

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

**For The Year Ended
December 31, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE DAVISS COUNTY SHERIFF

**For The Year Ended
December 31, 2009**

The Auditor of Public Accounts has completed the Daviess County Sheriff's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statements present fairly, in all material respects, the revenues, and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

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

The Daviess County Sheriff had total revenues of \$4,893,540, which was a \$27,726 increase from the prior year. Except for reimbursed expenses in the amount of \$12,821 and fiscal court contributions of \$2,273,238, the Sheriff paid 25% of revenues to the Daviess County Fiscal Court in the amount of \$335,514. This was an increase of \$5,741 from the prior year. In addition, 75% operating fund expenditures decreased by \$105,098.

Deposits:

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

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the Sheriff of Daviess County, Kentucky, and the statement of revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2009. These financial statements are the responsibility of the Sheriff. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2010 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



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

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Daviess County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

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

Crit Luallen
Auditor of Public Accounts

September 29, 2010

DAVISS COUNTY
KEITH CAIN, SHERIFF
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

Federal Grants		\$ 204,428
State Grants		165,652
State Fees for Services		362,834
Fiscal Court		2,273,268
County Clerk		52,438
Commission on Taxes		1,214,408
Fees Collected for Services:		
Auto Inspections	\$ 40,614	
Accident and Police Reports	6,170	
Serving Papers	187,657	
Carrying Concealed Deadly Weapon Permits	14,965	
Sheriff's Advertising Fees	9,535	
Airport Security	3,930	
Process Served- Fiscal Court Fee	24,840	
Board of Education-School Resource Officer	127,781	415,492
Other Revenues:		
Sheriff's Add on Fees	119,117	
Contract Overtime	33,333	
Miscellaneous Grants	13,086	
Miscellaneous	4,210	
Surplus Auction Receipts	8,234	
Reimbursements	12,821	
Court Ordered Payments	895	191,696
Interest Earned		13,324
Total Revenues		4,893,540

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

DAVISS COUNTY
 KEITH CAIN, SHERIFF
 STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

Expenditures

Payments to County:

Process Served- Fiscal Court Fee	\$	24,840
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Pass Through Grant Expenditures

Barren County Fiscal Court	\$	6,595	
Bullitt County Fiscal Court		21,668	
Hardin County Fiscal Court		38,590	
Warren County Fiscal Court		34,842	101,695

Other Expenditures:

Court Ordered Payments	895	
Extraditions	13,022	
Jury Meals	623	14,540

Total Expenditures		\$	141,075

Net Revenues		4,752,465
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Payments to State Treasurer:

75% Operating Fund	4,416,951	
25% County Fund	335,514	4,752,465

Balance Due at Completion of Audit		\$	0

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

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

For The Year Ended December 31, 2009

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2009	\$ (945,797)	\$	\$ (945,797)
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	4,416,951		4,416,951
Fees Paid to State - County Funds (25%)		335,514	335,514
Total Funds Available	3,471,154	335,514	3,806,668
<u>Expenditures</u>			
Daviess County Fiscal Court		335,514	335,514
Personnel Services-			
Officials Statutory Maximum	100,548		100,548
Officials Training Incentive	3,528		3,528
Deputies Salaries	2,113,982		2,113,982
Overtime Gross	140,301		140,301
Employee Benefits-			
Employer's Share Social Security	168,127		168,127
Employer's Share Retirement	594,634		594,634
Employer's Paid Health Insurance	516,261		516,261
Contracted Services-			
Vehicle Maintenance and Repairs	75,764		75,764
Supplies and Materials-			
Gasoline	113,474		113,474
Office Supplies	7,864		7,864
Tax Costs	2,204		2,204
Telephone/Cell Phones	13,665		13,665
Uniforms and Equipment	27,085		27,085

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

DAVIESS COUNTY
 KEITH CAIN, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	75% Operating Fund	25% County Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
<u>Expenditures</u> (Continued)			
Other Charges-			
Credition	\$ 566	\$	\$ 566
Drug Court	1,671		1,671
Grant Expenses	3,578		3,578
K-9	1,782		1,782
Miscellaneous	17,034		17,034
Radar/Siren Repair	19,209		19,209
Supplies	13,552		13,552
Training	9,771		9,771
Travel	8,041		8,041
Capital Outlay-			
Computer	6,401		6,401
Equipment	109,072		109,072
Office Equipment	1,683		1,683
Vehicles	61,676		61,676
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	4,131,473	335,514	4,466,987
	<u> </u>	<u> </u>	<u> </u>
Fund Balance - December 31, 2009	\$ (660,319)	\$ 0	\$ (660,319)

On June 21, 2010 the Daviess County Fiscal Court contributed \$2,270,777 to the Sheriff's Office. The contribution was deposited into the Sheriff's 75% operating fund.

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

DAVIESS COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

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 revenues over expenditures 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 is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures 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 2009 services
- Reimbursements for 2009 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2009
- Payroll expenditures incurred but not paid

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

DAVISS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the 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).

Note 2. Employee Retirement System

The county officials 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. This is a cost-sharing, multiple-employer defined benefit pension plan that 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 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to the plan to be allocated as follows: 5 percent to the plan and 1 percent will go to the KRS insurance fund. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months of the year.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to the plan to be allocated as follows: 8 percent to the plan and 1 percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 29.50 percent for the first six months and 32.97 percent for the last six months of the year.

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 (members 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 minimum 60 months of 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.

DAVISS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009
(Continued)

Note 2. Employee Retirement System (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Daviess County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), 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 Daviess County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Special Investigations Account

The Daviess County Sheriff's Office maintains a Special Investigations Account for monies received from court ordered forfeitures in connection with drug related arrests. The balance of the account as of January 1, 2009 was \$2,095. During 2009, revenues were \$2,761 and expenditures were \$2,423 resulting in a balance of \$2,433 as of December 31, 2009.

Note 5. Self Insured Health Insurance Fund

The Daviess County Sheriff (Sheriff) participates in a partially self-funded health insurance plan. This partially self-funded insurance plan covers all employees of the Sheriff's office. The Sheriff's office pays for each employee's individual coverage. The Sheriff contracted with Presidential Life Insurance Company to administer the employee benefit plan for the year ended December 31, 2009.

DAVIESS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009
(Continued)

Note 5. Self Insured Health Insurance Fund (Continued)

This partially self-funded insurance plan has two distinct components that the Sheriff must pay. The first component is the fixed cost, which consists of administrative fees associated with operating the plan, and specific and aggregate reinsurance costs that cap the Sheriff's claims exposure on an individual and aggregate basis. Incurred fixed costs for the year ending December 31, 2009 were \$209,329. The second component is the claims cost, all of which the Sheriff is responsible to pay as they incur. Once an individual exceeds \$15,000 in claims or the Sheriff's aggregate claims exceed the predetermined maximum, then the Sheriff will receive reimbursements from the reinsurance carrier. Incurred claims for the year ended December 31, 2009 were \$183,893 and reimbursements were \$82,063. The Sheriff's contract had no terminal liability provision. The Sheriff would be responsible to pay all run-out claims after termination. The Health Insurance Fund had a balance of \$81,303 as of December 31, 2009.

Note 6. Deferred Compensation

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

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

**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**



CRIT LUALLLEN
AUDITOR OF PUBLIC ACCOUNTS

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

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

We have audited the financial statements - regulatory basis of the Daviess County Sheriff for the year ended December 31, 2009, and have issued our report thereon dated September 29, 2010. The County Sheriff's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Daviess County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures 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 Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Daviess County Sheriff's financial statements for the year ended December 31, 2009, 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.

This report is intended solely for the information and use of management, the Daviess County Fiscal Court, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

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

Crit Luallen
Auditor of Public Accounts

September 29, 2010

