

**REPORT OF THE AUDIT OF THE  
FORMER CALDWELL COUNTY  
SHERIFF'S SETTLEMENT - 2022 TAXES**

**For The Period  
July 1, 2022 Through December 31, 2022**



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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

Independent Auditor's Report

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Dakota Young, Caldwell County Judge/Executive  
The Honorable Chris Noel, Former Caldwell County Sheriff  
The Honorable Don Weedman, Caldwell County Sheriff  
Members of the Caldwell County Fiscal Court

**Report on the Audit of the Financial Statement**

**Opinions**

We have audited the accompanying former Caldwell County Sheriff's Settlement - 2022 Taxes for the period July 1, 2022 through December 31, 2022 - Regulatory Basis, and the related notes to the financial statement.

*Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the accompanying financial statement presents fairly, in all material respects, the taxes charged, credited, and paid for the period July 1, 2022 through December 31, 2022 of the former Caldwell County Sheriff, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

*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 section of our report, the financial statement 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 former Caldwell County Sheriff, for the period July 1, 2022 through December 31, 2022.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Program for Sheriffs' Tax Settlements*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the former Caldwell County Sheriff and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Dakota Young, Caldwell County Judge/Executive  
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The Honorable Don Weedman, Caldwell County Sheriff  
Members of the Caldwell County Fiscal Court

### **Basis for Opinions (Continued)**

#### *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 former Caldwell 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 and budget laws, 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 and pervasive.

### **Responsibilities of Management 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 and budget laws. 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 Responsibilities for the Audit of the Financial Statement**

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not an absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 former Caldwell County Sheriff's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the former Caldwell County Sheriff's ability to continue as a going concern for a reasonable period of time.

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Dakota Young, Caldwell County Judge/Executive  
The Honorable Chris Noel, Former Caldwell County Sheriff  
The Honorable Don Weedman, Caldwell County Sheriff  
Members of the Caldwell County Fiscal Court

**Auditor’s Responsibilities for the Audit of the Financial Statement (Continued)**

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant findings, and certain internal control-related matters that we identified during the audit.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2023, on our consideration of the former Caldwell 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 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 former Caldwell 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 finding:

2022-001 The Former Caldwell County Sheriff’s Tax Settlement Was Materially Misstated

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts  
Frankfort, Ky

September 8, 2023

CALDWELL COUNTY  
CHRIS NOEL, FORMER SHERIFF  
SHERIFF'S SETTLEMENT - 2022 TAXES

For The Period July 1, 2022 Through December 31, 2022

	Special Taxing			
	County	Districts	School	State
<u>Charges</u>				
Real Estate	\$ 513,970	\$ 1,243,233	\$ 283,119	\$ 591,621
Tangible	74,181	233,302	2,292,304	391,522
Fire Protection	734			
Total Per Sheriff's Official Receipt	<u>588,885</u>	<u>1,476,535</u>	<u>2,575,423</u>	<u>983,143</u>
<u>Credits</u>				
Exonerations	2,264	4,915	10,097	2,603
Discounts	9,714	24,468	42,450	16,914
Transferred To Incoming Sheriff:				
Real Estate	48,876	119,172	217,783	56,155
Tangible	<u>1,477</u>	<u>4,138</u>	<u>5,730</u>	<u>5,003</u>
Total Credits	62,331	152,693	276,060	80,675
Taxes Collected	526,554	1,323,842	2,299,363	902,468
Less: Sheriff's Commissions*	<u>22,379</u>	<u>56,263</u>	<u>68,981</u>	<u>38,355</u>
Taxes Due Districts	504,175	1,267,579	2,230,382	864,113
Taxes Paid	503,285	1,265,913	2,226,305	863,018
Refunds (Current and Prior Year)	<u>890</u>	<u>1,666</u>	<u>4,079</u>	<u>1,095</u>
Taxes Due Districts (Refund Due Sheriff)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (2)</u>	<u>\$ 0</u>

\* Commissions:

4.25% on \$ 2,752,864

3% on \$ 2,299,363

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



CALDWELL COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2022

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 former Caldwell 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.

CALDWELL COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2022  
(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 former sheriff's deposits may not be returned. The former Caldwell County Sheriff did not have a deposit policy for custodial credit risk, but rather followed the requirements of the *DLG County Budget Preparation and State Local Finance Officer Policy Manual*. As of December 31, 2022, 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, 2022. Property taxes were billed to finance governmental services for the fiscal year ending June 30, 2023. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 21, 2022 through December 31, 2022.

Note 4. Interest Income

The former Caldwell County Sheriff earned \$1,491 as interest income on 2022 taxes. The former sheriff was in substantial compliance with his statutory responsibilities.

Note 5. Subsequent Events

The former sheriff left the sheriff's office on December 31, 2022 and the newly elected sheriff took over on January 1, 2023.

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**

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

The Honorable Dakota Young, Caldwell County Judge/Executive  
The Honorable Chris Noel, Former Caldwell County Sheriff  
The Honorable Don Weedman, Caldwell County Sheriff  
Members of the Caldwell County Fiscal Court

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 former Caldwell County Sheriff's Settlement - 2022 Taxes for the period July 1, 2022 through December 31, 2022 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated September 8, 2023. The former Caldwell 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.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the former Caldwell 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 former Caldwell County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Caldwell 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.

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 2022-001 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)

**Report on Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the former Caldwell 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2022-001.

**Views of Responsible Official and Planned Corrective Action**

The former Caldwell County Sheriff's views and planned corrective action for the finding identified in our audit are described in the accompanying Schedule of Findings and Responses. The former Caldwell County Sheriff's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

**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  
Frankfort, Ky

September 8, 2023

## SCHEDULE OF FINDINGS AND RESPONSES

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CALDWELL COUNTY  
CHRIS NOEL, FORMER SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES

For The Period July 1, 2022 Through December 31, 2022

FINANCIAL STATEMENT FINDING:

2022-001 The Former Caldwell County Sheriff's Tax Settlement Was Materially Misstated

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This is a repeat finding and was included in the prior year audit report as finding 2021-001. The former Caldwell County Sheriff's tax settlement that was presented and approved by the fiscal court was not complete and accurate. The former sheriff's tax settlement omitted \$414,450 of official receipt taxes. In addition, the former sheriff's settlement omitted \$17,276 of exoneration decreases and \$397,175 of real estate and tangible property taxes transferred to the incoming sheriff. The former sheriff's tax settlement that was presented and approved by the fiscal court was not a complete and accurate reporting of taxes as of December 31, 2022. According to the bookkeeper, they were unaware how to handle the outgoing sheriff's tax settlement.

KRS 134.215(3) states, "[e]ach outgoing sheriff shall make a final settlement with the department, the fiscal court, and all districts for which his or her office collected taxes by March 15 immediately following the expiration of his or her term of office. The settlement shall address all charges of taxes made against the sheriff and all money received by him or her as sheriff, and shall include all of the information required for the annual settlement pursuant to KRS 134.192." Additionally, strong internal controls dictate the sheriff should have ensured that final settlement is made with all taxing districts.

We recommend the Caldwell County Sheriff's office review future tax settlements to ensure the settlement is complete and accurate prior to being submitted for approval.

*Former Sheriff's Response: The former sheriff's settlement was completed based on collections during the tenure of the outgoing sheriff. This was done due to misunderstanding of what was being requested to be completed, as well as issues with the tax software company being unable to split the outgoing/incoming sheriff's pertinent columns to reflect only the outgoing sheriff. The collection settlement corresponds and balances to the official receipt, but failed to show the total of the official receipt's whole tax season predicted numbers, as the sheriff was in office two months of the tax collection period. In addition, the incoming sheriff's official receipt was never presented to the sheriff's office; therefore, when asked for "collection settlement for the outgoing sheriff," those are the settlement numbers presented. All receipts and disbursements were accounted for and balanced.*