend appropriations by \$715.
- Appropriations as reflected on the Estimate of Needs did not agree with the appropriations approved by the Excise Board or the appropriations reflected on the County Clerk's appropriation ledger. The Estimate of Needs only reported appropriations for one (1) of the fifteen (15) fire departments. However, it showed warrants issued for all fire departments which resulted in the Estimate of Needs reflecting that the fire departments exceeded their budget by a total of \$6,500.
- Two departments, Detention Maintenance and County Audit Budget, were incorrectly identified as sales tax accounts within the County General fund.

County Highway Unrestricted:

- The Estimate of Needs did not reflect original appropriations or net appropriations approved by the Excise Board for the County Highway Unrestricted fund; however, expenditures were reported which resulted in the appearance that the fund expenditures exceeded appropriations by \$2,010,456. Furthermore, the appropriations on the estimate of needs did not agree to the County Clerk's appropriation ledger.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County's Estimate of Needs is presented in a manner that can be reconciled to the underlying financial statements and the information presented is accurate and free from error.

Effect of Condition: These conditions resulted in noncompliance with state statute and an incomplete and inaccurate Estimate of Needs being approved and could have resulted in the County expending more funds than readily available and misappropriation of funds.

Recommendation: OSAI recommends the BOCC review the Estimate of Needs prior to approval to ensure that all funds are accounted for and accurately presented.

Management Response:

Chairman of the Board of County Commissioners: We will review the Estimate of Needs for completion and accurate presentation prior to approval.

**LOVE COUNTY, OKLAHOMA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Criteria: Title 68 O.S. § 3002 states in part, “...each board of county commissioners...shall prior to October 1 of each year, make, in writing, a financial statement, showing the true financial condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statements shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct...”

The 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.

Additionally, Principle 10 – Design Control Activities – 10.03 states in part:

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Furthermore, Principle 13 – Use Quality Information – 13.04 states in part:

Relevant Data from Reliable Sources

Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance related. Management obtains data on a timely basis so that they can be used for effective monitoring.

O·K·L·A·H·O·M·A
S·A·I
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