

**REPORT OF THE AUDIT OF THE
GREENUP COUNTY
SHERIFF'S SETTLEMENT - 2014 TAXES**

**For The Period
April 16, 2014 Through April 16, 2015**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

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

EXECUTIVE SUMMARY
AUDIT OF THE
GREENUP COUNTY
SHERIFF'S SETTLEMENT - 2014 TAXES

For The Period
April 16, 2014 Through April 16, 2015

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2014 Taxes for the Greenup County Sheriff for the period April 16, 2014 through April 16, 2015. 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 Greenup County Sheriff collected 2014 taxes of \$23,396,811 for the districts, retaining commissions of \$756,938 to operate the sheriff's office. The Greenup County Sheriff distributed 2014 taxes of \$22,590,391 to the districts. Taxes of \$9,569 are due to the districts from the sheriff and refunds of \$5,386 are due to the sheriff from the taxing districts.

Report Comments:

- 2014-001 The Sheriff Has Not Collected Amounts Due From Several Entities Or Paid All Amounts Owed To Taxing Districts For The 2013, 2012, 2011, And 2010 Tax Years
- 2014-002 The Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Robert Carpenter, Greenup County Judge/Executive
Honorable Keith Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the Greenup County Sheriff's Settlement - 2014 Taxes for the period April 16, 2014 through April 16, 2015 - 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
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Auditor's Responsibility (Continued)

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

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 Greenup 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 Greenup County Sheriff, as of April 16, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the taxes charged, credited, and paid for the period April 16, 2014 through April 16, 2015 of the Greenup 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 May 03, 2016 on our consideration of the Greenup 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 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 Greenup County Sheriff's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Greenup County Sheriff's internal control over financial reporting and compliance.

To the People of Kentucky

Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

Honorable Robert Carpenter, Greenup County Judge/Executive

Honorable Keith Cooper, Greenup County Sheriff

Members of the Greenup County Fiscal Court

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

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- 2014-001 The Sheriff Has Not Collected Amounts Due From Several Entities Or Paid Amounts Owed To Taxing Districts For The 2013, 2012, 2011, And 2010 Tax Years
- 2014-002 The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

May 03, 2016

GREENUP COUNTY
KEITH COOPER, SHERIFF
SHERIFF'S SETTLEMENT - 2014 TAXES

For The Period April 16, 2014 Through April 16, 2015

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 3,455,146	\$ 3,911,004	\$ 10,340,320	\$ 1,572,865
Tangible Personal Property	429,724	816,285	862,589	443,713
Fire Protection	2,941			
Increases Through Exonerations	2,013	1,135	2,656	599
Franchise Taxes	552,537	500,826	1,348,980	
Additional Billings	6,648	7,523	19,849	3,722
Oil and Gas Property Taxes	69,054	71,322	212,573	31,435
Penalties	20,993	23,535	62,537	9,899
Adjusted to Sheriff's Receipt	(9,294)	(1)		
Gross Chargeable to Sheriff	4,529,762	5,331,629	12,849,504	2,062,233
 <u>Credits</u>				
Exonerations	43,268	68,467	127,171	22,417
Discounts	59,281	73,507	169,890	31,403
Delinquents:				
Real Estate	128,735	148,173	388,614	58,438
Tangible Personal Property	11,538	9,795	22,487	13,133
Total Credits	242,822	299,942	708,162	125,391
Taxes Collected	4,286,940	5,031,687	12,141,342	1,936,842
Less: Commissions *	182,195	213,847	278,580	82,316
Taxes Due	4,104,745	4,817,840	11,862,762	1,854,526
Taxes Paid	4,096,583	4,807,677	11,836,059	1,850,072
Refunds (Current and Prior Year)	8,838	9,001	23,463	3,997
Due Districts or (Refunds Due Sheriff) as of Completion of Audit	<u>\$ (676)</u>	<u>\$ 1,162</u>	<u>\$ 3,240</u>	<u>\$ 457</u>
		**	***	

*, **, and *** See next page.

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

GREENUP COUNTY
 KEITH COOPER, SHERIFF
 SHERIFF'S SETTLEMENT - 2014 TAXES
 For The Period April 16, 2014 Through April 16, 2015
 (Continued)

* Commissions:

4.25% on	\$ 11,255,469
2.5% on	\$ 7,150,684
2% on	\$ 4,990,658

** Special Taxing Districts:

Library District	\$ 663
Health District	768
Ambulance District	374
Little Sandy Fire District	69
Load Fire District	3,998
Maloneton Fire District	<u>(4,710)</u>

Due Districts or

(Refund Due Sheriff)	<u>\$ 1,162</u>
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*** School Taxing Districts:

Common School District	<u>\$ 3,240</u>
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GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT

April 16, 2015

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 Greenup 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.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
April 16, 2015
(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 Greenup County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480 and KRS 41.240. As of April 16, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2014. Property taxes were billed to finance governmental services for the fiscal year ended June 30, 2015. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 26, 2014 through April 16, 2015.

B. Oil Taxes

The tangible property tax assessments were levied as of January 1, 2014. Property taxes are billed to finance governmental services for the fiscal year ended June 30, 2015. Liens are effective when the tax bills become delinquent. The collection period for these assessments was December 10, 2014 through June 15, 2015.

C. Gas Taxes

The tangible property tax assessments were levied as of January 1, 2014. Property taxes are billed to finance governmental services for the fiscal year ended June 30, 2015. Liens are effective when the tax bills become delinquent. The collection period for these assessments was December 10, 2014 through June 15, 2015.

Note 4. Interest Income

The Greenup County Sheriff earned \$2,195 as interest income on 2014 taxes. The Sheriff was in substantial compliance with his statutory responsibility regarding interest.

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

The Greenup County Sheriff collected \$101,446 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the Sheriff's office. As of May 03, 2016, the Sheriff owed \$591 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*



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Robert Carpenter, Greenup County Judge/Executive
Honorable Keith Cooper, Greenup County Sheriff
Members of the Greenup 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 Greenup County Sheriff's Settlement - 2014 Taxes for the period April 16, 2014 through April 16, 2015 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated May 03, 2016. The Greenup County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a certain deficiency in internal control, which is described in the accompanying comments and recommendations as item 2014-002 that we consider to be a significant deficiency.



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 Greenup 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying comments and recommendations as item 2014-001.

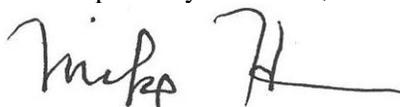
Sheriff's Responses to Findings

The Greenup County Sheriff's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The Greenup County Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

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

May 03, 2016

COMMENTS AND RECOMMENDATIONS

GREENUP COUNTY
KEITH COOPER, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period April 16, 2014 Through April 16, 2015

STATE LAWS AND REGULATIONS:

2014-001 The Sheriff Has Not Collected Amounts Due From Several Entities Or Paid Amounts Owed To Taxing Districts For The 2013, 2012, 2011, And 2010 Tax Years

The sheriff did not collect amounts due from several entities as determined by audits for the 2013, 2012, 2011, and 2010 tax years. Since the sheriff has not collected the amounts due, he has not been able to pay the amounts owed to taxing districts, including the county. KRS 64.820 says the county shall collect any amount due from county officials as determined by the audit. Although there should be no netting of amounts due to and due from taxing districts for multiple tax years, we chose to give the sheriff credit regardless of whether he paid a taxing district out of the correct tax year account since the prior year tax bank accounts have been closed. The amount due to the county is also reported in the fee account audit because we have combined the amounts due to the county with the amounts due to the fee account, which ultimately become excess fees to the county. Please note that had the Sheriff collected the amounts based on the 2013, 2012, 2011 and 2010 audits, there would have been a cumulative surplus of \$6,092 for those tax years. We recommend the sheriff take the necessary action to collect the amounts due in order to be able to pay the amounts owed to the taxing districts as shown below. Once this is done, the surplus of \$6,092 should be escrowed for 3 years and if not claimed, sent to the Kentucky State Treasurer.

Due From:		Due To:	
Common School	\$ 5,566	County	\$ 2,591
Wurtland VFD	201	Load VFD	7,929
South Shore VFD	171		
Lloyd VFD	221		
Maloneton VFD	8,184		
Little Sandy VFD	896		
City of Wurtland	1,006		
City of Raceland	<u>367</u>		
 Total Due From	 <u>\$ 16,612</u>	 Total Due To	 <u>\$ 10,520</u>

Sheriff's Response: Letters were sent to these people, no response.

GREENUP COUNTY
KEITH COOPER, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period April 16, 2014 Through April 16, 2015
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2014-002 The Sheriff's Office Lacks Adequate Segregation Of Duties

The sheriff's office has a lack of segregation of duties. Good internal controls dictate the same employee should not handle and record receipts and disbursements. The bookkeeper recorded all tax transactions, prepared the monthly tax reports, and reconciled the bank account. Inadequate segregation of duties increases the risk of undetected misappropriation of assets and inaccurate financial reporting. To mitigate this deficiency, the sheriff should implement the following compensating controls: cash from tax collections should be recounted and deposited by the sheriff; the sheriff should agree daily tax collection totals to the receipts ledger and deposit ticket; and the sheriff should agree monthly tax reports to the receipts ledger and disbursements ledger. We recommend the sheriff perform the above procedures and document the controls as evidence of their existence, to compensate for the significant deficiency in the sheriff's internal controls.

Sheriff's Response: Same as every year. No \$ to hire enough people.

