

**REPORT OF THE AUDIT OF THE
BALLARD COUNTY
SHERIFF'S SETTLEMENT - 2020 TAXES**

**For The Period
May 16, 2020 Through April 15, 2021**



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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Todd Cooper, Ballard County Judge/Executive
The Honorable Ronnie Giles, Ballard County Sheriff
Members of the Ballard County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the Ballard County Sheriff's Settlement - 2020 Taxes for the period May 16, 2020 through April 15, 2021 - 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.

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



To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
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The Honorable Todd Cooper, Ballard County Judge/Executive
The Honorable Ronnie Giles, Ballard County Sheriff
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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 Ballard County Sheriff on the basis of 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 taxes charged, credited, and paid of the Ballard County Sheriff, for the period May 16, 2020 through April 15, 2021.

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 May 16, 2020 through April 15, 2021 of the Ballard 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 6, 2021, on our consideration of the Ballard 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 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 Ballard County Sheriff’s internal control over financial reporting and compliance.

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report comments:

- 2020-001 The Ballard County Sheriff’s Office Does Not Have Adequate Segregation Of Duties
- 2020-002 The Ballard County Sheriff’s Office Collected Taxes Prepared Using An Incorrect Tax Rate

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

October 6, 2021

BALLARD COUNTY
 RONNIE GILES, SHERIFF
SHERIFF'S SETTLEMENT - 2020 TAXES

For The Period May 16, 2020 Through April 15, 2021

	Special Taxing			
	County	Districts	School	State
<u>Charges</u>				
Real Estate	\$ 901,125	\$ 612,813	\$ 2,232,337	\$ 499,712
Tangible	173,894	103,545	430,703	520,735
Fire Dues	649			
Total Per Sheriff's Official Receipt	<u>1,075,668</u>	<u>716,358</u>	<u>2,663,040</u>	<u>1,020,447</u>
<u>Other Taxes & Charges</u>				
Court Ordered Increases	40,021	23,773	99,142	80,639
Franchise Taxes	102,042	61,031	252,798	
Limestone, Sand, and Gravel Reserves	208	138	514	115
Bank Franchises	28,172			
Penalties	<u>4,767</u>	<u>3,310</u>	<u>11,800</u>	<u>2,786</u>
Gross Chargeable to Sheriff	1,250,878	804,610	3,027,294	1,103,987
<u>Credits</u>				
Exonerations	56,551	33,649	140,092	211,877
Discounts	15,134	10,487	37,500	12,219
Delinquent Real Estate	15,150	10,104	37,525	8,400
Delinquent Tangible	17	10	42	151
LSG - Delinquent	<u>177</u>	<u>118</u>	<u>438</u>	<u>98</u>
Total Credits	87,029	54,368	215,597	232,745
Taxes Collected	1,163,849	750,242	2,811,697	871,242
Less: Sheriff's Commissions*	<u>49,464</u>	<u>30,982</u>	<u>101,221</u>	<u>37,028</u>
Taxes Due Districts	1,114,385	719,260	2,710,476	834,214
Taxes Paid	1,113,186	743,967	2,707,506	833,554
Refunds (Current and Prior Year)	<u>1,199</u>	<u>826</u>	<u>2,970</u>	<u>665</u>
(Refund Due Sheriff)	<u>\$ 0</u>	<u>\$ (25,533)</u>	<u>\$ 0</u>	<u>\$ (5)</u>

**

* and ** See next page.

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

BALLARD COUNTY
RONNIE GILES, SHERIFF
SHERIFF'S SETTLEMENT - 2020 TAXES
For The Period May 16, 2020 Through April 15, 2021
(Continued)

* Commissions:

4.25% on	\$	2,424,198
4% on	\$	361,135
3.6% on	\$	2,811,697

** Special Taxing Districts:

Extension District	\$	<u>(25,533)</u>
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(Refund Due Sheriff)	\$	<u><u>(25,533)</u></u>
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BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT

April 15, 2021

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 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).

D. Preparation of State Settlement

The Kentucky Department of Revenue prepares the settlement relating to taxes collected for the state under the provision of KRS 134.192(2)(a). This is reported as the "State Taxes" column on the financial statement.

Note 2. Deposits

The Ballard County Sheriff maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
April 15, 2021
(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 Ballard County Sheriff does not have a deposit policy for custodial credit risk, but rather follows the requirements of the *DLG County Budget Preparation and State Local Finance Officer Policy Manual*. As of April 15, 2021, 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, 2020. Property taxes were billed to finance governmental services for the fiscal year ending June 30, 2021. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 22, 2020 through April 15, 2021.

B. Limestone, Sand, and Gravel Reserves

The limestone, sand, and gravel property tax assessments were levied as of January 1, 2020. 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 23, 2020 through April 15, 2021.

C. Franchise Taxes

The franchise tax assessments were levied by the Department of Revenue for various tax years. Franchise taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was May 16, 2020 through April 15, 2021.

Note 4. Interest Income

The Ballard County Sheriff earned \$2,407 as interest income on 2020 taxes. The sheriff was in substantial compliance with his statutory responsibilities.

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

The Ballard County Sheriff collected \$20,717 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the sheriff's office.

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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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Todd Cooper, Ballard County Judge/Executive
The Honorable Ronnie Giles, Ballard County Sheriff
Members of the Ballard 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 Ballard County Sheriff's Settlement - 2020 Taxes for the period May 16, 2020 through April 15, 2021 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated October 6, 2021. The Ballard County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Ballard County Sheriff's internal control over financial reporting (internal control) as a basis for designing 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 Ballard County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ballard County Sheriff's internal control.

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 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 Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 Schedule of Findings and Responses as item 2020-001 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)

Internal Control Over Financial Reporting (Continued)

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2020-002 to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Ballard County Sheriff's financial statement is free from 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 financial statement. 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*.

Views of Responsible Official and Planned Corrective Action

The Ballard County Sheriff's views and planned corrective action for the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Ballard 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

October 6, 2021

SCHEDULE OF FINDINGS AND RESPONSES

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BALLARD COUNTY
RONNIE GILES, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Period May 16, 2020 Through April 15, 2021

INTERNAL CONTROL - MATERIAL WEAKNESS:

2020-001 The Ballard County Sheriff's Office Does Not Have Adequate Segregation Of Duties

This is a repeat finding and was reported in the prior year audit report as finding 2019-001. The Ballard County Sheriff's office does not have adequate segregation of duties over tax collections. The sheriff's bookkeeper and the bookkeeper's assistant perform all of the accounting functions of the office. Part of the office's financial functions are segregated. However, since the bookkeeper is responsible for collecting money, posting to the ledgers, reconciling bank statements, and creating monthly reports, the segregation of duties are not adequate. The office also has controls in place to mitigate the risk; however, the reports, bank statements, and daily checkout sheets did not have documentation of who reviewed them, so those controls could not be verified. According to the sheriff and bookkeeper, they are trying to segregate duties where they can with their limited staff.

A lack of segregation of duties increases the risk of misappropriation of assets and inaccurate financial reporting. Segregation of duties is essential for providing protection from asset misappropriation and helping to prevent inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff segregate the duties noted above by allowing different employees to perform these functions. If this is not feasible due to a lack of staff, then the sheriff should implement controls that include management oversight by the sheriff or a designee. Any review procedures performed should be clearly documented when performed.

Sheriff's Response: In February 2020 we hired another fulltime office worker as an assistant to the office manager to further segregate duties. As an office, we will now incorporate more of our existing employees such as deputies and court security to double check the office work while documenting it as proof thereof.

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2020-002 The Ballard County Sheriff's Office Collected Taxes Prepared Using An Incorrect Tax Rate

The Ballard County Sheriff's office collected taxes prepared using an incorrect tax rate. The Ballard County Clerk's office prepared the property tax bills for the 2020 tax year using the rate of .0357 for the extension district instead of the correct rate of .03057. The sheriff's office did not discover the error until after the tax year had concluded. This resulted in the sheriff's office collecting a combined \$26,666 in extra taxes. Though the sheriff's office was not responsible for creating the tax bills, due to a lack of control over the collections process, the error was not caught when the sheriff's office reviewed the bills.

Due to this error, the extension district and the sheriff's fee account were overpaid, and taxpayers were overcharged. Strong internal controls over the collections process require the sheriff to ensure tax bills collected by the office are correct. Having multiple employees check tax bills and comparing the bills to the original tax rate letters from the districts will prevent errors before the bills are paid.

We recommend the Ballard County Sheriff collect the amount overpaid to the extension district and fee account and refund the taxpayers for their overpayments. In addition, we recommend the sheriff have multiple employees check the tax bills once they are prepared and compare the rates to the forms sent in by the districts to ensure they are free from errors.

BALLARD COUNTY
RONNIE GILES, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Period May 16, 2020 Through April 15, 2021
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY: (Continued)

2020-002 The Ballard County Sheriff's Office Collected Taxes Prepared Using An Incorrect Tax Rate
(Continued)

Sheriff's Response: Around mid-June of 2021 the Office Manager of the Sheriff's Office discovered a mistake in the 2020 tax bills that we received, a discrepancy of .00513. Due to the integrity of this office, we started making calls to County and State Officials to find out how to make this right for the tax payers of our community. We have spent countless hours researching and finally writing checks to each individual tax payer. The mistake was laid at our feet so we put it on our shoulders and moved forward to right this wrong. No matter how many checks and balances you have in place, there will inevitably be mistakes now and then when calculating, printing, mailing, and collecting over 6,800 tax bills every year with 4 different offices handling them.

The rate was entered incorrectly on the bills, as was the rate sheet the Sheriff's Office was provided to check the tax bills. It appeared right to our office because both the bills and the rate sheets reflected the same incorrect amount.

With the aforementioned discrepancy and tax refund checks being sent out in the amount of stated discrepancy, we have started getting each district's rates to compare with the bills being sent out starting with the 2021 tax year. Every year is a learning experience along with the curve of each fiscal year, we endeavor to educate ourselves and do our best with the abilities that the Lord has blessed us with to better serve our community. We are imperfect people living in an imperfect world and mistakes do happen, we are not going to throw another office under the bus to make us look better. A mistake was made, but we will stand out front and shoulder the load with them and for them. The wrongs have been made right, so thus ends this response.