

**REPORT OF THE AUDIT OF THE
FRANKLIN COUNTY
SHERIFF**

**For The Period
January 7, 2019 through December 31, 2019**



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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Huston Wells, Franklin County Judge/Executive
The Honorable Chris Quire, Franklin County Sheriff
Members of the Franklin County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Sheriff of Franklin County, Kentucky, for the period January 7, 2019 through December 31, 2019, 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 this 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 and budget laws. 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 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 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.



The Honorable Huston Wells, Franklin County Judge/Executive
The Honorable Chris Quire, Franklin County Sheriff
Members of the Franklin 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 Franklin 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 statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Franklin County Sheriff, for the period January 7, 2019 through December 31, 2019, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Franklin County Sheriff for the period January 7, 2019 through December 31, 2019, 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 June 30, 2020, on our consideration of the Franklin County Sheriff’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Franklin County Sheriff’s internal control over financial reporting and compliance.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

June 30, 2020

FRANKLIN COUNTY
CHRIS QUIRE, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Period January 7, 2019 through December 31, 2019

Receipts

Federal Grants		\$ 132,539
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		130,452
State Fees For Services:		
Finance and Administration Cabinet	\$ 154,085	
Sheriff Security Service	54,776	
Transporting Prisoners	<u>18,328</u>	227,189
Circuit Court Clerk:		
Fines and Fees Collected	3,580	
Court Ordered Executions	184	
Court Ordered Restitution	<u>1,740</u>	5,504
Fiscal Court		95,844
County Clerk - Delinquent Taxes		61,727
Commission On Taxes Collected		1,406,260
Fees Collected For Services:		
Auto Inspections	22,030	
Accident and Police Reports	9,572	
Serving Papers	135,669	
Carry Concealed Deadly Weapon Permits	12,570	
DESI Reimbursement	3,302	
School Resource Officer Reimbursement	193,160	
County Attorney Traffic Court Fees	<u>7,928</u>	384,231
Other:		
Add-On Fees	54,225	
Miscellaneous	5,191	
Telecommunications Hold Harmless	<u>6,477</u>	65,893
Interest Earned		27,131
Borrowed Money:		
State Advancement		<u>400,000</u>
Total Receipts		2,936,770

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

FRANKLIN COUNTY
CHRIS QUIRE, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Period January 7, 2019 through December 31, 2019
(Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 901,735
Part-Time Salaries	321,052
Other Salaries	130,563
Overtime	40,038
School Resource Officer (SRO) Gross Salaries	124,776
KLEFPF	102,465
Federal/State Grants - Payroll	65,161
Anticipated Separations	39,796

Employee Benefits-

Employer's Share Hazardous Duty Retirement	20,181
Federal/State Grants - Benefits	24,644
Federal/State Grants - Training/Conference	1,505
Federal/State Grants - Vehicles & Equipment	49,565
KLEFPF Benefits	28,356
SRO Unemployment	372
SRO Workers Compensation	4,816
SRO Law Enforcement Insurance	6,564
SRO Errors & Omission Insurance	492
SRO Benefits (Insurance, Soc. Sec/Med Match)	20,014
SRO Law Enforcement Equipment	2,422

Contracted Services-

Advertising	1,025
Vehicle Maintenance and Repairs	83,275
Pre-Employment Testing	5,274
Court Ordered Execution Advertising	184
Computer Maintenance & Services	30,908
Office Equipment Lease	10,045
Audit Expenses	3,810

Materials and Supplies-

Office Materials and Supplies	23,511
Uniforms	46,347
Tax Bill Processing Materials & Postage	11,269
Law Enforcement Equipment & Supplies	26,930

Auto Expense-

Gasoline	90,955
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The accompanying notes are an integral part of this financial statement.

FRANKLIN COUNTY
CHRIS QUIRE, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Period January 7, 2019 through December 31, 2019
(Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Other Charges-		
Dues	\$	3,195
Postage		1,088
Bond		820
CCDW		174
Waiting on Court/Jurors		186
Transporting Prisoners		16,744
Telephone		13,356
Training		4,048
Weapons Systems		22,342
Capital Outlay-		
Building Improvements		11,540
Vehicles & Equipment		95,200
Miscellaneous/Other		1,705
		<u>\$ 2,388,448</u>
Debt Service:		
State Advancement		<u>400,000</u>
Total Disbursements		<u>\$ 2,788,448</u>
Net Receipts		148,322
Less: Statutory Maximum		<u>94,864</u>
Excess Fees Due County for 2019		53,458
Payment to Fiscal Court - April 7, 2020		<u>53,458</u>
Balance Due Fiscal Court at Completion of Audit	\$	<u>0</u>

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

FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2019

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, including excess fees, due from the sheriff as determined by the audit. KRS 134.192 requires the sheriff to settle excess fees with the fiscal court at the time he files his annual settlement with the fiscal court on or before September 1 of each year. KRS 64.830 requires an outgoing sheriff to settle excess fees with the fiscal court of his county by March 15 immediately following the expiration of his term of office.

The financial statement has been prepared on a regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis demonstrates compliance with the laws of Kentucky and is a special purpose framework. 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 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2019 services
- Reimbursements for 2019 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2019

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

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).

FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2019
(Continued)

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

The sheriff's office has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is 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.

The sheriff's contribution for calendar year 2017 was \$51,548, calendar year 2018 was \$45,429, and calendar year 2019 was \$20,181.

Nonhazardous

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 be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

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 accounts. Nonhazardous covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute 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 KRS Board of Directors 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 employer pay credit. The employer pay credit represents a portion of the employer contribution.

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 credit.

The county's contribution rate for nonhazardous employees was 21.48 percent for the first half of the year and 24.06 percent for the second half of the year.

Hazardous

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.

FRANKLIN COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2019
 (Continued)

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

Hazardous (Continued)

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 accounts. Hazardous members contribute eight percent 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 hazardous member's account is credited with a seven and one-half percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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.

The county's contribution rate for hazardous employees was 35.34 percent for the first half of the year and 39.58 percent for the second half of the year.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS 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:

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
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.

FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2019
(Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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, the 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.

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, 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 by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

Once members reach a minimum vesting period of 15 years, earn fifteen 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 by 1.5 percent. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

D. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2019
(Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

E. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

F. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

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 proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. 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 Franklin 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.

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 Franklin 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, 2019, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2019
(Continued)

Note 4. Federal Grants

- A. The Franklin County Sheriff's office received a Highway Safety grant in the amount of \$32,200 to provide impaired driving related services for the period October 1, 2018 through September 30, 2019. This grant passed through the Kentucky Transportation Cabinet's Office of Highway Safety. Funds totaling \$17,765 were expended during the year. The unexpended grant balance was \$0 as of December 31, 2019.
- B. The Franklin County Sheriff's office received a Highway Safety grant in the amount of \$141,331 to provide impaired driving related services for the period April 15, 2019 through September 30, 2019. This grant passed through the Kentucky Transportation Cabinet's Office of Highway Safety. Funds totaling \$78,056 were expended during the year. The unexpended grant balance was \$0 as of December 31, 2019.
- C. The Franklin County Sheriff's office received a Highway Safety grant in the amount of \$20,000 to provide police traffic services for the period May 1, 2019 through September 30, 2019. This grant passed through the Kentucky Transportation Cabinet's Office of Highway Safety. Funds totaling \$10,242 were expended during the year. The unexpended grant balance was \$0 as of December 31, 2019.
- D. The Franklin County Sheriff's office received a Highway Safety grant in the amount of \$50,750 to provide police traffic services for the period October 1, 2019 through September 30, 2020. This grant passed through the Kentucky Transportation Cabinet's Office of Highway Safety. Funds totaling \$338 were expended during the year. The unexpended grant balance was \$50,412 as of December 31, 2019.
- E. The Franklin County Sheriff's office received a Highway Safety grant in the amount of \$145,000 to provide police traffic services for the period October 1, 2019 through September 30, 2020. This grant passed through the Kentucky Transportation Cabinet's Office of Highway Safety. Funds totaling \$26,138 were expended during the year. The unexpended grant balance was \$118,862 as of December 31, 2019.

Note 5. Short-Term Debt

The Franklin County Sheriff's office borrowed \$400,000 to defray the expenses of the office. The loan was repaid December 30, 2019.

Note 6. Lease Agreements

The Franklin County Sheriff's office was committed to three lease agreements during 2019.

- A. The Franklin County Sheriff's office entered into a lease agreement for a copier in June 2019. The agreement requires a monthly payment of \$297 for 63 months to be completed on September 30, 2024. The Franklin County Sheriff's office expended funds totaling \$2,256 related to this lease agreement during 2019. The total remaining balance of the agreement was \$16,929 as of December 31, 2019.
- B. The Franklin County Sheriff's office entered into a lease agreement for a 2019 vehicle in April 2019. The agreement requires six semi-annual payments of \$5,044 to be completed on October 31, 2021. The Franklin County Sheriff's office expended funds totaling \$30,266 related to this lease agreement during 2019. The total remaining balance of the agreement was \$0 as of December 31, 2019.
- C. The Franklin County Sheriff's office entered into a lease agreement for a copier in September 2016. The agreement requires a monthly payment of \$177 for 63 months to be completed on December 31, 2021. The Franklin County Sheriff's office expended funds totaling \$7,789 related to this lease agreement during 2019. The total remaining balance of the agreement was \$0 as of December 31, 2019.

FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2019
(Continued)

Note 7. Forfeiture Accounts

A. Federal Forfeiture Account

The Franklin County Sheriff's office maintained an account for proceeds from confiscation, surrender, or sale of real and personal property involved in drug related convictions from the federal government for participating in investigations or prosecutions that resulted in forfeited federal drug money. Federal forfeiture funds are to be used for law enforcement activities, including training, equipment, operations, facilities, and drug education awareness, etc. These funds are not available for excess fees purposes. The balance at January 7, 2019, was \$0. Funds totaling \$2,320 were received and \$1,950 was expended during the year. The ending balance was \$370 as of December 31, 2019.

B. State Forfeiture Account

The Franklin County Sheriff's office maintained an account for proceeds from the confiscation, surrender, or sale of real and personal property involved in state related convictions. State forfeiture funds are to be used for law enforcement activities and are not available for excess fees purposes. The balance at January 7, 2019, was \$0. Funds totaling \$42,740 were received and \$42,663 was expended during the year. The ending balance was \$77 as of December 31, 2019.

Note 8. Evidence Account

The Franklin County Sheriff's office maintained an evidence account for seizures from arrests. Money seized is held in the account to be disbursed according to court order. The balance was \$0 at January 7, 2019. Funds totaling \$264,243 were received and \$70,088 was expended during the year. The ending balance was \$194,155 as of December 31, 2019.

Note 9. Donation Account

The Franklin County Sheriff's office maintained an account for donations. The balance at January 7, 2019, was \$0. Funds totaling \$11,918 were received and \$9,156 was expended during the year. The ending balance was \$2,762 as of December 31, 2019.

Note 10. Contingencies

The Franklin County Sheriff is involved in multiple lawsuits. While individually they may not be significant, in the aggregate they could negatively impact the sheriff's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Huston Wells, Franklin County Judge/Executive
The Honorable Chris Quire, Franklin County Sheriff
Members of the Franklin 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 Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Franklin County Sheriff for the period January 7, 2019 through December 31, 2019, and the related notes to the financial statement and have issued our report thereon dated June 30, 2020. The Franklin 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 Franklin 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 Franklin County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Franklin 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. 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.



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 Franklin County Sheriff'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*.

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

June 30, 2020