

COUNTY AUDIT

LOVE COUNTY

For the fiscal year ended June 30, 2007



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



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

**LOVE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Oklahoma State Auditor & Inspector

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March 10, 2011

TO THE CITIZENS OF
LOVE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Love County, Oklahoma for the fiscal year ended June 30, 2007. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

**LOVE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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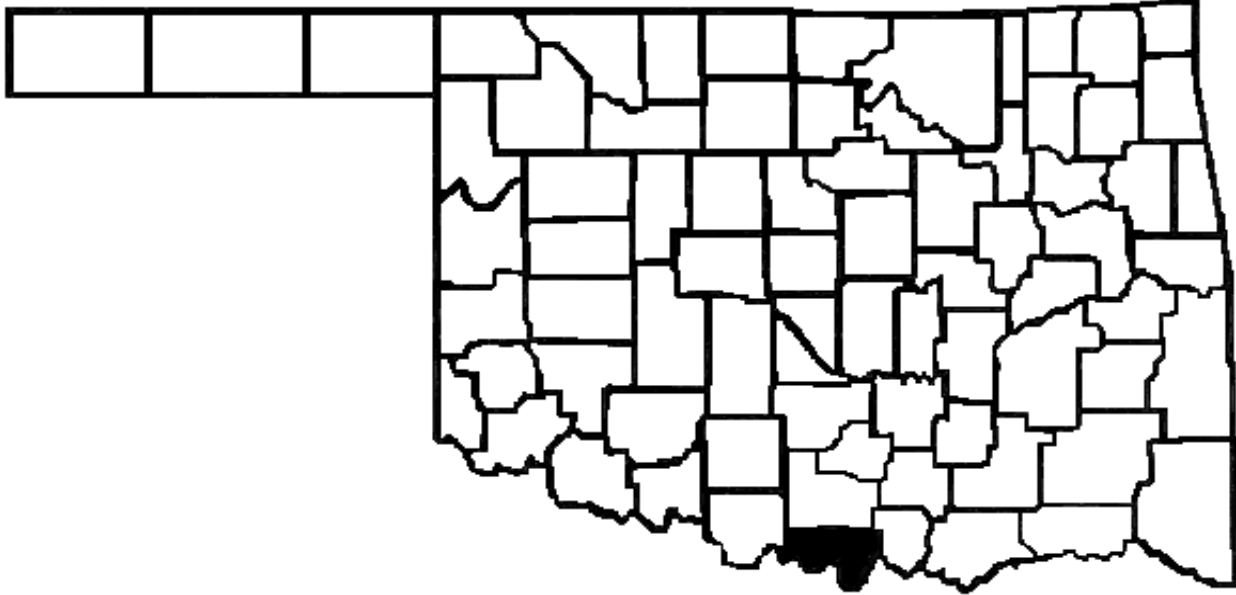
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**REPORT TO THE CITIZENS
OF
LOVE COUNTY, OKLAHOMA**



Originally a part of Pickens County, Chickasaw Nation, Love County was named in honor of Overton Love, a prominent judge of the Chickasaws and landowner after the Civil War.

The County seat, according to some, was named Marietta by its first postmaster, Jerry C. Washington, for his wife Mary and his sister Etta. Others contend the town was named for Marietta, Pennsylvania. The county courthouse, built in 1910, was the first courthouse built in Oklahoma after statehood.

Marietta is served by I-35, S.H. 32, and S.H. 77, and the Santa Fe Railroad. Industries include Murray Biscuit Company, Marietta Sportswear, Robertson Hams, Rapistan Systems, Earth Energy Systems, and the Joe Brown Company. Texaco, Chevron, and Cimarron Transmission manufacture propane, butane, and natural gas. The *Marietta Monitor*, a weekly newspaper, has been owned and operated by the same family since 1896.

Several famous horse ranches and cattle ranches are located in the county. The largest early-day ranch was operated by William E. Washington. Agricultural products include pecans, grains, hay, peanuts, and watermelons, while sheep and hogs are raised.

Love County annually celebrates Frontier Days on the first Friday and Saturday of June. For more information, call the county clerk's office at (580) 276-3059.

County Seat - Marietta

Area – 531.94 Square Miles

County Population – 9,126
(2005 est.)

Farms – 725

Land in Farms – 244,465 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

**LOVE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COUNTY ASSESSOR
Cathy Carlile

The County Assessor has the responsibility to appraise and assess the real and personal property within the county for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the county. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

COUNTY CLERK
Dora Jackson

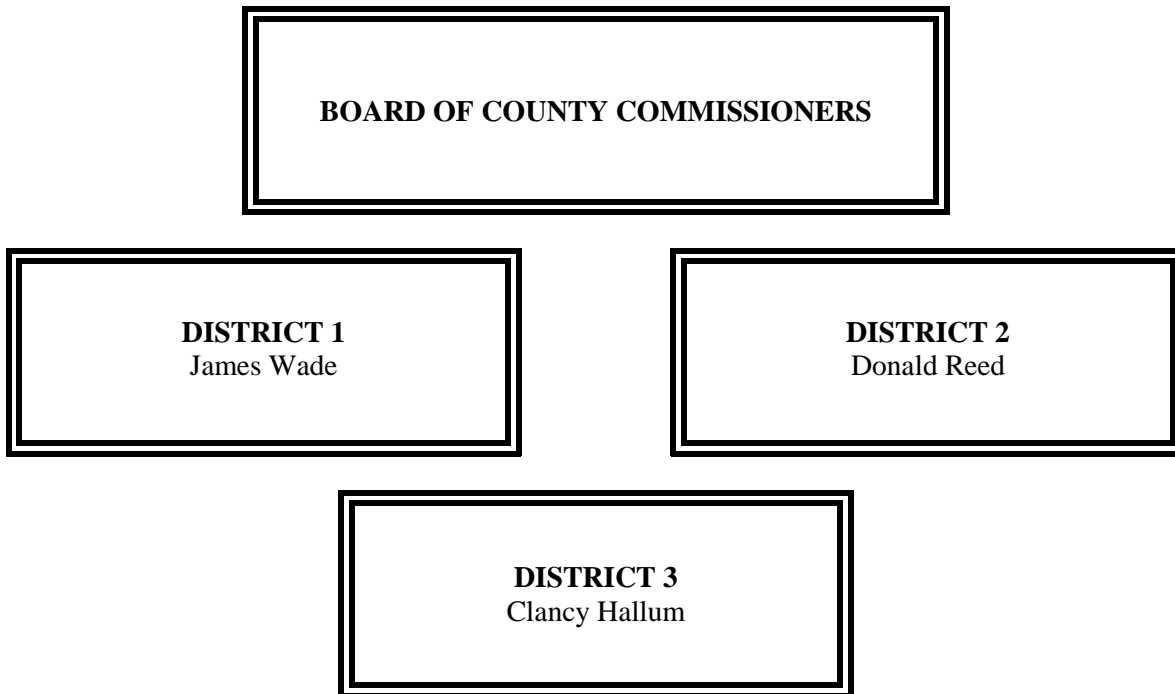
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as “open records.” As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

**LOVE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**



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

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

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

See independent auditor's report.

**LOVE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COUNTY SHERIFF
Joe Russell

The County Sheriff is responsible for preserving the peace and protecting life and property within the county's jurisdiction. As the county's chief law enforcement officer, the Sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the county jail.

The County Sheriff has the responsibility of serving warrants and processing papers ordered by the District Court.

COUNTY TREASURER
Langdon Spivey

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

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed.

See independent auditor's report.

**LOVE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COURT CLERK
Kim Jackson

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government.

DISTRICT ATTORNEY
Craig Ladd

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

**LOVE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

ELECTION BOARD SECRETARY Cleta Willis

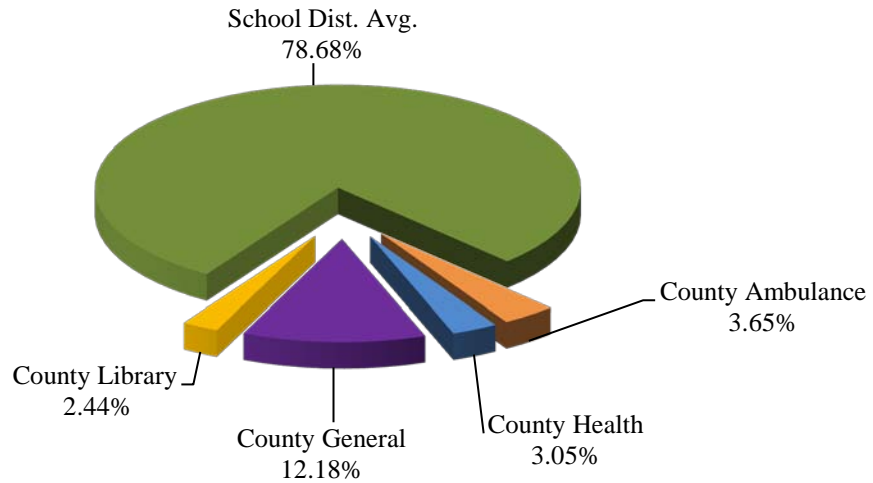
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

**LOVE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	Career Tech	Career Tech Bldg.	Common	Total
County General	10.35									
County Health	2.59	Greenville	D-3	36.31	5.19	8.24	8.22	2.05	4.14	64.15
County Library	2.07	Thackerville	I-4	36.22	5.17	2.25	8.22	2.05	4.14	58.05
County Ambulance	3.11	Turner	I-5	37.02	5.29	17.77			4.14	64.22
		Marietta	I-16	35.70	5.10	18.19	8.22	2.05	4.14	73.40
		Ringling	JI-14	37.36	5.34		8.22	2.05	4.14	57.11
		Lone Grove	JI-32	35.00	5.00	26.61	8.22	2.05	4.14	81.02
		Wilson	JI-43	36.75	5.25	13.84	8.22	2.05	4.14	70.25

See independent auditor's report.

**LOVE COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Total net assessed value as of January 1, 2006		<u>\$ 42,826,691</u>
Debt limit - 5% of total assessed value		2,141,335
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 2,141,335</u>

See independent auditor's report.

**LOVE COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

	2007
Estimated population	9,126
Net assessed value as of January 1, 2006	\$ 42,826,691
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**LOVE COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2006	\$10,044,893	\$7,387,759	\$27,797,069	\$2,403,030	\$42,826,691	\$347,681,233

See independent auditor's report.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
LOVE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Love County, Oklahoma, as of and for the year ended June 30, 2007, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Love County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

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

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Love County as of June 30, 2007, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Love County for the year ended June 30, 2007, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2011, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

February 24, 2011

Basic Financial Statement

**LOVE COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Beginning Cash Balances July 1, 2006	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2007
Combining Information:				
General Fund	\$ 274,047	\$ 720,066	\$ 732,020	\$ 262,093
T-Highway	1,619,887	1,527,592	1,714,274	1,433,205
County Health	80,907	109,461	70,143	120,225
Resale Property	57,311	33,040	61,385	28,966
Treasurer Mortgage Certification Fees	8,443	2,360	497	10,306
County Clerk Lien Fee	3,827	14,440	6,640	11,627
BDF Sheriff Drug Fund	937	630	1,348	219
Sheriff's COPS Grant	1,386			1,386
Sheriff's DOC Reimbursement	91	12,027	11,840	278
Sheriff Computer Grant	8			8
Sheriff Stray Animal Fund	963		434	529
Educational Building/Jail	370	100		470
Sheriff Service Fee	18,382	149,177	141,942	25,617
Use Tax	64,915	60,988	85,113	40,790
Assessor Revolving	990	3,521	3,478	1,033
Election Board Cash Fund	4			4
County Clerk F.M.R.P.	35,741	20,590	33,142	23,189
Sales Tax Revolving	341,652	800,031	811,286	330,397
Child Abuse	243			243
Love County Health Center Remittance	227,149	76,088	111,267	191,970
Sanders Center Donation	43			43
REAP Grant 2005		9,238	9,238	
Special Courthouse Project		10,000		10,000
REAP Grant 2006	6,000	61,259	67,259	
Historical Monuments		4,000	3,558	442
Combined Total--All County Funds	\$ 2,743,296	\$ 3,614,608	\$ 3,864,864	\$ 2,493,040

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, 2007**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Love County, Oklahoma. The financial statement referred to includes only the primary government of Love County, Oklahoma, and does not include financial information for any of the primary government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

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

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

General Fund - accounts for the general operations of the government.

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

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

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

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

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

BDF Sheriff Drug Fund – accounts for the collection of the County Sheriff’s percentage of drug forfeitures.

Sheriff’s COPS Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

Sheriff’s DOC Reimbursement – accounts for monies received from the State Department of Corrections for housing prisoners.

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

Sheriff Stray Animal Fund – accounts for the proceeds of selling cattle found and unclaimed. Disbursements are made to pay for the sale of cattle with excess funds being transferred to the general fund.

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

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

Use Tax – accounts for Use Tax remitted to the County by the Oklahoma Tax Commission and disbursements for the general operation of the County.

Assessor Revolving - accounts for the collection of fees for copies restricted by state statute.

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

County Clerk F.M.R.P. - accounts for fees collected for instruments filed in the Registrar of Deeds as restricted by statute for preservation of records.

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

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

Love County Health Center Remittance – accounts for monies collected from the state and county sales tax revenue and disbursed for the operation of the Love County Health Center.

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Sanders Center Donation – accounts for donations to the Sanders Center.

REAP Grant 2005 - accounts for grant funds received and disbursed as restricted by the grant agreement.

Special Courthouse Project – accounts for grant funds received and disbursed as restricted by the grant agreement.

Reap Grant 2006 - accounts for grant funds received and disbursed as restricted by the grant agreement.

Historical Monuments – accounts for grant funds received and disbursed as restricted by the grant agreement.

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

C. Basis of Accounting

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

D. Budget

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

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

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

E. Cash

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

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

F. Investments

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

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

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured.

G. Compensated Absences

All full-time employees shall be entitled to vacation leave in accordance with the schedule outlined below:

<u>Years of Service</u>	<u>Vacation Leave</u>
01-10 Years	10 days
10-20 Years	15 days

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

A full time employee is entitled to five vacation days after completion of six-months of continuous employment. Vacation leave may not be accumulated and must be taken within the year allowed. If an employee terminates employment, they shall receive unused vacation pay.

A full-time employee is entitled to sick leave with pay that is accrued on a monthly basis. Sick leave accumulates at the rate of one day of each calendar month of service to the County. Sick leave may be accrued up to a maximum of 45 days. The County does not record any liability for sick leave. When terminating employment with the County, an employee may not collect pay for the accrued sick leave.

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2006, was approximately \$42,826,691.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.35 mills for general fund operations, 2.59 mills for county health department, 2.07 mills for county library, and 3.11 mills for emergency medical service. In addition, the County collects the ad valorem taxes assessed by school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

Current year tax collections for the year ended June 30, 2007, were approximately 97 percent of the tax levy.

3. Fuel Tax

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the county highway fund.

4. Risk Management

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

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

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

5. Long-term Obligations

Capital Leases

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

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

6. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 7.5% and 12.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 12.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2007, 2006, and 2005, were \$164,477, \$138,815, and \$116,849, respectively, equal to the required contributions for each year.

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

7. Other Post Employment Benefits (OPEB)

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

8. Contingent Liabilities

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

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

9. Sales Tax

The voters of Love County approved a one percent (1%) sales tax for a period of five years, which began April 1, 2003. The sales tax was established to provide revenue for the following: 50% for maintenance and operation of county-owned property and operating expenses; 5% for ambulance service; 5% for county senior citizens centers; 10% for county fire protection; 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.

The voters of Love County approved a one percent (1%) sales tax for a period of five years, which began April 1, 2004. Proceeds of the tax are to be used for the equipping, maintaining, and operating of the Love County Health Center.

OTHER SUPPLEMENTARY INFORMATION

LOVE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 274,047	\$ 274,047	\$ 274,047	\$ -
Less: Prior Year Outstanding Warrants	(45,224)	(45,224)	(45,224)	
Less: Prior Year Encumbrances	(10,820)	(10,820)	(9,074)	1,746
Beginning Cash Balances, Budgetary Basis	<u>218,003</u>	<u>218,003</u>	<u>219,749</u>	<u>1,746</u>
Receipts:				
Ad Valorem Taxes	402,960	402,960	424,828	21,868
Charges for Services	63,357	63,588	58,064	(5,524)
Intergovernmental Revenues	92,137	92,137	173,062	80,925
Miscellaneous Revenues	16,137	16,137	64,112	47,975
Total Receipts, Budgetary Basis	<u>574,591</u>	<u>574,822</u>	<u>720,066</u>	<u>145,244</u>
Expenditures:				
District Attorney	10,850	10,850	10,613	237
Total District Attorney	<u>10,850</u>	<u>10,850</u>	<u>10,613</u>	<u>237</u>
County Sheriff	275,500	275,500	269,761	5,739
Total County Sheriff	<u>275,500</u>	<u>275,500</u>	<u>269,761</u>	<u>5,739</u>
County Treasurer	49,865	49,865	49,836	29
Total County Treasurer	<u>49,865</u>	<u>49,865</u>	<u>49,836</u>	<u>29</u>
County Commissioners	2,400	2,400	2,400	
Total County Commissioners	<u>2,400</u>	<u>2,400</u>	<u>2,400</u>	<u>-</u>
OSU Extension	75	75		75
Capital Outlay	25	25		25
Total OSU Extension	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
County Clerk	91,192	91,192	91,192	
Total County Clerk	<u>91,192</u>	<u>91,192</u>	<u>91,192</u>	<u>-</u>
Court Clerk	50,864	50,864	38,684	12,180
Total Court Clerk	<u>50,864</u>	<u>50,864</u>	<u>38,684</u>	<u>12,180</u>
County Assessor	49,865	49,865	49,865	
Total County Assessor	<u>49,865</u>	<u>49,865</u>	<u>49,865</u>	<u>-</u>

continued on next page

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

LOVE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	75,295	81,072	80,193	879
Capital Outlay	13,088	7,311	7,292	19
Total Revaluation of Real Property	<u>88,383</u>	<u>88,383</u>	<u>87,485</u>	<u>898</u>
General Government	96,697	96,697	79,707	16,990
Capital Outlay	20,000	20,000	16,609	3,391
Total General Government	<u>116,697</u>	<u>116,697</u>	<u>96,316</u>	<u>20,381</u>
Excise-Equalization Board	13,000	13,000	1,750	11,250
Total Excise-Equalization Board	<u>13,000</u>	<u>13,000</u>	<u>1,750</u>	<u>11,250</u>
County Election Board	42,959	43,190	41,567	1,623
Capital Outlay	5	5		5
Total County Election Board	<u>42,964</u>	<u>43,195</u>	<u>41,567</u>	<u>1,628</u>
Insurance	21,800	21,800	6,856	14,944
Total Insurance	<u>21,800</u>	<u>21,800</u>	<u>6,856</u>	<u>14,944</u>
Charity	500	500	158	342
Total Charity	<u>500</u>	<u>500</u>	<u>158</u>	<u>342</u>
Civil Defense	4,200	4,200	4,200	
Total Civil Defense	<u>4,200</u>	<u>4,200</u>	<u>4,200</u>	<u>-</u>
County Audit Budget Account	4,283	4,283	744	3,539
Total County Audit Budget Account	<u>4,283</u>	<u>4,283</u>	<u>744</u>	<u>3,539</u>
Free Fair Budget	3,000	3,500	3,486	14
Capital Outlay	500			
Total Free Fair Budget	<u>3,500</u>	<u>3,500</u>	<u>3,486</u>	<u>14</u>
Provision for Interest on Warrants	1,000	1,000		1,000
Total Expenditures, Budgetary Basis	<u>826,963</u>	<u>827,194</u>	<u>754,913</u>	<u>72,281</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ (34,369)</u>	<u>\$ (34,369)</u>	184,902	<u>219,271</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			12,480	
Add: Current Year Outstanding Warrants			64,711	
Ending Cash Balance			<u>\$ 262,093</u>	

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

**LOVE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 80,907	\$ 80,907	\$ 80,907	\$ -
Less: Prior Year Outstanding Warrants	(5,450)	(5,450)	(5,500)	(50)
Less: Prior Year Encumbrances	(2,317)	(2,317)	(1,705)	612
Beginning Cash Balances, Budgetary Basis	<u>73,140</u>	<u>73,140</u>	<u>73,702</u>	<u>562</u>
Receipts:				
Ad Valorem Taxes	100,837	100,837	105,860	5,023
Miscellaneous Revenues		3,041	3,041	
Total Receipts, Budgetary Basis	<u>100,837</u>	<u>103,878</u>	<u>108,901</u>	<u>5,023</u>
Expenditures:				
Health and Welfare	183,890	186,931	66,419	120,512
Capital Outlay	10,000	10,000	6,516	3,484
Total Expenditures, Budgetary Basis	<u>193,890</u>	<u>196,931</u>	<u>72,935</u>	<u>123,996</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ (19,913)</u>	<u>\$ (19,913)</u>	109,668	<u>\$ 129,581</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			7,615	
Add: Current Year Outstanding Warrants			2,382	
Ending Cash Balance			<u>\$ 119,665</u>	

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

**LOVE COUNTY, OKLAHOMA
NOTE TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Budgetary Schedules

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

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

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

TO THE OFFICERS OF
LOVE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Love County, Oklahoma, as of and for the year ended June 30, 2007, which comprises Love County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated February 24, 2011. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2007-1, 2007-6, and 2007-7 as described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2007-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Love County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2007-2.

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

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



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

February 24, 2011

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 2007-1 - Segregation of Duties (Repeat Finding)

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Condition: We noted the following concerns in regards to recording, authorization, custody, and execution of revenue transactions:

County Treasurer's Office:

- The County Treasurer has one deputy that performs the duties of preparing deposits and posting daily receipts to the ledger. However, this employee is also performing the duties of making deposits and issuing receipts.
- The County Treasurer has one deputy that performs the duties of opening mail. However, this employee is also performing the duties of receiving money and issuing receipts.

County Clerk's Office:

- The County Clerk performs the duties of preparing deposits and posting daily receipts to the ledger. However, this employee is also performing the duties of opening mail, issuing receipts, making deposits.
- The 1st Deputy performs the duties of preparing deposits and posting daily receipts to the ledger. However, this employee is also performing the duties of opening mail, issuing receipts, and making deposits.
- The County Clerk's office has one employee who is preparing deposits. However, this employee is also making deposits.
- The County Clerk and 1st Deputy are receiving money and issuing receipts from one cash drawer.

County Assessor's Office:

- The Assessor performs the duties of opening mail. However, this employee is also receiving money and issuing receipts in the office.
- The 1st Deputy performs the duties of preparing deposits and posting daily receipts to the ledger. However, this employee is also performing the duties of making deposits, issuing receipts, and opening mail.
- The 2nd Deputy performs the duties of preparing deposits and posting daily receipts to the ledger. However, this employee is also making deposits.
- The Assessor, 1st Deputy, and a 2nd Deputy are receiving money and issuing receipts from one cash drawer.

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

We noted the following concerns in regards to recording, authorization, custody, and execution of expenditure transactions:

County Clerk's Office:

- The Purchasing Agent performs the duties of issuing warrants and posting warrants to the register. However, this employee is also signing warrants.
- The 1st Deputy performs all payroll duties, including enrolling new employees, calculating payroll, issuing payroll warrant/checks, signing warrants/checks, and posting payroll warrants to the payroll register.

Effect: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. Regarding the receipting process, OSAI recommends management establish separate cash drawers for each employee that receipts monies. The cash drawer should be closed out, reconciled to the employee's daily receipts, and be approved by someone independent of the cash drawer. Regarding the disbursement process, the duties of issuing, posting, and signing warrants should be separated.

Views of responsible officials and planned corrective actions:

County Clerk: I do not have adequate staff at this time to properly segregate receipting functions; however, beginning at this date, I will review receipts and deposits prior to making deposits with the Treasurer.

County Assessor: We will implement procedures to better segregate the duties of receipting.

County Treasurer: We will implement procedures to better segregate the process of receipting, depositing and posting of receipts.

Finding 2007-2 – Under-Collateralized

Criteria: Title 62 O.S. § 511 states:

Any custodian of public funds of any kind or character, required by law to secure proper collateral before depositing public funds in a bank or trust company, shall hereafter, in depositing public funds in a bank or trust company whose deposits are insured by the Federal Deposit Insurance Corporation, be required to secure proper collateral only for sums deposited in excess of the amount of deposit insured by such Federal Deposit Insurance Corporation.

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Title 62 O.S. § 513 states:

The State Treasurer, and the treasurers of counties, school districts, cities, towns, municipalities and any other political subdivision of the state, and any other officer, board, department or commission having custody, control and management of any public or trust fund or funds charged with the safekeeping and deposit of said funds or funds are hereby specifically authorized to deposit said fund or funds in any federally-insured building and loan association wherever located, whether federally or state chartered, in an amount and to the extent that such deposit is fully insured by the Federal Savings and Loan Insurance Corporation or any other instrumentality of the United States Government. When any such insured deposit is made it shall not be necessary for such treasurer, officer, board, department or commission to require any security, and such insurance shall be accepted in lieu of any security, restriction or other limitation now required or imposed by law upon the deposit of public funds.

Condition: Love County's account balance at BancFirst was under-pledged in the amount \$430,077.04 at December 31, 2006.

Effect: This condition could result in the loss of County funds.

Recommendation: OSAI recommends that the County Treasurer monitor county pledges routinely to ensure that deposits are adequately secured.

Views of responsible officials and planned corrective actions:

County Treasurer: The demands of sufficient collateralization are heightened December 31 for several reasons:

1. The bank is reluctant to pledge more than they are required.
2. This requirement will be increased by an undetermined amount from December 1 of each year until December 31.
3. The banks do work with us to prevent the problem of being under pledged, the possibility to be simply overwhelmed is always a possibility.

Finding 2007-6 – Disaster Recovery Plan – County Treasurer

Criteria: CobiT 4.1 DS4.1 states:

Develop a framework for IT continuity to support enterprise wide business continuity management using a consistent process. The objective of the framework should be to assist in determining the required resilience of the infrastructure and to drive the development of disaster recovery and IT contingency plans. The framework should address the organization structure for continuity management, covering the roles, tasks, and responsibilities of internal and external service providers, their management and their customers, and the planning processes that create the rules and structures to document,

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

test and execute the disaster recovery and IT contingency plans. The plan should also address items such as the identification of critical resources, noting key dependencies, the monitoring and reporting of the availability of critical resources, alternative processing, and the principles of backup and recovery.

CobiT 4.1 DS4.2 states:

Develop IT continuity plans based on the framework and designed to reduce the impact of a major disruption on key business functions and processes. The plans should be based on risk understanding of potential business impacts and address requirements for resilience, alternative processing and recovery capability of all critical IT services. They should also cover usage guidelines, roles and responsibilities, procedures, communication processes, and the testing approach.

Condition: There is no Disaster Recovery Plan in place for the County Treasurer's office.

Effect: The failure to have a current Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a procedure addressing how critical information and/or systems would be restored could cause significant problems in ensuring that County business could continue uninterrupted.

Recommendation: OSAI recommends the County develop and implement a Disaster Recovery Plan that has procedures addressing how critical information and systems would be restored in the event of a disaster.

Views of responsible officials and planned corrective actions:

County Treasurer: I am working to develop a written disaster recovery plan at this time.

Finding 2007-7 – Disaster Recovery Plan – County Clerk

Criteria: CobiT 4.1 DS4.1 states:

Develop a framework for IT continuity to support enterprise wide business continuity management using a consistent process. The objective of the framework should be to assist in determining the required resilience of the infrastructure and to drive the development of disaster recovery and IT contingency plans. The framework should address the organization structure for continuity management, covering the roles, tasks, and responsibilities of internal and external service providers, their management and their customers, and the planning processes that create the rules and structures to document, test and execute the disaster recovery and IT contingency plans. The plan should also address items such as the identification of critical resources, noting key dependencies, the monitoring and reporting of the availability of critical resources, alternative processing, and the principles of backup and recovery.

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

CobiT 4.1 DS4.2 states:

Develop IT continuity plans based on the framework and designed to reduce the impact of a major disruption on key business functions and processes. The plans should be based on risk understanding of potential business impacts and address requirements for resilience, alternative processing and recovery capability of all critical IT services. They should also cover usage guidelines, roles and responsibilities, procedures, communication processes, and the testing approach.

Condition: After obtaining the County Clerk's Disaster Recovery Plan, it was noted that there is not a procedure addressing how critical information and systems would be restored in the event of a disaster.

Effect: The failure to have a current Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a procedure addressing how critical information and/or systems would be restored could cause significant problems in ensuring that County business could continue uninterrupted.

Recommendation: OSAI recommends the County develop and implement a Disaster Recovery Plan that has procedures addressing how critical information and systems would be restored in the event of a disaster.

Views of responsible officials and planned corrective actions:

County Clerk: Disaster Recovery Plan has been updated to include this information.

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.

2007-3 – Sheriff Official Depository (Repeat Finding)

Criteria: Effective accounting procedures are necessary to ensure stewardship and accountability of public funds.

Title 19 O.S. § 682 states in part:

It shall be the duty of each and every county officer, county board, county commission and all members and employees of either thereof, to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, funds, rentals, penalties, costs, proceeds of sale of property, fees, fines, forfeitures and public charges of every kind received or collected by virtue or under color of office...

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Title 28 O.S. § 9 states:

Every officer charging fees shall give a receipt therefor.

Condition: An audit of the Sheriff's Official Depository Cash Bond Account revealed the following:

- The Sheriff does not deposit daily.
- Receipts were not issued in sequential order.
- Receipts were not issued for all monies received/deposited.

While performing tests to assure that monies collected for cash bonds are deposited and recorded in accordance with state statutes, the following was noted:

Of the eleven (11) cash bonds tested,

- Three (3) did not have a receipt for the monies received.
- One (1) deposit ticket could not be located.

Effect: This condition could result in unrecorded transactions and misappropriation of assets.

Recommendation: OSAI recommends that duplicated, pre-numbered receipts be issued for all monies received by the Sheriff's Office. Receipts should be issued in sequential order and should indicate mode of payment. Collections should be deposited daily with the County Treasurer's Office. Furthermore, OSAI recommends that records should be retained.

Views of responsible officials and planned corrective actions:

County Sheriff: We have since implemented procedures to correct this finding.

Finding 2007-5 – Estimate of Needs (Repeat Finding)

Criteria: Title 68 O.S. § 3002.A states:

Notwithstanding the provisions of the School District Budget Act, each board of county commissioners and the board of education of each school district, shall, prior to October 1 of each year, make, in writing, a financial statement, showing the true fiscal 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 statement 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 statement of estimated needs shall be itemized so as to show, by classes: first, the several amounts necessary for the current expenses of the political subdivision and each officer and department thereof as submitted in compliance with the provisions of Section 3004 of this title; second, the amount required by law to be provided for sinking fund purposes; third, the probable income that will be received from all sources, including

**LOVE COUNTY, OKLAHOMA
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interest income and ad valorem taxes; and shall be detailed in form and amount so as to disclose the several items for which the excise board is authorized and required, by this article, to approve estimates and make appropriations.

Condition: Upon preparing the County's Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for both the General Fund and the Health Fund, a variance was noted in the excess of receipts and beginning cash balances over disbursements, budgetary basis. The variance in the General Fund was (\$34,369) and the variance in the Health Fund was (\$19,913).

It was also noted that the ending cash balances on the Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances – Budget and Actual – Budgetary Basis for the Health Fund do not agree to the actual ending cash balances as reported on the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances, reflecting a variance of \$560.

Additionally, it was also noted that the following funds were not included on the County's Estimate of Needs:

- Sheriff Stray Animal
- General Expenditures/Use Tax
- County Clerk FMRP
- Assessor Revolving
- Historical Monuments
- REAP Grant 05
- REAP Grant 06
- BDF-Sheriff Drug Fund
- LCHC Remittance

We further noted Highway Fund expenditures per the Estimate of Needs had a variance of \$75,000 to the County's Warrant Register total of Highway Fund expenditures.

Effect: If amounts are noted incorrectly, County officials may not have the correct information for budgeting purposes, which could result in misappropriation and/or overspending funds.

Recommendation: OSAI recommends the County review the estimate of needs prior to approval to ensure that all funds are accurately presented.

Views of responsible officials and planned corrective actions:

County Treasurer: I will be reviewing the budget for accuracy.

County Clerk: Since October of 2008, the Treasurer and I work closely together to ensure numbers presented on the budget are accurate.



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