REPORT OF THE AUDIT OF THE KNOTT COUNTY SHERIFF

For The Year Ended
December 31, 2001

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE
KNOTT COUNTY SHERIFF

For The Year Ended
December 31, 2001

The Auditor of Public Accounts has completed the Knott County Sheriff's audit for the year ended December 31, 2001. We have issued an unqualified 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:

Excess fees decreased by $22,672 from the prior calendar year, resulting in excess fees of $93,930 as of December 31, 2001. Revenues decreased by $38,641 from the prior year and disbursements decreased by $20,158

Debt Obligations:

Capital lease principal agreements totaled $45,320 as of December 31, 2001.

Deposits:

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

CONTENTS PAGE

INDEPENDENT AUDITOR'S REPORT 1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES 3
NOTES TO FINANCIAL STATEMENT 5
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS 9

EDWARD B. HATCHETT, JR.
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To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Donnie Newsome, Knott County Judge/Executive
Honorable Wheeler Jacobs, Knott County Sheriff
Members of the Knott County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Knott County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this 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 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

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In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 24, 2002

KNOTT COUNTY
WHEELER JACOBS, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2001

Receipts

Federal Grants:				
Corps of Engineers-Lake Patrol	$	17,999		
KLEFPF Grant		13,732	$	31,731
State Grants:				
Finance and Administration Cabinet	$	3,939		
Highway Safety Grant		1,396		5,335
Circuit Court Clerk-Sheriff Security Service				5,088
Fiscal Court:				
Payroll	$	7,460		
Return of Excess Fees-2000		116,602		124,062
County Clerk-Delinquent Taxes				3,860
Commission On Taxes Collected				162,677
Other Fees on Tax Collection:				
10% Sheriff's Penalty	$	15,117		
Sheriffs Collection Fee-Advertised Taxes		1,950		17,067
Fees Collected For Services:				
Auto Inspections	$	4,557		
Accident and Police Reports		26		
Carrying Concealed Deadly Weapon Permits		4,755		
Serving Papers		11,580		20,918
Other Services:				
School - Dare	$	20,000		
Transporting Mental Patients-KRCC		7,700		
Jury Expenses		43		
Bonds		102		
Interest		3,403		
Miscellaneous		4,563		35,811
Total Receipts			$	406,549

KNOTT COUNTY
WHEELER JACOBS, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
For The Year Ended December 31, 2001
(Continued)

Disbursements		
Personnel Services-		
Deputies' Salaries	$ 140,629	
Employer's Share Social Security	15,645	$ 156,274
Contracted Services-		
Advertising	$ 600	
Vehicle Maintenance and Repairs	11,950	
Payroll Services	2,797	15,347
Materials and Supplies-		
Office Materials and Supplies	$ 3,664	
Uniforms	16,705	
Police Supplies	10,496	
Radio Supplies	1,831	32,696
Auto Expense-		
Gasoline	$ 2,399	
Vehicles	21,202	23,601
Other Charges-		
Travel Expense	$ 3,506	
Convention	3,004	
Dues	636	
Postage	1,502	
Dare	4,970	
Carrying Concealed Deadly Weapon Permits	2,985	
Bond	102	
Juror Fees	58	
Miscellaneous	4,443	21,206
Total Disbursements		$ 249,124
Net Receipts		$ 157,425
Less:		
Statutory Maximum	$ 61,306	
Training Incentive	2,189	63,495
Excess Fees Due County for 2001		$ 93,930
Payment to County Treasurer - February 12, 2002		94,076
Excess Fee Overpayment Refund Due at Completion of Audit		$ (146)

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

KNOTT COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

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

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months of the year and the 6.41 for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent for the entire calendar year.

Note 2. Employee Retirement System (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. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and 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, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Leases

A. On September 1, 2000, the Knott County Fiscal Court entered into a lease purchase agreement with Farmer's Bank and Trust Company, for the purpose of acquiring two 2000 Crown Victoria Police Cruisers to be used by the Knott County Sheriff's Office. Although the Sheriff was not a party to the lease, the Sheriff made the lease payments from his 2001 fee account. The agreement calls for 36 monthly payments of $1,270. The principal balance as of December 31, 2001 is $25,060.

B. On October 1, 2001 the Knott County Fiscal Court entered into a lease purchase agreement with Farmer's Bank and Trust Company, for the purpose of acquiring a 2002 Crown Victoria Police Cruiser to be used by the Knott County Sheriff's Office. Although the Sheriff was not a party to the lease, the Sheriff made the lease payments from his 2001 fee account. The agreement calls for 37 monthly payments of $646. The principal balance as of December 31, 2001 is $20,260.

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

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

We have audited the statement of receipts, disbursements, and excess fees of the Knott County Sheriff for the year ended December 31, 2001, and have issued our report thereon dated September 24, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Knott County Sheriff's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Knott County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

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

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 24, 2002