

**REPORT OF THE AUDIT OF THE
WARREN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2017**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE 502.564.5841
FACSIMILE 502.564.2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS	3
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS.....	5
NOTES TO THE FINANCIAL STATEMENTS.....	7
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 <i>GOVERNMENT AUDITING STANDARDS</i>	15

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Michael O. Buchanon, Warren County Judge/Executive
The Honorable Jerry Gaines, Warren County Sheriff
Members of the Warren 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 Warren 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, 2017, 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 and budget laws. 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.

209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817

TELEPHONE 502.564.5841
FACSIMILE 502.564.2912
WWW.AUDITOR.KY.GOV

AN EQUAL OPPORTUNITY EMPLOYER M / F / D



The Honorable Michael O. Buchanon, Warren County Judge/Executive
The Honorable Jerry Gaines, Warren County Sheriff
Members of the Warren 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 Warren 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 Warren County Sheriff, as of December 31, 2017, 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 statements referred to above present fairly, in all material respects, the receipts and disbursements of the Warren County Sheriff and the receipts, disbursements, and fund balances of the Warren County Sheriff's operating fund and county fund with the state treasurer for the year ended December 31, 2017, 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 September 13, 2018, on our consideration of the Warren 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 entity's internal control over financial reporting and compliance.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

September 13, 2018

WARREN COUNTY
 JERRY GAINES, SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2017

Receipts

Federal Grants Passed Through:		
Federal Highway Safety Grant	\$ 6,929	
Financial Commission for Appalachia HIDTA Grant	<u>27,942</u>	\$ 34,871
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		230,228
State Fees for Services:		
Finance and Administration Cabinet	497,112	
Sheriff Security Service	79,205	
Reimbursement for Juror Meal Expenses	<u>1,132</u>	577,449
Circuit Court Clerk:		
Fines/Fees Collected	9,782	
Court Ordered Payments	<u>377</u>	10,159
Fiscal Court		4,618,425
County Clerk - Delinquent Taxes		79,158
Commission on Taxes		2,161,964
Fees Collected for Services:		
Auto Inspections	63,895	
Accident/Police Reports and Trip Fees For Auto Inspections	27,733	
Serving Papers	187,530	
Carry Concealed Deadly Weapon Permits	34,680	
Additional Fiscal Court Fees	45,600	
Transports	195	
Security Details	<u>33,747</u>	393,380
Other:		
Add-On Fees	134,854	
Miscellaneous	3,340	
School Resource Officer	<u>142,285</u>	280,479
Interest Earned		<u>11,967</u>
Total Receipts		8,398,080

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

WARREN COUNTY
 JERRY GAINES, SHERIFF
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
 For The Year Ended December 31, 2017
 (Continued)

Disbursements

Payments to County:

Fees Collected - Fiscal Court	\$ 50,851
-------------------------------	-----------

Other Disbursements:

Juror Expenses	\$ 1,132	
Miscellaneous	4,380	<u>5,512</u>

Total Disbursements		<u>\$ 56,363</u>
---------------------	--	------------------

Net Receipts		8,341,717
--------------	--	-----------

Payments to State Treasurer:

75% Operating Fund *	7,877,679	
25% County Fund	<u>464,038</u>	<u>8,341,717</u>

Balance Due at Completion of Audit		<u><u>\$ 0</u></u>
------------------------------------	--	--------------------

* Includes reimbursed expenses in the amount of \$6,485,564 for the audit period.
 See Note 1 of Notes to Financial Statements.

WARREN COUNTY
 JERRY GAINES, 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, 2017

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2017	\$ 41,137	\$	\$ 41,137
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	7,877,679		7,877,679
Fees Paid to State - County Funds (25%)		464,038	464,038
Total Funds Available	<u>7,918,816</u>	<u>464,038</u>	<u>8,382,854</u>
<u>Disbursements</u>			
Warren County Fiscal Court		464,038	464,038
Personal Services-			
Official's Statutory Maximum	115,473		115,473
Official's Training Incentive	4,052		4,052
Deputies' Salaries	3,822,960		3,822,960
Overtime Gross	462,617		462,617
Employee Benefits-			
Employer's Share Social Security	329,337		329,337
Employer's Share Retirement	1,092,358		1,092,358
Employer's Share Health Insurance	460,358		460,358
Employer's Share Life Insurance	1,113		1,113
Workers' Compensation	135,206		135,206
Contracted Services-			
Technical Programming Support	245,000		245,000
Supplies and Materials-			
Office Supplies	45,000		45,000
Uniforms/Equipment	36,833		36,833
Other Charges-			
Departmental Operating Expense	102,646		102,646
Firearms Certification and Training	15,351		15,351
Law Enforcement Safety Equipment	41,330		41,330
Law Operating Expense	39,132		39,132
Postage	36,173		36,173
Sheriff Travel	2,879		2,879

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

WARREN COUNTY
 JERRY GAINES, 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, 2017
 (Continued)

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
Disbursements (Continued)			
Other Charges- (Continued)			
Radio Maintenance and Repair	\$ 1,156	\$	\$ 1,156
Telephone/Cellular/Aircards	50,738		50,738
Training/Certifying Employees	22,771		22,771
Transport	35,000		35,000
Auto Expenses-			
Gasoline	145,000		145,000
Maintenance and Repairs	83,894		83,894
Lease Payments	5,043		5,043
Capital Outlay-			
Equipment	<u>36,215</u>		<u>36,215</u>
Total Disbursements	<u>7,367,635</u>	<u>464,038</u>	<u>7,831,673</u>
Fund Balance - December 31, 2017	<u>\$ 551,181</u>	<u>\$ 0</u>	<u>\$ 551,181</u>

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

WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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.

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.

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 2017 services
- Reimbursements for 2017 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 2017

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).

WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017
(Continued)

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

The county official and employees have 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 2015 was \$998,901, calendar year 2016 was \$1,011,948, and calendar year 2017 was \$1,092,358.

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 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 nonhazardous 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 18.68 percent for the first six months and 19.18 percent for the last six months.

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.

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.

WARREN COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2017
 (Continued)

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

Hazardous (Continued)

Members in the plan contribute a set percentage of their salary each month to their own account. 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 31.06 percent for the first six months and 31.55 percent for the last six months.

Health Insurance Coverage

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:

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.

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.

WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017
(Continued)

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

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>. 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 Warren 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 Warren 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, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Grants

A. High Intensity Drug Trafficking Area Program (HIDTA) Grant

- 1) The Warren County Sheriff received a 2016 High Intensity Drug Trafficking Area Program (HIDTA) grant from the United States Office of National Drug Control Policy, passed through the Financial Commission for Appalachia, in the amount of \$34,000. During 2016, reimbursement grant funds in the amount of \$24,413 were received and \$31,126 were expended. The remaining reimbursement grant funds of \$6,713 were received in January 2017.
- 2) The Warren County Sheriff received a 2017 High Intensity Drug Trafficking Area Program (HIDTA) grant from the United States Office of National Drug Control Policy, passed through the Financial Commission for Appalachia, in the amount of \$36,000. During 2017, reimbursement grant funds in the amount of \$21,229 were received and \$23,402 were expended. The remaining reimbursement grant funds of \$2,173 were received in January 2018. The grant ended on December 31, 2017, with \$12,598 of budgeted grant funds never being expended or submitted for reimbursement. All funds were expended for their intended purpose.

WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017
(Continued)

Note 4. Grants (Continued)

B. State and Community Highway Safety Grants

- 1) The Warren County Sheriff received a State and Community Highway Safety grant, passed through the Kentucky Transportation Cabinet's Office of Highway Safety for the period of October 1, 2016 to September 30, 2017, in the amount of \$7,250. During 2017, grant funds in the amount of \$6,929 were received and expended. The grant ended on September 30, 2017, with \$174 of budgeted grant funds never being expended or submitted for reimbursement. All funds were expended for their intended purpose.
- 2) The Warren County Sheriff received a State and Community Highway Safety grant, passed through the Kentucky Transportation Cabinet's Office of Highway Safety for the period of October 1, 2017 to September 30, 2018, in the amount of \$10,000. During 2017, grant funds in the amount of \$0 were received and expended.

Note 5. Health Reimbursement Account

The Warren County Sheriff's office established a health reimbursement account on January 1, 2012, to provide employees an additional health benefit. The sheriff's office has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$4,134 to pay for qualified medical expenses for calendar year 2017. Funds remaining at the end of each year roll forward to the next year. If employees are no longer employed by the sheriff's office or decide to no longer participate in the health reimbursement account, the funds revert to the sheriff's office. The balance of the plan as of December 31, 2017, is \$61,772 which will roll over to calendar year 2018.

Note 6. Seized Funds Account

The Warren County Sheriff maintains a seized funds account with funds received as the result of court-ordered payments for drug investigations. These funds are to be used for drug enforcement and drug education. On January 1, 2017, the seized funds account had a beginning balance of \$27,722, receipts of \$5,598, and disbursements of \$18,566. The ending balance at December 31, 2017, was \$14,754.

Note 7. Donation Account

The Warren County Sheriff opened a donation account on February 12, 2015. On January 1, 2017, the donation account had a beginning balance of \$1,191. Interest of \$10 was received during the year. The ending balance at December 31, 2017, was \$1,201.

Note 8. Lease Agreements

The Warren County Sheriff's office was committed to a lease agreement for a mailing system. The agreement requires a monthly payment of \$94 for 36 months to be completed on July 31, 2020. The total remaining balance of the agreement was \$2,914 as of December 31, 2017.

The Warren County Sheriff's office was committed to a lease agreement for a copier. The agreement requires a quarterly payment of \$509 for 60 months to be completed on February 26, 2021. The total remaining balance of the agreement was \$5,599 as of December 31, 2017.

THIS PAGE LEFT BLANK INTENTIONALLY

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*

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Michael O. Buchanon, Warren County Judge/Executive
The Honorable Jerry Gaines, Warren County Sheriff
Members of the Warren 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 Warren 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, 2017, and the related notes to the financial statements, and have issued our report thereon dated September 13, 2018. The Warren 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 Warren 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 Warren County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Warren 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 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 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
Statements Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Warren 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

September 13, 2018