REPORT OF THE AUDIT OF THE CRITTENDEN COUNTY SHERIFF'S SETTLEMENT - 2007 TAXES

For The Period
April 21, 2007 through April 30, 2008

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CRITTENDEN COUNTY SHERIFF'S SETTLEMENT - 2007 TAXES

For The Period
April 21, 2007 through April 30, 2008

Romaine & Associates, PLLC has completed the audit of the Sheriff's Settlement - 2007 Taxes for the Crittenden County Sheriff for the period April 21, 2007 through April 30, 2008. 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 $2,301,062 for the districts for 2007 taxes, retaining commissions of $95,274 to operate the Sheriff's office. The Sheriff distributed taxes of $2,202,304 to the districts for 2007 taxes. Taxes of $180 are due to the districts from the Sheriff and refunds of $2,170 are due to the Sheriff from the taxing districts.

Report Comment:

- The Sheriff's Office Lacks Adequate Segregation of Duties

Deposits:

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

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Krista Romaine, CPA, Member
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CERTIFIED PUBLIC ACCOUNTANTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Fred Brown, Crittenden County Judge/Executive
Honorable Wayne Agent, Crittenden County Sheriff
Members of the Crittenden County Fiscal Court

Independent Auditor's Report

We have audited the Crittenden County Sheriff's Settlement - 2007 Taxes for the period April 21, 2007 through April 30, 2008. This tax settlement is the responsibility of the Crittenden 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, 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 Crittenden County Sheriff's taxes charged, credited, and paid for the period April 21, 2007 through April 30, 2008, 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 April 20, 2009 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

- The Sheriff's Office Lacks Adequate Segregation of Duties

Respectfully submitted,

Krista L. Romaine, CPA

Romaine & Associates, PLLC

April 20, 2009

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
SHERIFF'S SETTLEMENT - 2007 TAXES

For The Period April 21, 2007 Through April 30, 2008

Charges	County Taxes	Special Taxing Districts	School Taxes	State Taxes
Real Estate	$ 323,540	$ 278,555	$ 1,116,213	$ 334,469
Tangible Personal Property	17,732	16,717	59,204	65,765
Fire Protection	2,021			
Franchise Taxes:				
Billed	28,469	26,681	95,170	
Additional Billings	245	196	803	837
Exonerations	8	8	27	30
Limestone, Sand and Gravel Reserves	589	501	2,032	609
Unmined Coal	8	7	28	8
Penalties	2,239	1,910	7,693	3,365
Adjusted to Sheriff's Receipt	(969)	(800)	(3,335)	(1,001)
Gross Chargeable to Sheriff	373,882	323,775	1,277,835	404,082
Credits				
Exonerations	2,156	1,833	7,439	7,900
Discounts	5,202	4,479	17,816	5,766
Delinquents:				
Real Estate	3,878	3,316	13,277	3,977
Tangible Personal Property	165	156	552	600
Total Credits	11,401	9,784	39,084	18,243
Taxes Collected	$ 362,481	$ 313,991	$ 1,238,751	$ 385,839
Less: Commissions *	15,693	13,345	49,550	16,686
Taxes Due	346,788	300,646	1,189,201	369,153
Taxes Paid	346,474	300,287	1,187,440	368,103
Refunds (Current and Prior Year)	881	758	2,965	870
Due District or (Refunds Due Sheriff) as of Completion of Fieldwork	$ (567)	$ (399) **	$ (1,204)	$ 180

*,** See next page.

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

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
SHERIFF'S SETTLEMENT - 2007 TAXES
For The Period April 21, 2007 Through April 30, 2008
(Continued)

* Commissions:		
10% on	$	10,000
4.25% on	$	1,052,309
4% on	$	1,238,752

** Special Taxing Districts:		
Library District	$	(137)
Health District		(59)
Extension District		(160)
Conservancy District		(43)
Due District or (Refunds Due Sheriff)	$	(399)

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

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT

April 30, 2008

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 Crittenden County 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.

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 Crittenden County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 30, 2008, 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, 2007. Property taxes were billed to finance governmental services for the year ended June 30, 2008. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 24, 2007 through April 30, 2008.

B. Limestone, Sand, and Gravel Reserves

The tangible property tax assessments on limestone, sand, and gravel reserves were levied as of January 1, 2007. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 7, 2007 through April 30, 2008.

C. Unmined Coal Reserves

The tangible property tax assessments on unmined coal reserves were levied as of January 1, 2007. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 14, 2008 through April 30, 2008.

Note 4. Interest Income

The Crittenden County Sheriff earned $1,779 as interest income on 2007 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.

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

The Crittenden County Sheriff collected $12,998 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Crittenden County Sheriff collected $1,898 of advertising costs and advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees were used to operate the Sheriff's office.

Note 7. Unrefundable Duplicate Payment And Unexplained Receipts Should be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed monies. After three years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 2007 taxes, the Sheriff had $6,870 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

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

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CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Fred Brown, Crittenden County Judge/Executive
Honorable Wayne Agent, Crittenden County Sheriff
Members of the Crittenden 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

We have audited the Crittenden County Sheriff's Settlement - 2007 taxes for the period April 21, 2007 through April 30, 2008, and have issued our report thereon dated April 20, 2009. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Crittenden County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures 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 Crittenden County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting which is a basis of accounting other than generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The Sheriff's Office Lacks Adequate Segregation of Duties

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Crittenden County Sheriff's Settlement - 2007 Taxes For The Period April 21, 2007 through April 30, 2008, 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 on other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Crittenden County Fiscal Court, and the Kentucky Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Krista L. Romaine, CPA

Romaine & Associates, PLLC

April 20, 2009

COMMENT AND RECOMMENDATION

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
COMMENT AND RECOMMENDATION

For The Period April 21, 2007 through April 30, 2008

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation of Duties

The Sheriff's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size, and budget restrictions the official has limited options for establishing adequate segregation of duties. We are recommending that the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff or his designee should periodically compare a daily bank deposit to the daily collection report and daily cash sheet. Any differences should be reconciled. This could be documented by initialing the bank deposit slip, daily collection report, and daily cash sheet.
- The Sheriff or his designee should compare the tax settlement to monthly reports and bank records for accuracy. Any differences should be reconciled. This could be documented by initialing the tax settlement.
- The Sheriff or his designee should periodically compare tax payments to monthly reports. This could be documented by initialing the monthly report.
- The Sheriff or his designee should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. This could be documented by initialing the bank reconciliation and the balance in the checkbook.

Sheriff's Response: None