

**REPORT OF THE AUDIT OF THE  
MENIFEE COUNTY  
SHERIFF'S SETTLEMENT - 2013 TAXES**

**For The Period  
April 16, 2013 Through April 15, 2014**



**ADAM H. EDELEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

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



**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**MENIFEE COUNTY**  
**SHERIFF'S SETTLEMENT - 2013 TAXES**

**For The Period**  
**April 16, 2013 Through April 15, 2014**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2013 Taxes for the Menifee County Sheriff for the period April 16, 2013 through April 15, 2014. We have issued an unmodified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$1,644,182 for the districts for 2013 taxes, retaining commissions of \$63,745 to operate the Sheriff's office. The Sheriff distributed taxes of \$1,578,212 to the districts for 2013 taxes. Taxes of \$125 are due to the districts from the Sheriff and refunds of \$1,267 are due to the Sheriff from the taxing districts.

**Report Comment:**

2013-01 The Sheriff's Office Lacks Adequate Segregation Of Duties

**Deposits:**

The Sheriff's deposits as of December 6, 2013 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$111,301

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



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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable James D. Trimble, Menifee County Judge/Executive

Honorable Rodney Coffey, Menifee County Sheriff

Members of the Menifee County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the Menifee County Sheriff's Settlement - 2013 Taxes for the period April 16, 2013 through April 15, 2014 - regulatory basis, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

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

**Auditor's Responsibility**

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

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



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable James D. Trimble, Menifee County Judge/Executive  
Honorable Rodney Coffey, Menifee County Sheriff  
Members of the Menifee County Fiscal Court

### **Auditor's Responsibility (Continued)**

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

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

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

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

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the County Sheriff, as of April 15, 2014, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the taxes charged, credited, and paid for the period April 16, 2013 through April 15, 2014 of the Menifee County Sheriff, 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 October 29, 2014 on our consideration of the Menifee 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 effectiveness of the Menifee County Sheriff's 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.

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable James D. Trimble, Menifee County Judge/Executive

Honorable Rodney Coffey, Menifee County Sheriff

Members of the Menifee County Fiscal Court

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

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

2013-01 The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,



Adam H. Edelen  
Auditor of Public Accounts

October 29, 2014

MENIFEE COUNTY  
 RODNEY COFFEY, SHERIFF  
SHERIFF'S SETTLEMENT - 2013 TAXES

For The Period April 16, 2013 Through April 15, 2014

<u>Charges</u>	Special			
	<u>County Taxes</u>	<u>Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 149,830	\$ 611,668	\$ 566,464	\$ 160,345
Tangible Personal Property	7,974	24,717	24,780	20,001
Fire Protection	1,343			
Increases Through Exonerations	23	93	86	24
Franchise Taxes	30,404	97,608	96,821	
Limestone, Sand and Gravel Reserves	218	888	825	233
Penalties	1,391	5,629	5,216	1,497
Adjusted to Sheriff's Receipt	(1,455)	(5,922)	(5,500)	(1,557)
Gross Chargeable to Sheriff	<u>189,728</u>	<u>734,681</u>	<u>688,692</u>	<u>180,543</u>
 <u>Credits</u>				
Exonerations	2,713	11,040	10,255	3,589
Discounts	2,353	9,168	8,578	2,443
Delinquents:				
Real Estate	9,608	38,956	36,073	10,211
Tangible Personal Property	192	595	596	694
Uncollected:				
Limestone, Sand and Gravel Reserves	218	888	825	233
Minimum Bills	82	77	52	23
Total Credits	<u>15,166</u>	<u>60,724</u>	<u>56,379</u>	<u>17,193</u>
Taxes Collected	174,562	673,957	632,313	163,350
Less: Commissions *	<u>7,419</u>	<u>24,091</u>	<u>25,293</u>	<u>6,942</u>
Taxes Due	167,143	649,866	607,020	156,408
Taxes Paid	166,781	648,437	606,967	156,027
Refunds (Current and Prior Year)	<u>345</u>	<u>1,370</u>	<u>1,284</u>	<u>368</u>
Due Districts or (Refund Due Sheriff) as of Completion of Audit	<u>\$ 17</u>	<u>\$ 59</u>	<u>\$ (1,231)</u>	<u>\$ 13</u>

\*\*

\* and \*\* See next page.

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

MENIFEE COUNTY  
RODNEY COFFEY, SHERIFF  
SHERIFF'S SETTLEMENT - 2013 TAXES  
For The Period April 16, 2013 Through April 15, 2014  
(Continued)

\* Commissions:

4.25% on	\$	754,010
4% on	\$	759,936
1% on	\$	130,236

\*\* Special Taxing Districts:

Extension District	\$	13
Ambulance District		(36)
Fire District		<u>82</u>

Due Districts or (Refund Due Sheriff)	\$	<u><u>59</u></u>
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MENIFEE COUNTY  
NOTES TO FINANCIAL STATEMENT

April 15, 2014

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. 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.

B. Basis of Accounting

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

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. Deposits

The Menifee 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.

MENIFEE COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 15, 2014  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 15, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of December 6, 2013, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured      \$111,301

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2013. Property taxes were billed to finance governmental services for the fiscal year ended June 30, 2014. Liens are effective when the tax bills become delinquent. The collection period for these assessments was December 13, 2013 through April 15, 2014.

Note 4. Interest Income

The Menifee County Sheriff earned \$95 as interest income on 2013 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office. As of October 29, 2014, the Sheriff owed \$35 in interest to the school district and \$60 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Menifee County Sheriff collected \$10,638 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the Sheriff's office. As of October 29, 2014, the Sheriff owed \$2,771 in 10% add-on fees to his fee account.

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





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable James D. Trimble, Menifee County Judge/Executive  
Honorable Rodney Coffey, Menifee County Sheriff  
Members of the Menifee County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Menifee County Sheriff's Settlement - 2013 Taxes for the period April 16, 2013 through April 15, 2014 - regulatory basis and the related notes to the financial statement and have issued our report thereon dated October 29, 2014.

**Internal Control Over Financial Reporting**

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

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 comment and recommendation, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comment and recommendation as item 2013-01 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  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

### Compliance And Other Matters

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

### 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,



Adam H. Edelen  
Auditor of Public Accounts

October 29, 2014

COMMENT AND RECOMMENDATION



MENIFEE COUNTY  
RODNEY COFFEY, SHERIFF  
COMMENT AND RECOMMENDATION

For The Period April 16, 2013 Through April 15, 2014

INTERNAL CONTROL - MATERIAL WEAKNESS:

2013-01    The Sheriff's Office Lacks Adequate Segregation Of Duties

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The Sheriff's office lacks adequate segregation of duties. The bookkeeper collects and deposits tax receipts, records all transactions, prepares the monthly report, and reconciles the bank account. By not segregating these duties, there is an increased risk of misappropriation of assets either by error or fraud. Good internal controls dictate the same employee should not handle, record, and reconcile receipts. If these duties cannot be segregated, the Sheriff should perform the following compensating controls to help offset this weakness:

- Recount and make the daily deposits.
- Agree daily tax collection total to the receipts ledger and deposit slip.
- Agree monthly tax reports to receipts ledger and disbursements ledger.
- Review the monthly bank reconciliation.

*Sheriff's Response: No response.*

