

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

June 8, 2006

TO THE CITIZENS OF
LOVE COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Love County.....	iii
County Officials and Responsibilities.....	iv
Ad Valorem Tax Distribution.....	ix
Computation of Legal Debt Margin.....	x
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita.....	xi
Assessed Value of Property.....	xii

FINANCIAL SECTION

Report of State Auditor and Inspector.....	1
Basic Financial Statement:	
Combined Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information).....	3
Notes to the Financial Statement.....	4

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	13
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund.....	15
Notes to Other Supplementary Information.....	16

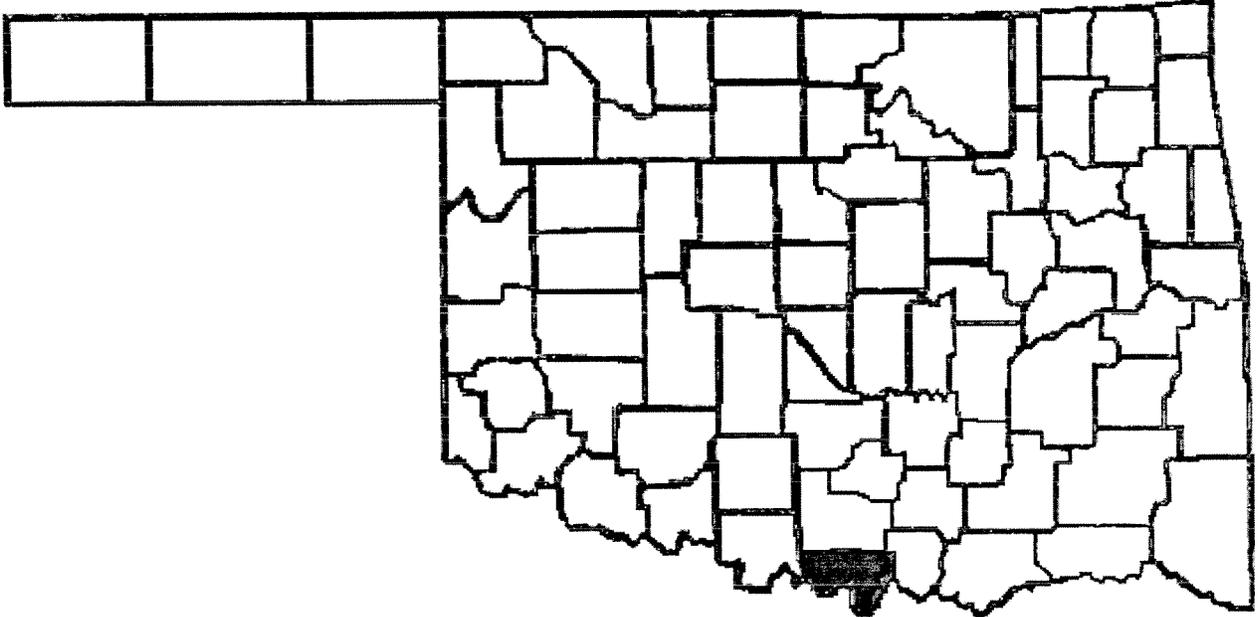
LOVE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards 17

Schedule of Findings and Responses..... 19

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 postmaster, Jerry C. Washington, for his wife Mary, and her 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, S.H. 77, and the Santa Fe Railroad. Industries include Murray Biscuit Co, LLC, 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 also 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 – 9,133
(2004 est.)

Farms – 725

Land in Farms – 244,465 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

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

COUNTY ASSESSOR

Cathy Carlile
(D) Marietta

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
(D) Marietta

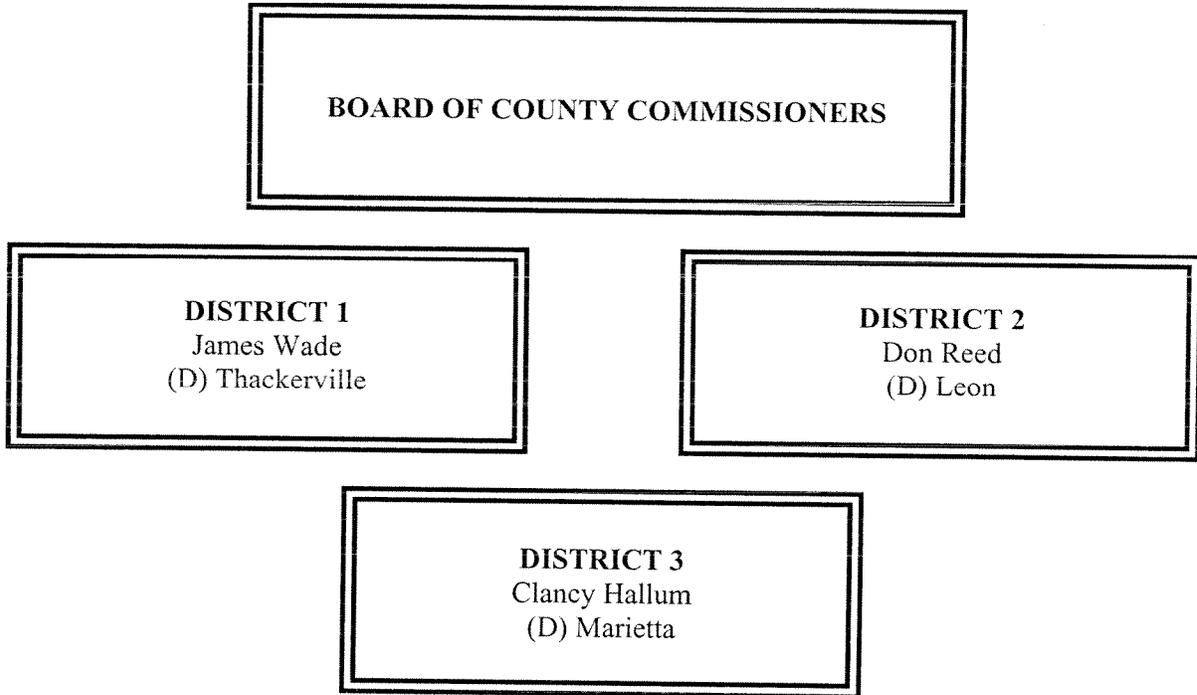
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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, 2005**



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

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

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

See independent auditor's report.

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

COUNTY SHERIFF

Joe Russell
(D) Leon

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 D. Spivey
(D) Ringling

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

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

See independent auditor's report.

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

COURT CLERK
Kim Jackson
(D) Ringling

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

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

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

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government. Court Clerks use forms and follow procedures prescribed by the Court Administrator's Office, the Oklahoma Supreme Court, and the State Auditor and Inspector.

DISTRICT ATTORNEY
Mitch Sperry
(D) Ardmore

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, 2005**

ELECTION BOARD SECRETARY

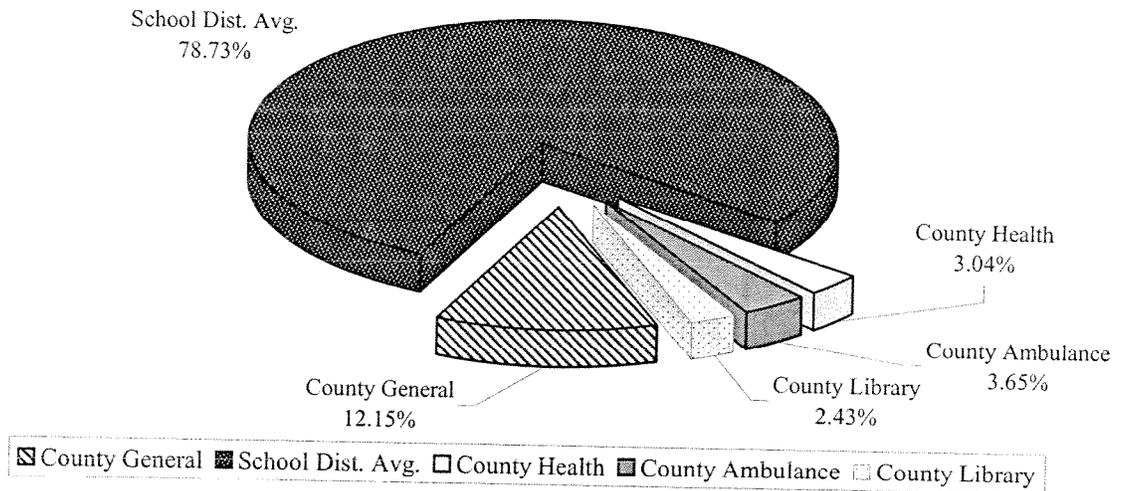
Cleta M. Willis
(D) Marietta

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.

**LOVE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
Co. General	10.00	Greenville	D-3	35.00	5.00	9.27	10.00	4.00	63.27
County Health	2.50	Thackerville	I-4	35.00	5.00	2.79	10.00	4.00	56.79
County Library	2.00	Turner	I-5	35.00	5.00	19.30		4.00	63.30
County Ambulance	3.00	Marietta	I-16	35.00	5.00	19.58	10.00	4.00	73.58
		Ringling	J1-14	35.00	5.00		10.00	4.00	54.00
		Lone Grove	J1-32	35.00	5.00	29.70	10.00	4.00	83.70
		Wilson	J1-43	35.00	5.00	4.66	10.00	4.00	58.66

See independent auditor's report.

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

Total net assessed value as of January 1, 2004		<u>\$ 39,528,894</u>
Debt limit - 5% of total assessed value		1,976,445
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 1,976,445</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, 2005
(UNAUDITED)

	2005
Estimated population	9,133
Net assessed value as of January 1, 2004	\$ 39,528,894
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, 2005
(UNAUDITED)

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2004	\$10,683,697	\$7,050,902	\$24,126,947	\$2,332,652	\$39,528,894	\$320,946,039

See independent auditor's report.

FINANCIAL SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2006, 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.



JEFF A. McMAHAN
State Auditor and Inspector

June 5, 2006

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, 2005**

	Beginning Cash Balances July 1, 2004	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2005
Combining Information:				
General Fund	\$ 220,115	\$ 648,059	\$ 599,609	\$ 268,565
T-Highway	1,741,566	2,005,307	2,280,560	1,466,313
County Health	120,545	100,075	98,014	122,606
Resale Property	61,091	300,681	271,920	89,852
Treasurer Mortgage Certification Fees	5,270	2,370	596	7,044
County Clerk Lien Fee	3,500	10,957	8,396	6,061
BDF Sheriff Drug Fund	2,590	2,300	4,020	870
Sheriff's COPS Grant	1,386			1,386
Sheriff's DOC Reimbursement	3,767	5,598	3,761	5,604
Sheriff Computer Grant	8			8
Sheriff Stray Animal Fund	969			969
Educational Building/Jail		200		200
Sheriff Law Enforcement	1,800		1,800	
Sheriff Service Fee	15,366	110,857	109,918	16,305
Use Tax	64,710	33,510	35,132	63,088
Assessor Revolving	875	2,305	1,854	1,326
Election Board Cash Fund	4			4
Courthouse Insurance	4,520		4,520	
County Clerk F.M.R.P.	35,787	20,571	23,779	32,579
Sales Tax Revolving	268,055	371,423	351,163	288,315
Child Abuse	200	23		223
Senior Citizens Grant	96,208		96,208	
Love County Health Center Remittance	169,203	74,555	100,007	143,751
Sanders Center Donation	43			43
Grant/Sanders Center	317		317	
REAP Grant 03-0268		2,494	2,494	
REAP Grants 2004		32,782	32,782	
REAP Grant 03-0079		166	166	
REAP 02-0135	9,018		9,018	
Hazard Mitigation Planning		3,000	3,000	
10771 CDBG 02	144	171,193	163,537	7,800
10622 CDBG 02		47,750	47,750	
REAP 03-0076	41,512		41,512	
REAP Grant 2005		14,583	14,583	
Combined Total--All County Funds	\$ 2,868,569	\$ 3,960,759	\$ 4,306,416	\$ 2,522,912

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, 2005

1. **Summary of Significant Accounting Policies**

A. Reporting Entity

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

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

B. Fund Accounting

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

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

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

T-Highway - accounts for state, local and miscellaneous receipts and disbursements 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.

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 statutes.

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

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

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 Law Enforcement – accounts for grant monies received and disbursed as restricted by the grant agreement.

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 or election fees and maintenance and operation of the office.

Courthouse Insurance – accounts for insurance money collected on behalf of the County and disbursed as restricted by state statute.

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

Senior Citizens Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

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.

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

Grant/Sanders Center – accounts for grant monies received and disbursed as restricted by the grant agreement.

REAP Grant 03-0268 – accounts for grant funds received and disbursed as restricted by the grant agreement.

REAP Grants 2004 – accounts for grant funds received and disbursed as restricted by the grant agreement.

REAP Grant 03-0079 – accounts for grant funds received and disbursed as restricted by the grant agreement.

REAP 02-0135 – accounts for grant funds received and disbursed as restricted by the grant agreement.

Hazard Mitigation Planning - accounts for grant funds received and disbursed as restricted by the grant agreement.

10771 CDBG 02 – accounts for grant funds received and disbursed as restricted by the grant agreement.

10622 CDBG 02 – accounts for grant funds received and disbursed as restricted by the grant agreement.

REAP 03-0076 – accounts for grant funds received and disbursed as restricted by the grant agreement.

REAP Grant 2005 – 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 emergency medical districts, school districts and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement, those funds play no part in the County's operations.

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

C. Basis of Accounting

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

D. Budget

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

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

E. Cash

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

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

F. Investments

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

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts

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

- 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:

Years of Service	Vacation Leave
01-10 years	10 days
10-20 years	15 days

A full-time employee is entitled to five working vacation days at the completion of six-months continuous employment. Vacation leave may not be accumulated and must be taken within the year allowed.

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 for 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.

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2004, was approximately \$39,528,894.

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

The County levied 10.00 mills (the legal maximum) for general fund operations, 2.50 mills for county health department, 2.00 mills for the county library, and 3.00 mills for emergency medical service. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2005, were approximately 95 percent of the tax levy.

3. Fuel Tax

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

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

4. **Risk Management**

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

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

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

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

5. **Long-term Obligations**

Capital Leases

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

6. **Pension Plan**

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2005, 2004, and 2003 were \$116,849, \$102,771, and \$99,295, respectively, equal to the required contributions for each year.

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

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

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

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. 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.

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

9. Sales Tax

The voters of 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, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 220,115	\$ 220,115	\$ 220,115	\$ -
Less: Prior Year Outstanding Warrants	(33,294)	(33,294)	(33,294)	
Less: Prior Year Encumbrances	(5,378)	(5,378)	(5,320)	58
Beginning Cash Balances, Budgetary Basis	<u>181,443</u>	<u>181,443</u>	<u>181,501</u>	<u>58</u>
Receipts:				
Ad Valorem Taxes	359,354	359,354	365,892	6,538
Charges for Services	47,782	47,782	58,461	10,679
Intergovernmental Revenues	79,571	79,571	136,320	56,749
Miscellaneous Revenues	15,000	15,197	87,386	72,189
Total Receipts, Budgetary Basis	<u>501,707</u>	<u>501,904</u>	<u>648,059</u>	<u>146,155</u>
Expenditures:				
District Attorney	7,500	7,500	6,746	754
Total District Attorney	<u>7,500</u>	<u>7,500</u>	<u>6,746</u>	<u>754</u>
County Sheriff	209,997	227,785	227,639	146
Capital Outlay	1,000	1,000	959	41
Total County Sheriff	<u>210,997</u>	<u>228,785</u>	<u>228,598</u>	<u>187</u>
County Treasurer	39,845	39,845	39,845	
Total County Treasurer	<u>39,845</u>	<u>39,845</u>	<u>39,845</u>	<u>-</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	79,450	79,450	76,332	3,118
Total County Clerk	<u>79,450</u>	<u>79,450</u>	<u>76,332</u>	<u>3,118</u>
Court Clerk	43,630	43,630	26,375	17,255
Total Court Clerk	<u>43,630</u>	<u>43,630</u>	<u>26,375</u>	<u>17,255</u>
County Assessor	43,130	43,130	42,104	1,026
Total County Assessor	<u>43,130</u>	<u>43,130</u>	<u>42,104</u>	<u>1,026</u>
Excise-Equalization Board	12,548	12,548	2,250	10,298
Total Excise-Equalization Board	<u>12,548</u>	<u>12,548</u>	<u>2,250</u>	<u>10,298</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, 2005

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	56,720	58,620	58,081	539
Capital Outlay	3,180	1,280	968	312
Total Revaluation of Real Property	<u>59,900</u>	<u>59,900</u>	<u>59,049</u>	<u>851</u>
General Government	93,814	84,749	66,474	18,275
Capital Outlay	20,000	17,277		17,277
Total General Government	<u>113,814</u>	<u>102,026</u>	<u>66,474</u>	<u>35,552</u>
County Election Board	40,887	41,084	38,680	2,404
Capital Outlay	5	5		5
Total County Election Board	<u>40,892</u>	<u>41,089</u>	<u>38,680</u>	<u>2,409</u>
Insurance	13,450	7,450	6,375	1,075
Total Insurance	<u>13,450</u>	<u>7,450</u>	<u>6,375</u>	<u>1,075</u>
County Audit Budget Account	7,294	7,294	7,294	
Total County Audit Budget Account	<u>7,294</u>	<u>7,294</u>	<u>7,294</u>	<u>-</u>
Free Fair Budget	3,000	3,500	3,390	110
Capital Outlay	500			
Total Free Fair Budget	<u>3,500</u>	<u>3,500</u>	<u>3,390</u>	<u>110</u>
Charity	500	500	210	290
Total Charity	<u>500</u>	<u>500</u>	<u>210</u>	<u>290</u>
Civil Defense	3,400	3,400	3,400	
Total Civil Defense	<u>3,400</u>	<u>3,400</u>	<u>3,400</u>	<u>-</u>
Provision for Interest on Warrants	800	800		800
Total Expenditures, Budgetary Basis	<u>683,150</u>	<u>683,347</u>	<u>609,522</u>	<u>73,825</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	220,038	<u>\$ 220,038</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			9,780	
Add: Current Year Outstanding Warrants			38,747	
Ending Cash Balance			<u>\$ 268,565</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, 2005**

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 120,545	\$ 120,545	\$ 120,545	\$ -
Less: Prior Year Outstanding Warrants	(5,191)	(5,191)	(5,191)	
Less: Prior Year Encumbrances	(5,227)	(5,227)	(4,216)	1,011
Beginning Cash Balances, Budgetary Basis	<u>110,127</u>	<u>110,127</u>	<u>111,138</u>	<u>1,011</u>
Receipts:				
Ad Valorem Taxes	89,838	89,838	91,473	1,635
Charges for Services			3,822	3,822
Miscellaneous Revenues			4,780	4,780
Total Receipts, Budgetary Basis	<u>89,838</u>	<u>89,838</u>	<u>100,075</u>	<u>10,237</u>
Expenditures:				
Health and Welfare	174,965	174,965	105,179	69,786
Capital Outlay	25,000	25,000	6,086	18,914
Total Expenditures, Budgetary Basis	<u>199,965</u>	<u>199,965</u>	<u>111,265</u>	<u>88,700</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	99,948	<u>\$ 99,948</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			11,145	
Add: Current Year Outstanding Warrants			11,513	
Ending Cash Balance			<u>\$ 122,606</u>	

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

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

1. Budgetary Schedules

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

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

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**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, 2005, 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 June 5, 2006. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Love County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Love County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying schedule of findings and responses as item 2005-1.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain matter that we reported to the management of Love County, which is included in Section 2 of the schedule of findings and responses contained in this report.

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., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



JEFF A. McMAHAN
State Auditor and Inspector

June 5, 2006

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

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 2005-1—Segregation of Duties (Repeat Finding)

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation is an important element of effective internal control over government assets and resources.

Condition: The limited number of office personnel within several County offices prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control structure.

Recommendation: We recommend management be aware of this condition 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 knowledge of office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. Management does have knowledge of office operations and will perform a periodic review of operations.

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 2005-2—General Fixed Assets (Repeat Finding)

Criteria: Title 19 O.S. § 178.1 states, "The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Two Hundred Fifty Dollars (\$250.00), and therefore maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter...."

Condition: All offices, other than District 1, 2, and 3, do not perform a biennial verification of the fixed assets inventory.

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

Recommendation: We recommend that the Board of County Commissioners cause a biennial inventory to be taken of all working tools, apparatus, machinery, and equipment belonging to the County. We also recommend that these inventories be documented on form #3512.

Views of responsible officials and planned corrective actions: All Officers will work together to compile a complete listing of County inventory. We will also try to conduct a physical inventory of all items once every two years.