

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

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



**MIKE HARMON
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EXECUTIVE SUMMARY
AUDIT OF THE
WARREN COUNTY SHERIFF

For The Year Ended
December 31, 2015

The Auditor of Public Accounts has completed the Warren County Sheriff's audit for the year ended December 31, 2015. Based upon the audit work performed, the financial statements present fairly in all material respects, the receipts and disbursements of the Warren County Sheriff and the receipts, disbursements, and fund balances of the Warren County Sheriff's operating fund and county fund with the State Treasurer 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 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 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 Warren County Sheriff had total receipts of \$6,214,609, which was a \$247,084 decrease from the prior year. Except for reimbursed expenses in the amount of \$4,531,911 and fiscal court contributions of \$3,000,000 the sheriff paid 25% of receipts to the Warren County Fiscal Court in the amount of \$406,200. This was a decrease of \$38,799 from the prior year. In addition, 75% fund operating disbursements decreased by \$53,168.

Lease Agreement:

The Warren County Sheriff's office was committed to a lease agreement for a mailing system. The agreement requires a monthly payment of \$93 for 48 months to be completed on July 11, 2016. The total balance of the agreement was \$651 as of December 31, 2015.

Deposits:

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Michael O. Buchanon, Warren County Judge/Executive
Honorable Jerry Gaines, Warren County Sheriff
Members of the Warren County Fiscal Court

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the Sheriff of Warren County, Kentucky, and the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



The Honorable Michael O. Buchanon, Warren County Judge/Executive
Honorable Jerry Gaines, Warren County Sheriff
Members of the Warren County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the Warren County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Warren County Sheriff, as of December 31, 2015, or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the Warren County Sheriff and the receipts, disbursements, and fund balances of the sheriff's operating fund and county fund with the state treasurer 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2016 on our consideration of the Warren County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

November 2, 2016

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

For The Year Ended December 31, 2015

Receipts

Federal Grants Passed Through:

Federal Highway Safety Grant	\$ 2,412	
Financial Commission for Appalachia HIDTA Grant	25,608	
Organized Crime Drug Enforcement Task Forces Grant	<u>2,771</u>	\$ 30,791

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF) 149,813

State Fees for Services:

Finance and Administration Cabinet	413,924	
Sheriff Security Service	94,637	
Reimbursement For Juror Meal Expenses	<u>1,266</u>	509,827

Circuit Court Clerk:

Fines/Fees Collected	8,131	
Court Ordered Payments	<u>876</u>	9,007

Fiscal Court 3,000,000

County Clerk - Delinquent Taxes 69,519

Commission on Taxes 1,806,622

Fees Collected for Services:

Auto Inspections	57,980	
Accident Police Reports and Trip Fees For Auto Inspections	24,278	
Serving Papers	209,710	
Carry Concealed Deadly Weapon Permits	39,460	
Security Detail	<u>25,835</u>	357,263

Other:

Add-On Fees	118,099	
Fees Collected - Fiscal Court	50,250	
Miscellaneous	3,635	
School Resource Officer Reimbursement	108,779	
Transports	<u>90</u>	280,853

Interest Earned 914

Total Receipts 6,214,609

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

WARREN COUNTY
 JERRY GAINES, SHERIFF
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
 For The Year Ended December 31, 2015
 (Continued)

Disbursements

Payments to County:

Fees Collected - Fiscal Court	\$	54,049
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Other Disbursements:

Refunds	\$	260	
Juror Expenses		1,266	
Miscellaneous		2,322	3,848

Total Disbursements			\$	<u>57,897</u>
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Net Receipts				6,156,712
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Payments to State Treasurer:

75% Operating Fund *		5,750,512		
25% County Fund		406,200	<u>6,156,712</u>	

Balance Due at Completion of Audit			\$	<u><u>0</u></u>
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* Includes reimbursed expenses in the amount of \$4,531,911 for the audit period.
 See Note 1 of Notes to Financial Statements.

WARREN COUNTY
 JERRY GAINES, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE COUNTY SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2015

	75% Operating Fund	25% County Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
Fund Balance - January 1, 2015	\$ 0	\$ 0	\$ 0
 <u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	5,750,512		5,750,512
Fees Paid to State - County Funds (25%)		406,200	406,200
	<u>5,750,512</u>	<u>406,200</u>	<u>6,156,712</u>
 <u>Disbursements</u>			
Warren County Fiscal Court		406,200	406,200
Personal Services-			
Official's Statutory Maximum	112,306		112,306
Official's Training Incentive	3,941		3,941
Deputies' Salaries	3,472,402		3,472,402
Overtime Gross	398,018		398,018
Employee Benefits-			
Employer's Share Social Security	282,710		282,710
Employer's Share Retirement	998,901		998,901
Employer's Share Health Insurance	394,385		394,385
Employer's Share Life Insurance	950		950
Workers' Compensation	91,858		91,858
Contracted Services-			
Technical Programming Support	324,967		324,967
Supplies and Materials-			
Office Supplies	44,659		44,659
Uniforms/Equipment	29,825		29,825

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

WARREN COUNTY
 JERRY GAINES, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2015
 (Continued)

	75%	25%	
	Operating	County	Totals
	Fund	Fund	
	<u> </u>	<u> </u>	<u> </u>
<u>Disbursements (Continued)</u>			
Other Charges-			
Departmental Operating Expense	\$ 105,601	\$	\$ 105,601
Firearms Certification and Training	15,013		15,013
Law Enforcement Safety Equipment	46,197		46,197
Law Enforcement Supplies	44,995		44,995
Postage	33,699		33,699
Sheriff Travel	2,669		2,669
Radio Maintenance and Repair	1,418		1,418
Telephone/Cellular/Aircards	52,290		52,290
Training/Certifying Employees	24,998		24,998
Transport	23,313		23,313
Auto Expenses-			
Gasoline	137,978		137,978
Maintenance and Repairs	78,948		78,948
Lease Payments - Rental on Sheriff's Vehicle	5,043		5,043
Capital Outlay-			
Equipment	49,021		49,021
	<u>6,776,105</u>	<u>406,200</u>	<u>7,182,305</u>
Total Disbursements			
	<u>\$ (1,025,593)</u>	<u>\$ 0</u>	<u>\$ (1,025,593)</u>
Fund Balance - December 31, 2015			

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

WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS

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 due from the sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the state treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in the sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2015 services
- Reimbursements for 2015 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 2015

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.

WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

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 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, 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 account. 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 half percent (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The sheriff's contribution for calendar year 2013 was \$1,044,994, calendar year 2014 was \$992,140, and calendar year 2015 was \$998,901.

WARREN COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2015
 (Continued)

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

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.

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.

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.

WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

Note 3. Deposits

The Warren County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The Warren County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Health Reimbursement Account

The Warren County Sheriff's office established a health reimbursement account on January 1, 2012 to provide employees an additional health benefit. The sheriff's office has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$3,600 less administrative fees each year to pay for qualified medical expenses. Eligible employees received \$3,534 after administrative fees for calendar year 2015. Funds remaining at the end of each year roll forward to the next year. If an employee is no longer employed by the sheriff's office, or decides to no longer participate in the health reimbursement account, the funds revert to the sheriff's office. The balance of the plan as of December 31, 2015 is \$60,062, which will roll over to calendar year 2016.

Note 5. Seized Funds Account

The Warren County Sheriff's office maintains a seized funds account with funds received as the result of court-ordered payments for drug investigations. These funds are to be used for drug enforcement and drug education. On January 1, 2015, the seized funds account had a beginning balance of \$10,735 including \$991 of federal awards, receipts of \$12,007, and disbursements of \$5,001 including \$991 of federal funds. The ending balance at December 31, 2015 was \$17,741 including \$0 of federal awards.

Note 6. Lease

The Warren County Sheriff's office was committed to a lease agreement for a mailing system. The agreement requires a monthly payment of \$93 for 48 months to be completed on July 11, 2016. The total balance of the agreement was \$651 as of December 31, 2015.

WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

Note 7. Federal Grants

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

The Warren County Sheriff's office received a 2015 High Intensity Drug Trafficking Area Program (HIDTA) grant from the United States Office of National Drug Control Policy, passed through the Financial Commission for Appalachia, in the amount of \$34,000. During 2015, reimbursement grant funds in the amount of \$25,608 were received and \$34,000 were expended. The remaining reimbursement grant funds of \$8,392 were received in January 2016. All funds were expended as of December 31, 2015 for their intended purpose.

B. State and Community Highway Safety Grant

The Warren County Sheriff's office received a State and Community Highway Safety grant, passed through the Kentucky Transportation Cabinet's Office of Highway Safety, for the period of October 1, 2014 to September 30, 2015 in the amount of \$8,521. During 2015, grant funds in the amount of \$2,412 were received and expended. The grant ended on September 30, 2015 with \$6,109 of budgeted grant funds never being expended or submitted for reimbursement. All funds were expended for their intended purpose.

C. Organized Crime Drug Enforcement Task Forces (OCDETF) Grant

The Warren County Sheriff's office received an Organized Crime Drug Enforcement Task Forces (OCDETF) grant from the Department of Justice for the period June, 18, 2014 to September 30, 2014 in the amount of \$10,000. In the prior year, grant funds in the amount of \$6,597 were expended but only \$6,267 received. During 2015, the remaining reimbursement grant funds in the amount of \$330 were received. The grant ended on September 30, 2014 with \$3,403 of budgeted grant funds never being expended or submitted for reimbursement. All funds were expended in the prior year for their intended purpose.

The Warren County Sheriff's office received an Organized Crime Drug Enforcement Task Forces (OCDETF) grant from the Department of Justice for the period October 1, 2014 to September 30, 2015 in the amount of \$10,000. In the prior year grant funds in the amount of \$765 were expended but not reimbursed. During 2015, reimbursement grant funds in the amount of \$2,441 were received and \$1,676 were expended. The grant ended on September 30, 2015 with \$7,559 of budgeted grant funds never being expended or submitted for reimbursement. All funds were expended for their intended purpose.

Note 8. Donation Account

The Warren County Sheriff's office opened a donation account on February 12, 2015. Funds totaling \$439 were received during the year, including interest earned of \$1. The ending balance at December 31, 2015 was \$440.

WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

Note 9. 75% Operating Fund - Deficit Balance

The Warren County Sheriff's 75% operating fund had a deficit balance of \$1,025,593 as of December 31, 2015. KRS 64.345(4) states, in part, "If 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, 2018.

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*



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Michael O. Buchanon, Warren County Judge/Executive
The Honorable Jerry Gaines, Warren County Sheriff
Members of the Warren County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts and Disbursements - Regulatory Basis of the Sheriff of Warren County, Kentucky, the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 2, 2016. The Warren County Sheriff's financial statements are prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Warren County Sheriff's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Warren County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Warren County Sheriff's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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)

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. 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.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Warren County Sheriff's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

November 2, 2016

