

**REPORT OF THE AUDIT OF THE  
DAVISS COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2015**



**MIKE HARMON  
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**EXECUTIVE SUMMARY**  
**AUDIT OF THE**  
**DAVISS COUNTY SHERIFF**

**For The Year Ended**  
**December 31, 2015**

The Auditor of Public Accounts has completed the Daviess County Sheriff's audit for the year ended December 31, 2015. Based upon the audit work performed, the financial statements present fairly in all material respects, the receipts and disbursements of the Daviess County Sheriff and the receipts, disbursements, and fund balances of the Daviess County Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

**Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in the sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Daviess County Sheriff had total receipts of \$3,660,026, which was a \$1,832,435 decrease from the prior year. Except for reimbursed expenses in the amount of \$24,186, 100% fees of \$1,028,871, fees due to the Daviess County Fiscal Court of \$13,570, and fiscal court contributions of \$1,159,454, the sheriff paid 25% of receipts to the Daviess County Fiscal Court in the amount of \$358,486. This was an increase of \$13,145 from the prior year. In addition, 75% fund operating disbursements decreased by \$133,929.

**Deposits:**

The sheriff's deposits were insured and collateralized by bank securities.



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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Al Mattingly, Daviess County Judge/Executive  
Honorable Keith Cain, Daviess County Sheriff  
Members of the Daviess County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statements**

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the Sheriff of Daviess County, Kentucky, and the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2015, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements 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 the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements 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 County Fee Officials* 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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



The Honorable Al Mattingly, Daviess County Judge/Executive  
Honorable Keith Cain, Daviess County Sheriff  
Members of the Daviess County Fiscal Court

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Daviess County Sheriff on the basis of the 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 statements 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 statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Daviess County Sheriff, as of December 31, 2015, or cash flows thereof for the year then ended.

**Opinion on Regulatory Basis of Accounting**

In our opinion the financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the Daviess County Sheriff and the receipts, disbursements, and fund balances of the sheriff’s operating fund and county fund with the state treasurer for the year ended December 31, 2015, 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 May 18, 2017, on our consideration of the Daviess 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting 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 over financial reporting and compliance.

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

May 18, 2017



DAVIESS COUNTY  
KEITH CAIN, SHERIFF  
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2015

Receipts

Federal Grants:

|                                       |          |           |
|---------------------------------------|----------|-----------|
| COPS Methamphetamine Initiative Grant | \$ 7,391 |           |
| Highway Safety Grant                  | 13,350   | \$ 20,741 |

|   |  |         |
|---|--|---------|
| State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF) |  | 127,777 |
|---|--|---------|

|                         |  |         |
|-------------------------|--|---------|
| State Fees for Services |  | 318,956 |
|-------------------------|--|---------|

|              |  |           |
|--------------|--|-----------|
| Fiscal Court |  | 1,172,540 |
|--------------|--|-----------|

|                                 |  |        |
|---------------------------------|--|--------|
| County Clerk - Delinquent Taxes |  | 31,872 |
|---------------------------------|--|--------|

|                     |  |           |
|---------------------|--|-----------|
| Commission on Taxes |  | 1,464,593 |
|---------------------|--|-----------|

Fees Collected for Services:

|                                       |        |         |
|---------------------------------------|--------|---------|
| Auto Inspections                      | 46,695 |         |
| Accident /Police Reports              | 12,046 |         |
| Serving Papers                        | 99,177 |         |
| Serving Papers - Fiscal Court Fee     | 13,570 |         |
| Carry Concealed Deadly Weapon Permits | 30,865 | 202,353 |

Other:

|  |         |         |
|--|---------|---------|
| Add-On Fees                                  | 152,161 |         |
| TSA - Airport Security                       | 7,370   |         |
| Board of Education - School Resource Officer | 84,668  |         |
| Reimbursed Expenses                          | 24,186  |         |
| Surplus Property Sale                        | 1,000   |         |
| Contract Overtime                            | 44,067  |         |
| Vest Replacement Grant                       | 1,890   |         |
| ASAP Grant                                   | 1,983   |         |
| Miscellaneous                                | 1,165   | 318,490 |

|                 |  |       |
|-----------------|--|-------|
| Interest Earned |  | 2,704 |
|-----------------|--|-------|

|                |  |           |
|----------------|--|-----------|
| Total Receipts |  | 3,660,026 |
|----------------|--|-----------|

The accompanying notes are an integral part of the financial statements.

DAVISS COUNTY  
 KEITH CAIN, SHERIFF  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS  
 For The Year Ended December 31, 2015  
 (Continued)

Disbursements

|                                    |                |                    |
|------------------------------------|----------------|--------------------|
| Payments to County:                |                |                    |
| Fees Collected - Fiscal Court      | \$ 13,570      |                    |
| Other Disbursements:               |                |                    |
| Juror Expenses                     | 896            |                    |
| Grant Pass-Through Disbursements:  |                |                    |
| Bullitt County Fiscal Court        | <u>5,631</u>   |                    |
| Total Disbursements                |                | <u>\$ 20,097</u>   |
| Net Receipts                       |                | 3,639,929          |
| Payments to State Treasurer:       |                |                    |
| 75% Operating Fund *               | 3,281,443      |                    |
| 25% County Fund                    | <u>358,486</u> | <u>3,639,929</u>   |
| Balance Due at Completion of Audit |                | <u><u>\$ 0</u></u> |

\* Includes reimbursed expenses in the amount of \$24,186 for the audit period.  
 See Note 1 of Notes to Financial Statements.

DAVIESS COUNTY  
KEITH CAIN, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2015

|  | 75%<br>Operating<br>Fund | 25%<br>County<br>Fund | Totals    |
|--|--------------------------|-----------------------|-----------|
| Fund Balance - January 1, 2015             | \$                       | \$                    | \$        |
| <u>Receipts</u>                            |                          |                       |           |
| Fees Paid to State - Operating Funds (75%) | 3,281,443                |                       | 3,281,443 |
| Fees Paid to State - County Funds (25%)    |                          | 358,486               | 358,486   |
| Total Funds Available                      | 3,281,443                | 358,486               | 3,639,929 |
| <u>Disbursements</u>                       |                          |                       |           |
| Daviess County Fiscal Court                |                          | 126,465               | 126,465   |
| Personal Services-                         |                          |                       |           |
| Official's Statutory Maximum               | 112,307                  |                       | 112,307   |
| Official's Training Incentive              | 3,941                    |                       | 3,941     |
| Deputies' Salaries                         | 1,960,704                |                       | 1,960,704 |
| Overtime Gross                             | 136,508                  |                       | 136,508   |
| Employee Benefits-                         |                          |                       |           |
| Employer's Share Social Security           | 158,572                  |                       | 158,572   |
| Employer's Share Retirement                | 670,957                  |                       | 670,957   |
| Employer's Share Health Insurance          | 562,058                  |                       | 562,058   |
| Employer's Share Life Insurance            | 3,113                    |                       | 3,113     |
| Workers' Compensation                      | 44,495                   |                       | 44,495    |
| Unemployment Insurance                     | 2,155                    |                       | 2,155     |
| Contracted Services-                       |                          |                       |           |
| Computer Maintenance                       | 16,327                   |                       | 16,327    |

The accompanying notes are an integral part of the financial statements.

DAVISS COUNTY  
 KEITH CAIN, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
 For The Year Ended December 31, 2015  
 (Continued)

|                                  | 75%               | 25%               |                   |
|----------------------------------|-------------------|-------------------|-------------------|
|                                  | Operating         | County            | Totals            |
|                                  | Fund              | Fund              |                   |
|                                  | <u>          </u> | <u>          </u> | <u>          </u> |
| Disbursements (Continued)        |                   |                   |                   |
| Supplies and Materials-          |                   |                   |                   |
| Office Supplies                  | \$ 8,642          | \$                | \$ 8,642          |
| Uniforms/Equipment               | 34,753            |                   | 34,753            |
| Other Charges-                   |                   |                   |                   |
| Grant Disbursements              | 1,762             |                   | 1,762             |
| K-9 Expenses                     | 1,774             |                   | 1,774             |
| Miscellaneous                    | 11,694            |                   | 11,694            |
| Supplies                         | 7,074             |                   | 7,074             |
| Radio/Siren Maintenance          | 28,480            |                   | 28,480            |
| Tax Costs                        | 1,801             |                   | 1,801             |
| Telephone/Fax/Cellular           | 10,191            |                   | 10,191            |
| Training                         | 21,428            |                   | 21,428            |
| Transport                        | 15,732            |                   | 15,732            |
| Travel                           | 4,995             |                   | 4,995             |
| Auto Expenses-                   |                   |                   |                   |
| Gasoline                         | 107,063           |                   | 107,063           |
| Maintenance and Repairs          | 65,655            |                   | 65,655            |
| Capital Outlay-                  |                   |                   |                   |
| Equipment                        | 21,147            |                   | 21,147            |
| Vehicles                         | 105,621           |                   | 105,621           |
|                                  | <u>          </u> | <u>          </u> | <u>          </u> |
| Total Disbursements              | 4,118,949         | 126,465           | 4,245,414         |
|                                  | <u>          </u> | <u>          </u> | <u>          </u> |
| Fund Balance - December 31, 2015 | \$ (837,506)      | \$ 232,021        | \$ (605,485)      |
|                                  | <u>          </u> | <u>          </u> | <u>          </u> |

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. 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.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the state treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in the sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2015 services
- Reimbursements for 2015 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2015

Also, some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

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).

DAVISS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015  
(Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent for the first six months and 17.06 percent for the last six months.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 34.31 percent for the first six months and 32.95 percent for the last six months.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute five percent (nonhazardous) and eight percent (hazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) and seven and one half percent (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The sheriff's contribution for calendar year 2013 was \$692,116, calendar year 2014 was \$652,478, and calendar year 2015 was \$670,957.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

DAVISS COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2015  
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

| <b>Years of Service</b> | <b>% paid by Insurance Fund</b> | <b>% Paid by Member through Payroll Deduction</b> |
|-------------------------|---------------------------------|---|
| 20 or more              | 100%                            | 0%  |
| 15-19                   | 75%                             | 25%   |
| 10-14                   | 50%                             | 50%   |
| 4-9                     | 25%                             | 75%   |
| Less than 4             | 0%                              | 100%  |

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KRS also issues a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/Employers/Resources/Pages/GASB.aspx>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 3. Deposits

The Daviess County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (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.

DAVISS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015  
(Continued)

Note 3. Deposits (Continued)

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 Daviess 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 December 31, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Self-Insured Health Insurance Fund

The Daviess County Sheriff participates in a partially self-funded health insurance plan. This partially self-funded insurance plan covers all employees of the sheriff's office. The sheriff's office pays for each employee's individual coverage. The sheriff contracted with a third party administrator to administer the employee benefit plan for the year ended December 31, 2015. This partially self-funded insurance plan has two distinct components that the sheriff must pay. The first component is the fixed cost, which consists of administrative fees associated with operating the plan, and specific and aggregate reinsurance costs that cap the sheriff's claims exposure on an individual and aggregate basis. Incurred fixed costs for the year ended December 31, 2015 were \$221,706.

The second component is the claims costs, all of which the sheriff is responsible to pay as they incur. Once an individual exceeds \$22,500 in claims or the sheriff's aggregate claims exceed the predetermined maximum, the sheriff will receive reimbursements from the reinsurance carrier. Incurred claims for the year ended December 31, 2015, were \$375,970 and reimbursements were \$35,572. The sheriff's contract had no terminal liability provision. The sheriff would be responsible to pay all run-out claims after termination. The health insurance fund had a balance of \$73,740 as of December 31, 2015.

Note 5. Deferred Compensation

All eligible employees of the Daviess County Sheriff's office may participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax shelter supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.



DAVISS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015  
(Continued)

Note 6. Special Investigations Account

The Daviess County Sheriff's office maintains a special investigations account for monies received from court ordered forfeitures in connection with drug related arrests. The balance of the account as of January 1, 2015 was \$764. During 2015, receipts were \$4,792 and disbursements were \$3,299, resulting in a balance of \$2,257 as of December 31, 2015.

Note 7. Federal Assets Account

The Daviess County Sheriff's office maintains a federal asset account for the monies received from the equitable sharing program that distributes federally forfeited cash, property, proceeds, and the interest earned thereon. The balance of the account as of January 1, 2015, was \$43. During 2015, there were not any receipts and disbursements were \$43, resulting in a zero balance as of December 31, 2015.

Note 8. Federal Grants

A. COPS Methamphetamine Initiative Grants

The Daviess County Sheriff was awarded two methamphetamine grants totaling \$600,000 from the U. S. Department of Justice Community Oriented Policing Services (COPS) Program. Grant funds disbursed in prior years totaled \$526,867. The balance of the grants as of January 1, 2015, was \$73,133. Funds totaling \$7,391 were disbursed during calendar year 2015, of which \$1,760 was disbursed to the Daviess County Sheriff and \$5,631 was passed through to other governmental units. Grant funds in the amount of \$65,742 lapsed because the period of availability expired, leaving unexpended grant balances of \$0 as of December 31, 2015.

B. Highway Safety Grant

The Daviess County Sheriff received a Highway Safety Grant in the amount of \$13,700. The main purpose of the grant is to reduce fatalities on Kentucky roadways, minimize injuries to individuals and property, and to educate the public in ways to do this. The Daviess County Sheriff's office was reimbursed \$13,350 from this grant for calendar year 2015.

Note 9. 75% Operating Fund - Deficit Balance

The Daviess County Sheriff's 75% operating fund had a deficit balance of \$837,506 as of December 31, 2015. KRS 64.345(4) states, in part, "[i]f seventy-five percent (75%) of the amount paid into the State Treasury in any month by any of such officers is not sufficient to pay the salaries and expenses of his office for that month, the deficit may be made up out of the amount paid in any succeeding month; but in no event shall the amount allowed by the Finance and Administration Cabinet to any officer for salaries and expenses exceed seventy-five percent (75%) of the amount paid to the Finance and Administration Cabinet by the officer during his official term." The 75% operating fund must be settled at the end of the sheriff's term, which ends December 31, 2018.

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





MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Al Mattingly, Daviess County Judge/Executive  
The Honorable Keith Cain, Daviess County Sheriff  
Members of the Daviess County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements 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 Statement of Receipts and Disbursements - Regulatory Basis of the Sheriff of Daviess County, Kentucky, the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated May 18, 2017. The Daviess County Sheriff's financial statements are 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 statements, we considered the Daviess County Sheriff's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Daviess County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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

### **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Daviess County Sheriff's financial statements are 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*.

### **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 line extending to the right.

Mike Harmon  
Auditor of Public Accounts

May 18, 2017

