

**REPORT OF THE AUDIT OF THE
FORMER BOYLE COUNTY
SHERIFF**

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



**MIKE HARMON
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EXECUTIVE SUMMARY
AUDIT OF THE
FORMER BOYLE COUNTY SHERIFF

For The Year Ended
December 31, 2015

The Auditor of Public Accounts has completed the former Boyle County Sheriff's audit for the year ended December 31, 2015. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$53,709 from the prior year, resulting in a deficit of \$59,124 as of December 31, 2015. Receipts increased by \$48,281 from the prior year and disbursements increased by \$101,990.

Debt Obligations:

Total debt principal as of December 31, 2015, was \$129,723. Future collections of \$129,723 are needed over the next year to pay debt principal.

Lease principal agreements totaled \$10,281 as of December 31, 2015. Future principal and interest payments of \$10,281 are needed to meet these obligations.

Report Comment:

2015-001 The Former Sheriff Had A Deficit Of \$65,390 In The 2015 Fee Account

Deposits:

The former sheriff's deposits as of December 8, 2015 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$3,627,354

The former sheriff's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the former sheriff's deposits in accordance with the security agreement.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harold McKinney, Boyle County Judge/Executive
The Honorable Marty Elliott, Former Boyle County Sheriff
The Honorable Derrick Robbins, Boyle County Sheriff
Members of the Boyle 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 former Sheriff of Boyle County, Kentucky, for the year ended December 31, 2015, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 Harold McKinney, Boyle County Judge/Executive
The Honorable Marty Elliott, Former Boyle County Sheriff
The Honorable Derrick Robbins, Boyle County Sheriff
Members of the Boyle 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 former Boyle 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 each fund of the former Boyle County Sheriff, as of December 31, 2015, 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 former Boyle County Sheriff 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 Matter

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole. The schedule of excess liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2016 on our consideration of the former Boyle 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.

The Honorable Harold McKinney, Boyle County Judge/Executive
The Honorable Marty Elliott, Former Boyle County Sheriff
The Honorable Derrick Robbins, Boyle County Sheriff
Members of the Boyle County Fiscal Court

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

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

2015-001 The Former Sheriff Had A Deficit Of \$65,390 In The 2015 Fee Account

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 23, 2016

BOYLE COUNTY
MARTY ELLIOTT, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2015

Receipts

Federal Grant	\$	5,996	
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)			41,425
State Fees For Services:			
Sheriff Security Service	\$	11,764	
Waiting on Court		107,323	
Cabinet For Health And Family Services		525	
Conveying Convicts		5,211	
State Mileage Fees/KCPC		<u>11,211</u>	136,034
Circuit Court Clerk:			
Fines and Fees Collected			7,315
County Clerk - Delinquent Taxes			18,552
Commission On Taxes Collected			515,206
Fees Collected For Services:			
Auto Inspections		7,575	
Accident and Police Reports		1,632	
Serving Papers		35,385	
Carrying Concealed Deadly Weapon Permits		<u>12,570</u>	57,162
Other:			
Add-On Fees		37,865	
Fiscal Court Fees		9,115	
Telecommunications		2,025	
Fingerprints		2,570	
Reimbursement/SRO		21,250	
Election Commission		280	
Notary Fees		673	
Miscellaneous		<u>87</u>	73,865
Interest Earned			108
Borrowed Money:			
State Advancement			<u>447,165</u>
Total Receipts			1,302,828

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

BOYLE COUNTY
MARTY ELLIOTT, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2015
(Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 380,173
Court Security Deputies' Salaries	116,293
Office Staff Salaries	50,986
Overtime	105,554
KLEFPF Incentive	30,523
KLEFPF Overtime	8,861
Highway Safety	314

Employee Benefit-

KLEFPF Retirement	10,424
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Contracted Services-

Advertising	932
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Materials and Supplies-

Office Materials and Supplies	4,275
Uniforms	12,813

Other Charges-

Conventions and Travel	425
Phones	7,964
Postage	6,136
Bond	3,703
Law Enforcement Equipment	4,042
Training	4,763
Explorers Program Expense	1,291
Conveying Convicts	3,577
Carrying Concealed Deadly Weapons Permits	2,761
Travel Expense	329
K-9 Expense	4,876
Vehicle Expense	1,088
Fiscal Court Fees	9,115
Ammo/Equipment	6,831
Vehicle Computer/Equipment	5,252
Vehicle MDT	4,603

Capital Outlay-

Office Equipment	5,626
Capital Disbursement	6,854
Vehicles	17,889
	<u>\$ 818,273</u>

Debt Service:

State Advancement	<u>447,165</u>
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Total Disbursements \$ 1,265,438

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

BOYLE COUNTY
MARTY ELLIOTT, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2015
(Continued)

Disbursements (Continued)

Net Receipts	\$ 37,390
Less: Statutory Maximum	<u>88,663</u>
Excess Fees	(51,273)
Less: Training Incentive Benefit	<u>7,851</u>
Excess Fees Due County for 2015	(59,124)
Payment to Fiscal Court - February 24, 2016	<u>6,266</u>
Fund Deficit as of December 31, 2015	<u>\$ (65,390)</u>

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

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT

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, including excess fees, due from the former 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 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 2015 services
- Reimbursements for 2015 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2015

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 former sheriff's office to invest in the following, including but not limited to, 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).

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT
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, 2014, 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. 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 contributions for Kentucky Law Enforcement Foundation Program Fund (KLEFPF) for calendar year 2013 was \$10,133, calendar year 2014 was \$10,622, and calendar year 2015 was \$10,424.

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.

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.

BOYLE COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2015
 (Continued)

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

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, 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.

Note 3. Deposits

The former Boyle 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.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT
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 former Boyle County Sheriff did not have a deposit policy for custodial credit risk but rather followed 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. However, as of December 8, 2015, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the former sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$3,627,354

Note 4. Notes Payable

- A. The former Boyle County Sheriff's office was liable for a secured note payable to Farmers National Bank in the amount of \$9,920. The purpose of the note was for the purchase of vehicles. The note matures upon demand and the interest rate is 3.75 percent. The former Boyle County Sheriff's office was in compliance with the terms of the agreement as of December 31, 2015.
- B. The former Boyle County Sheriff's office was liable for an unsecured or secured note payable to Farmers National Bank in the amount of \$119,803. The purpose of the note was for the purchase of vehicles. The note matures upon demand and the interest rate is 3.875 percent. The former Boyle County Sheriff's office was in compliance with the terms of the agreement as of December 31, 2015.

Note 5. Lease Agreement

The former Boyle County Sheriff's office was committed to a lease agreement with Danville Office Equipment for a copier. The agreement required a monthly payment of \$173 for 60 months to be completed on October 15, 2015. However, the lease agreement was renewed in May 2015. The required monthly payment of \$198 for 60 months to be completed on May 15, 2020. The total remaining balance of the agreement was \$10,281 as of December 31, 2015.

Note 6. Federal Highway Safety Grant

The former Boyle County Sheriff's office was awarded a Highway Safety Grant for targeted enforcement, saturation patrols and/or traffic safety checkpoints in partnership with the Kentucky Transportation Cabinet Office of Highway Safety. This is a reimbursement grant. The former sheriff's office received \$5,996 in calendar year 2015.

Note 7. State Seized Funds Account

As of December 31, 2014, the former sheriff had a balance of \$3,397 in the state seized funds account. During 2015, the former sheriff received \$10,990 and expended \$13,055, leaving a balance of \$1,332 as of December 31, 2015. These funds were used to enhance law enforcement activities and not to supplant the former sheriff's normal operating budget; therefore, they are not included as excess fees.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2015
(Continued)

Note 8. Federal Seized Funds Account

As of December 31, 2014, the former sheriff had a balance of \$200 in the federal seized funds account. During 2015, the former sheriff did not receive or expend any funds, leaving a balance of \$200 as of December 31, 2015. These funds were used to enhance law enforcement activities and not supplant the former sheriff's normal operating budget; therefore, they are not included as excess fees.

Note 9. Seized Holdings Account

As of December 31, 2014, the former sheriff had a balance of \$34,204 in the seized holdings account. During 2015, the former sheriff received \$82,099 and expended \$64,174, leaving a balance of \$52,129 as of December 31, 2015. The use of monies was determined by the court order granting forfeited funds to the former sheriff's office; therefore, they are not included as excess fees.

Note 10. Undercover Account

As of December 31, 2014, the former sheriff had a balance of \$1,833 in the undercover account. During 2015, the former sheriff received \$400 and expended \$1,890, leaving a balance of \$343 as of December 31, 2015. These funds were used to enhance law enforcement activities and not to supplant the former sheriff's normal operating budget; therefore, they are not included as excess fees.

Note 11. Donation Account

As of December 31, 2014, the former sheriff had a balance of \$3,313 in the donation account. During 2015, the former sheriff received \$6,866 and expended \$6,736, leaving a balance of \$3,443 as of December 31, 2015. The use of these monies was to further the public purpose of the office and not supplant the former sheriff's normal operating budget; therefore, they are not included as excess fees.

Note 12. Explorer Program Account

During 2015, the former sheriff opened an account for the receipt of funds associated with the Explorer's Program. During 2015, the former sheriff received \$2,570 and expended \$1,522, leaving a balance of \$1,048 as of December 31, 2015. Receipts and disbursements from this account were for the benefit of the Explorer's Program operated by the former sheriff's office and not to supplant the former sheriff's normal operating budget; therefore, they are not included as excess fees.

Note 13. Commitments and Contingencies

The former sheriff's office is involved in multiple lawsuits that arose from the normal course of doing business. While individually they may not be significant; in the aggregate, they could negatively impact the county'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.

BOYLE COUNTY
MARTY ELLIOTT, FORMER SHERIFF
SCHEDULE OF EXCESS LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2015

Assets

Cash in Bank	\$ 378,069
Deposits in Transit	1,089
Receivables	<u>95,968</u>
Total Assets	475,126

Liabilities

Outstanding Checks	\$ 450,989
Paid Obligations:	
Boyle County Board of Education-	
Tax Commissions	\$ 21
Boyle County Fiscal Court-	
Excess Fees - 2015	6,266
Fiscal Court Fees	1,690
KLEFPF Reimbursement	2,553
Other:	
Office Expenses - 2015	<u>13,607</u>
Total Paid Obligations	24,137
Unpaid Obligations:	
Boyle County Fiscal Court - Payroll Liability	<u>65,390</u>
Total Liabilities	<u>540,516</u>
Total Fund Deficit as of December 31, 2015	<u>\$ (65,390)</u>

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*



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harold McKinney, Boyle County Judge/Executive
The Honorable Marty Elliott, Former Boyle County Sheriff
The Honorable Derrick Robbins, Boyle County Sheriff
Members of the Boyle 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 former Boyle County Sheriff for the year ended December 31, 2015, and the related notes to the financial statement and have issued our report thereon dated September 23, 2016. The former Boyle 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 former Boyle 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 former Boyle County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Boyle 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control 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
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Internal Control over Financial Reporting (Continued)

We did identify a certain deficiency in internal control, which is described in the accompanying comment and recommendation as item 2015-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the former Boyle 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*.

Sheriff's Response to Finding

The former Boyle County Sheriff's response to the finding identified in our audit is included in the accompanying comment and recommendation. The former Boyle County Sheriff's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

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,



Mike Harmon
Auditor of Public Accounts

September 23, 2016

COMMENT AND RECOMMENDATION

BOYLE COUNTY
MARTY ELLIOTT, FORMER SHERIFF
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2015

INTERNAL CONTROL - MATERIAL WEAKNESS:

2015-001 The Former Sheriff Had A Deficit Of \$65,390 In The 2015 Fee Account

The former sheriff had a deficit balance of \$65,390 in the 2015 fee account that was attributed to unpaid payroll liabilities. The cause of the deficit appears to be spending without verifying that receipts were sufficient to cover the disbursements. The effect was not having sufficient funds to cover incurred payroll expenses. Good internal controls dictate that disbursements should be monitored closely to ensure receipts are sufficient to cover disbursements. It is recommended that the former sheriff work with the fiscal court to determine how to handle the deficit.

Former Sheriff's Response: The deficit was covered by the Fiscal Court on over-extended payroll. Prior to the audit, the former Sheriff and Fiscal Court had made an agreement to cover the deficit. The former Sheriff will have excess fees to be turned over to offset some of the deficit. If the current Sheriff has excess fees, they will also be applied to the deficit. This office will make all efforts to pay Fiscal Court back for any remaining balance from the deficit. Also the Fiscal Ct will provide assistance on payroll and other disbursement for the 2016 Budget.

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