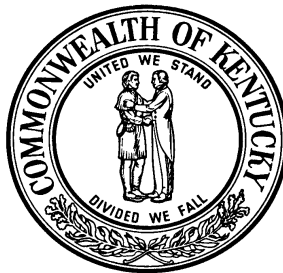


**REPORT OF THE AUDIT OF THE
CHRISTIAN COUNTY
SHERIFF'S SETTLEMENT - 2018 TAXES**

**For The Period
January 1, 2019 Through April 15, 2019**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Steve Tribble, Christian County Judge/Executive
The Honorable Tyler DeArmond, Christian County Sheriff
Members of the Christian County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the Christian County Sheriff's Settlement - 2018 Taxes for the period January 1, 2019 through April 15, 2019 - Regulatory Basis, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Guide for Sheriff's Tax Settlements*, issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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



To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Steve Tribble, Christian County Judge/Executive
The Honorable Tyler DeArmond, Christian County Sheriff
Members of the Christian County Fiscal Court

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Christian County Sheriff on the basis of accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the taxes charged, credited, and paid of the Christian County Sheriff, for the period January 1, 2019 through April 15, 2019.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the taxes charged, credited, and paid for the period January 1, 2019 through April 15, 2019 of the Christian County Sheriff, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2019, on our consideration of the Christian County Sheriff'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* in considering the Christian County Sheriff's internal control over financial reporting and compliance.

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Steve Tribble, Christian County Judge/Executive
The Honorable Tyler DeArmond, Christian County Sheriff
Members of the Christian County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report comment:

2018-001 The Sheriff's Office Lacks Segregation Of Duties Over Receipts

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

November 13, 2019

CHRISTIAN COUNTY
TYLER DEARMOND, SHERIFF
SHERIFF'S SETTLEMENT - 2018 TAXES

For The Period January 1, 2019 Through April 15, 2019

	County	Special Taxing Districts	School	State
<u>Transfers From Outgoing Sheriff</u>				
Real Estate	\$ 440,387	\$ 239,521	\$ 1,007,943	\$ 287,403
Tangible	30,158	9,916	64,538	34,099
Fire Protection	118			
Total Transfers From Outgoing Sheriff	470,663	249,437	1,072,481	321,502
<u>Other Taxes & Charges</u>				
Franchise Taxes	252,452	82,848	448,329	
Additional Billings	210	67	468	46
Oil/Gas Property Taxes	3,837	1,232	8,783	2,504
Limestone, Sand, and Gravel	1,167	374	2,671	761
Penalties	19,288	10,720	43,983	13,404
Gross Chargeable to Sheriff	747,617	344,678	1,576,715	338,217
<u>Credits</u>				
Exonerations	814	341	1,863	531
Discounts	1,600	520	3,438	55
Delinquent Real Estate	85,184	53,416	194,903	55,560
Delinquent Tangible	9,908	3,297	21,203	10,568
Total Credits	97,506	57,574	221,407	66,714
Taxes Collected	650,111	287,104	1,355,308	271,503
Less: Sheriff's Commissions*	27,631	10,885	40,661	11,539
Taxes Due Districts	622,480	276,219	1,314,647	259,964
Taxes Paid	619,274	275,233	1,307,560	257,916
Refunds (Current and Prior Year)	3,130	1,004	7,070	2,042
Taxes Due Districts (Refunds Due Sheriff)	\$ 76	\$ (18)	\$ 17	\$ 6

**

* and ** See next page.

The accompanying notes are an integral part of this financial statement.

CHRISTIAN COUNTY
 TYLER DEARMOND, SHERIFF
 SHERIFF'S SETTLEMENT - 2018 TAXES
 For The Period January 1, 2019 Through April 15, 2019
 (Continued)

* Commissions:

4.25% on	\$	1,150,125
3% on	\$	1,355,308
2% on	\$	58,593

** Special Taxing Districts:

Health District	\$	(15)
Extension District		1
Soil District		<u>(4)</u>
Due Districts or (Refunds Due Sheriff)	\$	<u>(18)</u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT

April 15, 2019

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Christian County Sheriff maintained deposits of public funds with depository institutions insured by the FDIC as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The Christian County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of April 15, 2019, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CHRISTIAN COUNTY
 NOTES TO FINANCIAL STATEMENT
 April 15, 2019
 (Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2018. Property taxes were billed to finance governmental services for the fiscal year ended June 30, 2019. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 1, 2019 through April 15, 2019.

B. Oil and Gas Property Taxes

The oil and gas property tax assessments were levied as of January 1, 2018. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 17, 2019 through July 16, 2019.

C. Limestone, Sand, and Gravel Reserves

The limestone, sand, and gravel property tax assessments were levied as of January 1, 2018. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 17, 2019 through July 16, 2019.

D. Franchise Taxes

The franchise tax assessments were levied by the Department of Revenue for various tax years. Franchise taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 1, 2019 through May 31, 2019. The amount collected was \$5,552 in May 2019.

Note 4. Interest Income

The Christian County Sheriff earned \$245 as interest income on 2018. The sheriff was in substantial compliance with his statutory responsibilities.

Note 5. Sheriff's 10% Add-On Fee

The Christian County Sheriff collected \$72,871 of 10% add-on fees allowed by KRS 134.119(7). This amount is used to operate the sheriff's office. As of November 13, 2019, the sheriff owed \$31,796 in 10% add-on fees to his fee account.

Note 6. Escrow Account

The sheriff deposited unrefundable payments in a non-interest-bearing account. The sheriff's escrowed beginning balance was \$734. The sheriff received \$60 and disbursed \$513 resulting in a total ending balance as of April 15, 2019, of \$281. The ending balance consists of escrowed of:

2015	\$56
2016	\$26
2017	\$199

KRS 393.090 states that if the funds have not been claimed after three years, they are presumed abandoned. Abandoned funds are required to be sent to the Kentucky State Treasurer pursuant to KRS 393.110 and its accompanying regulations. The sheriff sent a written report to the Kentucky State Treasury and submitted \$513 to the Kentucky State Treasurer in accordance with KRS 393.110.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Tribble, Christian County Judge/Executive
The Honorable Tyler DeArmond, Christian County Sheriff
Members of the Christian County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Christian County Sheriff's Settlement - 2018 Taxes for the period January 1, 2019 through April 15, 2019 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated November 13, 2019. The Christian County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain a deficiency in internal control, which is described in the accompanying Schedule of Findings and Responses as item 2018-001 that we consider to be a significant deficiency.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Christian County Sheriff's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

November 13, 2019

SCHEDULE OF FINDINGS AND RESPONSES

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CHRISTIAN COUNTY
TYLER DEARMOND, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Period January 1, 2019 Through April 15, 2019

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2018-001 The Sheriff's Office Lacks Segregation Of Duties Over Receipts

The sheriff's bookkeeper collects taxes, prepares daily checkout sheets, prepares the receipts ledgers, and prepares monthly reports for the Christian County Sheriff's office. The sheriff indicated that this was due to a limited budget which restricts the amount of employees he can hire to delegate the various duties between.

Segregation of duties over these tasks and cross-training deputies, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation, and inaccurate financial reporting. Additionally, proper segregation of duties and cross-training deputies protects employees in the normal course of performing their daily responsibilities. Good internal controls dictate that the collection of receipts, disbursing of cash, recording of transactions, and bank reconciling duties be segregated.

We recommend the Christian County Sheriff segregate duties over the receipts functions at the office if at all possible. If this is not feasible, compensating controls should be introduced to limit the risks to the office.

Sheriff's Response: The bookkeeper does not collect taxes, however; she does collect Franchise Taxes, which is minimal. The system in place for collecting Franchise Taxes would require an Administrative Clerk to log out of one tax system, log into another system to enter the Franchise Tax, log out of that system and then log back into the regular tax system. Requiring a Clerk to go through this, to simply enter a Franchise Tax, would be more problematic than having the bookkeeper perform this task. The segregation of transactions is already in place by each of the Administrative Staff. These transactions are checked by each staff member upon collection, double checked by the bookkeeper and then checked a third time by the bank when the transactions are deposited. This same process also provides accuracy for collection of receipts. Furthermore, this same process is used when verifying daily checkout sheets, receipt ledgers and the monthly reports. The need for any further delegation does not present itself when there is already a 3-step verification system in place.

Auditor's Reply: The bookkeeper collected franchise taxes, which are a large amount of taxes collected. The compensating controls listed in the response above were not documented and therefore could not be verified.