

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

**For The Period
January 1, 2021 Through November 30, 2021**



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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

The Honorable Al Mattingly, Daviess County Judge/Executive
The Honorable Keith Cain, Former Daviess County Sheriff
The Honorable Barry G. Smith, Daviess County Sheriff
Members of the Daviess County Fiscal Court

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the former Sheriff of Daviess County, Kentucky, and the Statement of Receipts, Disbursements, and Fund Balances of the former Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the period January 1, 2021 through November 30, 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the receipts and disbursements of the former Daviess County Sheriff and the receipts, disbursements, and fund balances of the former Daviess County Sheriff's operating fund and county fund with the state treasurer for the period January 1, 2021 through November 30, 2021, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

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 Opinions 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 the former Daviess County Sheriff, for the period January 1, 2021 through November 30, 2021, or changes in financial position or cash flows thereof for the period then ended.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Program for Fee Official Audits*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the former Daviess County Sheriff and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Al Mattingly, Daviess County Judge/Executive
The Honorable Keith Cain, Former Daviess County Sheriff
The Honorable Barry G. Smith, Daviess County Sheriff
Members of the Daviess County Fiscal Court

Basis for Opinion (Continued)

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 former Daviess County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, 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 and pervasive.

Responsibilities of Management 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 former Daviess County Sheriff's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the former Daviess County Sheriff's ability to continue as a going concern for a reasonable period of time.

The Honorable Al Mattingly, Daviess County Judge/Executive
The Honorable Keith Cain, Former Daviess County Sheriff
The Honorable Barry G. Smith, Daviess County Sheriff
Members of the Daviess County Fiscal Court

Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we have identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2022, on our consideration of the former Daviess 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 effectiveness of 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 former Daviess County Sheriff's internal control over financial reporting and compliance.

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

2021-001 The Former Daviess County Sheriff's Fourth Quarter Financial Report Was Materially Misstated

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts
Frankfort, KY

October 5, 2022

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

For The Period January 1, 2021 Through November 30, 2021

Receipts

Federal:		
Highway Safety Grant	\$	15,858
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		149,550
State Fees for Services:		
Finance and Administration Cabinet		330,448
Circuit Court Clerk:		
Fines/Fees Collected	\$	74,340
Court Ordered Payments		<u>3,839</u>
		78,179
Fiscal Court		1,903,599
County Clerk - Delinquent Taxes		54,821
Commission on Taxes		246,065
Fees Collected for Services:		
Auto Inspections		50,150
Accident /Police Reports		10,335
Serving Papers		70,155
Carry Concealed Deadly Weapon Permits		33,915
Serving Papers - Fiscal Court		<u>10,350</u>
		174,905
Other:		
Add-On Fees		139,217
TSA - Airport Security		4,705
Contract Overtime		53,875
County Attorney/Traffic School		5,821
Miscellaneous Grants		8,131
Reimbursed Expenses		<u>32,388</u>
		244,137
Interest Earned		<u>2,897</u>
Total Receipts		3,200,459

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

DAVIESS COUNTY
 KEITH CAIN, FORMER SHERIFF
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
 For The Period January 1, 2021 Through November 30, 2021
 (Continued)

Disbursements

Payments to County:

Fees Collected - Fiscal Court	\$ 10,350	
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Other Disbursements:

Miscellaneous	<u>45</u>	
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Total Disbursements		<u>\$ 10,395</u>
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Net Receipts		3,190,064
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Payments to State Treasurer:

75% Operating Fund *	3,033,358	
25% County Fund	<u>156,706</u>	<u>3,190,064</u>

Balance Due at Completion of Audit		<u><u>\$ 0</u></u>
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* Includes reimbursed expenses in the amount of \$32,388 for the audit period.
 See Note 1 of Notes to Financial Statements.

DAVIESS COUNTY
KEITH CAIN, FORMER 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 Period January 1, 2021 Through November 30, 2021

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2021	\$ 111,708	\$ 292,040	\$ 403,748
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	3,033,358		3,033,358
Fees Paid to State - County Funds (25%)		156,706	156,706
Total Funds Available	3,145,066	448,746	3,593,812
<u>Disbursements</u>			
Daviess County Fiscal Court		426,929	426,929
Personal Services-			
Official's Statutory Maximum	114,198		114,198
Official's Training Incentive	4,373		4,373
Deputies' Salaries	2,174,424		2,174,424
Overtime Gross	176,051		176,051
Employee Benefits-			
Employer's Share Social Security	182,713		182,713
Employer's Share Retirement	813,567		813,567
Employer's Share Health Insurance	295,302		295,302
Employer's Share Life Insurance	415		415
Workers' Compensation	6,870		6,870
Unemployment Insurance	1,251		1,251
Contracted Services-			
Maintenance Agreements	27,794		27,794
Computer Maintenance	11,010		11,010

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

DAVIESS COUNTY
 KEITH CAIN, FORMER 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 Period January 1, 2021 Through November 30, 2021
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Disbursements (Continued)</u>			
Supplies and Materials-			
Office Supplies	\$ 6,224	\$	\$ 6,224
Uniforms/Equipment	59,219		59,219
Other Charges-			
K-9 Expenses	1,121		1,121
Dues	5,313		5,313
Miscellaneous	8,169		8,169
Supplies	6,074		6,074
Telephone/Fax/Cellular	6,177		6,177
Training	14,126		14,126
Prisoner Transport	47,855		47,855
Tax Costs	3,316		3,316
Travel	10,057		10,057
Auto Expenses-			
Gasoline	107,543		107,543
Maintenance and Repairs	44,196		44,196
Capital Outlay-			
Equipment	86,041		86,041
Computers	4,860		4,860
Vehicles	222,983		222,983
Total Disbursements	4,441,242	426,929	4,868,171
Fund Balance - November 30, 2021	<u>\$ (1,296,176)</u>	<u>\$ 21,817</u>	<u>\$ (1,274,359)</u>

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

DAVIESS COUNTY
NOTES TO THE FINANCIAL STATEMENTS

November 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the sheriff as determined by the audit. KRS 64.830 requires an outgoing sheriff to make a final settlement with the fiscal court of his county by March 15 immediately following the expiration of his term of office.

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 is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), as of November 30:

- Interest receivable
- Collection on accounts due from others for 2021 services
- Reimbursements for 2021 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 2021

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).

DAVIESS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
November 30, 2021
(Continued)

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

The sheriff's office has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Public Pensions Authority (KPPA). 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 former sheriff's contribution for calendar year 2019 was \$800,089, calendar year 2020 was \$796,502, and for the period January 1, 2021 through November 30, 2021 was \$813,567.

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 CERS insurance fund.

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

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

The county's contribution rate for nonhazardous employees was 24.06 percent for the period January 1, 2021 through June 30, 2021 and 26.95 percent for the period July 1, 2021 through November 30, 2021.

Hazardous

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 be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the Kentucky Retirement System insurance fund.

DAVISS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 November 30, 2021
 (Continued)

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

Hazardous (Continued)

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute eight percent of their annual creditable compensation and also contribute one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the 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 7.5 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 39.58 percent for the period January 1, 2021 through June 30, 2021 and 44.33 percent for the period July 1, 2021 through November 30, 2021.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

DAVIESS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
November 30, 2021
(Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

Benefits are covered under KRS 78.5536.

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

Once members reach a minimum vesting period of 15 years, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

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

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

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

Once members reach a minimum vesting period of 15 years, they earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

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

D. Cost of Living Adjustments - Tier 1

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

DAVISS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 November 30, 2021
 (Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

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

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

F. Death Benefit

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

Kentucky Retirement Systems Annual Financial Report and Proportionate Share Audit Report

Kentucky Retirement Systems 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.

Kentucky Retirement Systems also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 3. Deposits

The former Daviess County Sheriff maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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. These requirements were met.

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 Daviess County Sheriff did not have a deposit policy for custodial credit risk, but rather followed the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of November 30, 2021, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

DAVIESS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 November 30, 2021
 (Continued)

Note 4. Deferred Compensation

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

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating 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 to the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, Kentucky, 40601, or by telephone at (502) 573-7925.

Note 5. Special Investigation Account

The former Daviess County Sheriff maintained a special investigation account for monies received from court ordered forfeitures in connection with drug related arrests. The balance of the account as of January 1, 2021 was \$26,418. During the period of January 1, 2021 through November 30, 2021, receipts were \$18,883 and disbursements were \$12,652 resulting in a balance of \$32,649 as of November 30, 2021. This account was transferred to the incoming sheriff on December 1, 2021.

Note 6. Federal Highway Safety Grants

- A. The Daviess County Sheriff's office received a FY 2021 Highway Safety Grant passed through from the Kentucky Transportation Cabinet's Office of Highway Safety in the amount of \$26,200. The main purpose of the grant is to reduce fatalities on Kentucky roadways, minimize injuries to individuals and property, and to educate the public in ways to do this. The Daviess County Sheriff's office was reimbursed \$15,858 from this grant for the period of January 1, 2021 through November 30, 2021.
- B. The Daviess County Sheriff's office received a FY 2022 Highway Safety Grant passed through from the Kentucky Transportation Cabinet's Office of Highway Safety in the amount of \$25,300. The main purpose of the grant is to reduce fatalities on Kentucky roadways, minimize injuries to individuals and property, and to educate the public in ways to do this. The Daviess County Sheriff's office did not receive any reimbursements from this grant for the period of January 1, 2021 through November 30, 2021.

Note 7. Fiduciary Accounts

A. Trust Accounts

The Daviess County Sheriff's office is periodically required by the Daviess County Judicial System to act as the Public Administrator of decedents' estates until these estates can be settled. Additionally, the Daviess County Sheriff's office is periodically required by the Daviess County Judicial System to act as the Public Administrator for minor beneficiaries until they reached the appropriate age to receive benefits. The Daviess County Sheriff's office maintains the following custodial accounts:

DAVIESS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
November 30, 2021
(Continued)

Note 7. Fiduciary Accounts (Continued)

A. Trust Accounts (Continued)

1. Roberts Estate

The account had a beginning balance of \$4,497 with receipts of \$1,289 and there were no disbursements for the period January 1, 2021 through November 30, 2021. The account balance was \$5,786 as of November 30, 2021.

2. Conrad Estate

The account had a beginning balance of \$4,013 there were no receipts and \$4,013 of disbursements for the period January 1, 2021 through November 30, 2021. The account balance was \$0 as of November 30, 2021.

3. Rickard Estate

The account had a beginning balance of \$6,676 there were no receipts and \$6,676 of disbursements for the period January 1, 2021 through November 30, 2021. The account balance was \$0 as of November 30, 2021.

4. Arnold Estate

The account had a beginning balance of \$0 there were receipts of \$37,796 and there were no disbursements for the period January 1, 2021 through November 30, 2021. The account balance was \$37,796 as of November 30, 2021.

5. Kiniman Estate

The account had a beginning balance of \$1,097 there were no receipts or disbursements for the period January 1, 2021 through November 30, 2021. The account balance was \$1,097 as of November 30, 2021.

6. Bruner Estate

The account had a beginning balance of \$39,710 there were no receipts or disbursements for the period January 1, 2021 through November 30, 2021. The account balance was \$39,710 as of November 30, 2021.

7. Gaither Beneficiary

The account had a beginning balance of \$9,742 there were receipts of \$24 and \$6 of disbursements for the period January 1, 2021 through November 30, 2021. The account balance was \$9,760 as of November 30, 2021.

8. White Beneficiary

The account had a beginning balance of \$33,844 there were receipts of \$31 and there were no disbursements for the period January 1, 2021 through November 30, 2021. The account balance was \$33,875 as of November 30, 2021.

9. Matthews Estate

The account had a beginning balance of \$1,165 there were no receipts or disbursements for the period January 1, 2021 through November 30, 2021. The account balance was \$1,165 as of November 30, 2021.

DAVIESS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
November 30, 2021
(Continued)

Note 7. Fiduciary Accounts (Continued)

A. Trust Accounts (Continued)

10. York Estate

The account had a beginning balance of \$31,586 there were receipts of \$6,166 and \$450 of disbursements for the period January 1, 2021 through November 30, 2021. The account balance was \$37,302 as of November 30, 2021.

11. Perez Beneficiary

The account had a beginning balance of \$30,518 there were receipts of \$20 and \$30,538 of disbursements for the period January 1, 2021 through November 30, 2021. The account balance was \$0 as of November 30, 2021.

12. Pytlick Estate

The account had a beginning balance of \$1,473 there were receipts of \$377 and there were no disbursements for the period January 1, 2021 through November 30, 2021. The account balance was \$1,850 as of November 30, 2021.

Note 8. Kentucky Law Enforcement Foundation Program Fund

The Daviess County Sheriff's office participates in the Kentucky Law Enforcement Foundation Program Fund (KLEFPF). The program is administered by the Kentucky Justice and Public Safety Cabinet and is designed to provide adequate training to the sheriff's deputies. During the period of January 1, 2021 through November 30, 2021, the Daviess County Sheriff's office received \$149,550 from this program.

Note 9. Subsequent Events

The former sheriff retired on November 30, 2021 and a new sheriff was appointed by the county judge/executive on December 1, 2021.

Note 10. 75% Operating Fund - Deficit Balance

The former Daviess County Sheriff's 75% operating fund had a deficit balance of \$1,296,176 as of November 30, 2021. KRS 64.345(4) states, in part, "[i]f seventy-five percent (75%) of the amount paid into the State Treasury in any month by any of such officers is not sufficient to pay the salaries and expenses of his office for that month, the deficit may be made up out of the amount paid in any succeeding month; but in no event shall the amount allowed by the Finance and Administration Cabinet to any officer for salaries and expenses exceed seventy-five percent (75%) of the amount paid to the Finance and Administration Cabinet by the officer during his official term." The 75% operating fund has to be settled at the end of the sheriff's term, which ends December 31, 2022.

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

The Honorable Al Mattingly, Daviess County Judge/Executive
The Honorable Keith Cain, Former Daviess County Sheriff
The Honorable Barry G. Smith, Daviess County Sheriff
Members of the Daviess County Fiscal Court

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 former Sheriff of Daviess County, Kentucky, the Statement of Receipts, Disbursements, and Fund Balances of the former Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the period January 1, 2021 through November 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated October 5, 2022. The former Daviess County Sheriff's financial statements are prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.



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)

Internal Control over Financial Reporting (Continued)

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 statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2021-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the former Daviess County Sheriff's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Finding and Responses as item 2021-001.

Views of Responsible Official and Planned Corrective Action

The former Daviess County Sheriff's views and planned corrective action for the finding identified in our audit are included in the accompanying Schedule of Findings and Responses. The former Daviess County Sheriff's response was not subjected to the auditing procedures applied in the audit of the financial statements, 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
Frankfort, KY

October 5, 2022

SCHEDULE OF FINDINGS AND RESPONSES

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DAVISS COUNTY
KEITH CAIN, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Period January 1, 2021 Through November 30, 2021

FINANCIAL STATEMENT FINDING:

2021-001 The Former Daviess County Sheriff's Fourth Quarter Financial Report Was Materially Misstated

The former Daviess County Sheriff's fourth quarter financial report was materially misstated. Disbursements were understated by \$122,747. The former sheriff's chief financial officer failed to include the outstanding liabilities as of November 30, 2021, on the fourth quarter financial report. According to the chief financial officer this was just an oversight on her part. As a result, the fourth quarter financial report was incorrect and did not reflect an accurate and complete financial presentation of the Daviess County Sheriff's Office as reported to the Department for Local Government for the period ended November 30, 2021.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to ensure accurate and complete financial reporting. Good internal controls dictate that the financial report would be accurate and complete.

We recommend the Daviess County Sheriff's office implement internal control procedures to ensure that the fourth quarter financial report is accurate and complete before submitting it to the Department for Local Government.

Former Sheriff's Response: The Chief Financial Officer was unsure how to proceed when Sheriff Cain retired. As a result, she reached out to County Fees for guidance. She as told to complete a Quarterly Report for October and November under Sheriff Cain and a separate Quarterly Report for December under Sheriff Smith. The Quarterlys were prepared as directed. She neglected to show the Unpaid Obligations on the October – November Quarterly Report which were forwarded to the state in December. All monies are accounted for. This was an oversight on her part.