REPORT OF THE AUDIT OF THE MEADE COUNTY SHERIFF'S SETTLEMENT - 2002 TAXES

May 13, 2003

EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net

144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE
MEADE COUNTY
SHERIFF'S SETTLEMENT - 2002 TAXES

May 13, 2003

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2002 Taxes for Meade County Sheriff as of May 13, 2003. 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:

The Sheriff collected taxes of $1,268,804 for the districts for 2002 taxes, retaining commissions of $47,042 to operate the Sheriff's office. The Sheriff distributed taxes of $1,214,527 to the districts for 2002 Taxes. Taxes of $6,282 are due to the districts from the Sheriff.

Deposits:

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

CONTENTS PAGE

INDEPENDENT AUDITOR'S REPORT 1
SHERIFF'S SETTLEMENT - 2002 TAXES 3
NOTES TO FINANCIAL STATEMENTS 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.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable William B. Haynes, Meade County Judge/Executive
Honorable Clifford L. Wise, Meade County Sheriff
Members of the Meade County Fiscal Court

Independent Auditor's Report

We have audited the Meade County Sheriff's Settlement - 2002 Taxes as of May 13, 2003. This tax settlement is the responsibility of the Meade 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 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 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 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 accompanying financial statement referred to above presents fairly, in all material respects, the Meade County Sheriff's taxes charged, credited, and paid as of May 13, 2003, in conformity with the modified cash basis of accounting.

144 CAPITOL ANNEX
FRANKFORT, KY 40601-3448
502.564.5841
FACSIMILE 502.564.2912
ehatchett@kyauditor.net

AN EQUAL OPPORTUNITY EMPLOYER M / F / D

105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
502.573.0050
FACSIMILE 502.573.0067

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable William B. Haynes, Meade County Judge/Executive
Honorable Clifford L. Wise, Meade County Sheriff
Members of the Meade County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 30, 2003, on our consideration of the 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 -
May 30, 2003

MEADE COUNTY
CLIFFORD L. WISE, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2002 TAXES

May 13, 2003

Charges	County Taxes	Special Taxing Districts	School Taxes	State Taxes
Taxes Increased Through				
Erroneous Assessments	$ 688	$ 841	$ 1,886	$ 508
Franchise Corporation Taxes	51,125	30,909	80,638	
Additional Billings	15	11	33	10
Transferred from Outgoing Sheriff	223,030	235,441	593,033	192,521
Penalties	9,551	10,119	25,586	7,925
Gross Chargeable to Sheriff	$ 284,409	$ 277,321	$ 701,176	$ 200,964
Credits				
Exonerations	$ 1,043	$ 1,230	$ 2,858	$ 720
Discounts	17	5	25	
Delinquents:				
Real Estate	29,737	29,312	81,536	24,034
Tangible Personal Property	388	197	567	505
Relinquished by Court Order	42	42	115	34
Uncollected Franchise Corporation Taxes	7,286	4,310	11,063	
Total Credits	$ 38,513	$ 35,096	$ 96,164	$ 25,293
Taxes Collected	$ 245,896	$ 242,225	$ 605,012	$ 175,671
Less: Commissions *	10,451	6,135	22,990	7,466
Taxes Due	$ 235,445	$ 236,090	$ 582,022	$ 168,205
Taxes Paid	233,850	235,375	579,424	165,878
Refunds (Current and Prior Year)	139	146	404	264
Due Districts as of Completion of Fieldwork	$ 1,456	** $ 569	$ 2,194	$ 2,063

* and ** See Page 4

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

MEADE COUNTY
CLIFFORD L. WISE, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2002 TAXES
May 13, 2003
(Continued)

* Commissions:		
4.25% on	$	551,004
3.8% on	$	605,012
1% on	$	63,362

** Special Taxing Districts:		
Library District	$	270
Health District		130
Extension District		169
Due Districts	$	569

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

MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS

May 13, 2003

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 modified cash basis of accounting. 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

At the direction of the fiscal court, 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 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, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of May 13, 2003, 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 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2002. Property taxes were billed to finance governmental services for the year ended June 30, 2003. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 6, 2003 through April 25, 2003.

Note 4. Sheriff's 10% Add-On Fee

The Meade County Sheriff collected $40,385 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 5. Related Party Transaction

The Meade County Sheriff's 2002 tax account was maintained at the Meade County Bank. The Sheriff's office manager is an officer and an employee of the Meade County Bank.

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

EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable William B. Haynes, Meade County Judge/Executive
Honorable Clifford L. Wise, Meade County Sheriff
Members of the Meade County Fiscal Court

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 Meade County Sheriff's Settlement - 2002 Taxes as of May 13, 2003, and have issued our report thereon dated May 30, 2003. 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 Meade County Sheriff's Settlement - 2002 Taxes as of May 13, 2003 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 Meade 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. 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.

144 CAPITOL ANNEX
FRANKFORT, KY 40601-3448
502.564.5841
FACSIMILE 502.564.2912
ehatchett@kyauditor.net

AN EQUAL OPPORTUNITY EMPLOYER M / F / D

105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
502.573.0050
FACSIMILE 502.573.0067

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)

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 -
May 30, 2003