

**REPORT OF THE AUDIT OF THE
GRAYSON COUNTY
SHERIFF**

**For The Year Ended
December 31, 2022**



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS	4
NOTES TO FINANCIAL STATEMENT	6
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 <i>GOVERNMENT AUDITING STANDARDS</i>	15
SCHEDULE OF FINDINGS AND RESPONSES	19

THIS PAGE LEFT BLANK INTENTIONALLY



ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

The Honorable Kevin Henderson, Grayson County Judge/Executive
The Honorable Norman Chaffins, Grayson County Sheriff
Members of the Grayson County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Sheriff of Grayson County, Kentucky, for the year ended December 31, 2022, 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 receipts, disbursements, and excess fees of the Grayson County Sheriff for the year ended December 31, 2022, 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 financial position of the Grayson County Sheriff, as of December 31, 2022, or changes in financial position or cash flows thereof for the year then ended.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), 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 County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. 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 Grayson County Sheriff and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Kevin Henderson, Grayson County Judge/Executive
The Honorable Norman Chaffins, Grayson County Sheriff
Members of the Grayson County Fiscal Court

Basis for Opinion (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 Grayson County Sheriff on the basis of the 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 this 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 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 judgment 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 Grayson 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 Grayson County Sheriff's ability to continue as a going concern for a reasonable period of time.

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

The Honorable Kevin Henderson, Grayson County Judge/Executive
The Honorable Norman Chaffins, Grayson County Sheriff
Members of the Grayson County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2023, on our consideration of the Grayson County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 Grayson 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 findings:

- 2022-001 The Grayson County Sheriff's Fourth Quarter Financial Report Was Materially Misstated
- 2022-002 The Grayson County Sheriff Did Not Pay The Balance Of The Promissory Note As Required

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, KY

October 26, 2023

GRAYSON COUNTY
 NORMAN CHAFFINS, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2022

Receipts

Federal:		
Lake Patrol	\$	25,713
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		56,231
State Fees For Services:		
Finance and Administration Cabinet	\$ 102,785	
Sheriff Security Service	<u>8,571</u>	111,356
Circuit Court Clerk:		
Fines and Fees Collected		50,187
Court Ordered Payments		25,740
Fiscal Court		173,271
County Clerk - Delinquent Taxes		19,719
Commission On Taxes Collected		614,765
Fees Collected For Services:		
Auto Inspections	10,976	
Accident and Police Reports	1,105	
Serving Papers	14,885	
Carry Concealed Deadly Weapon Permits	7,200	
CCDW Photos	<u>1,095</u>	35,261
Other:		
Add-On Fees	69,167	
Miscellaneous	13,070	
Transporting Prisoners	3,893	
Impound Lot/Tow Bills	<u>5,696</u>	91,826
Interest Earned		77
Borrowed Money:		
State Advancement		<u>300,000</u>
Total Receipts		1,504,146

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

GRAYSON COUNTY
 NORMAN CHAFFINS, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2022
 (Continued)

Disbursements

Operating Disbursements:

Personnel Services-			
Deputies' Salaries	\$	398,044	
KLEFPF Salaries		40,422	
Bailiff's Gross Salaries		145,390	
Clerk's Gross Salaries		145,041	
Contracted Services-			
Advertising		45	
Vehicle Maintenance and Repairs		22,773	
Computer/Copier Lease & Repairs		14,296	
Materials and Supplies-			
Office Materials and Supplies		15,479	
Uniforms		42,663	
Auto Expense-			
Gasoline		70,246	
Other Charges-			
Dues		914	
Postage		12,009	
Bond		4,397	
Towing and Impound Lot		5,969	
Miscellaneous		2,115	
Lab Work		116	
Cell Phone/Telephone		11,567	
			\$ 931,486
Debt Service:			
State Advancement		300,000	
Notes		32,317	
			332,317
Total Disbursements			<u>\$ 1,263,803</u>
Net Receipts			240,343
Less: Statutory Maximum			<u>105,273</u>
Excess Fees			135,070
Less: Training Incentive Benefit			<u>4,679</u>
Excess Fees Due County for 2022			130,391
Payment to Fiscal Court - March 10, 2023			<u>130,055</u>
Balance Due Fiscal Court at Completion of Audit			<u><u>\$ 336</u></u>

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

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2022

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

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the sheriff as determined by the audit. KRS 134.192 requires the sheriff to pay to the governing body of the county any fees, commissions, and other income of his or her office, including income from investments, which exceed the sum of his or her maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants by March 15 of each year. KRS 64.830 requires an outgoing sheriff to make a final settlement with the fiscal court of his county by March 15 immediately following the expiration of his term of office.

The financial statement has been prepared on a regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed, with the exception of accrual of the following items (not all-inclusive) as of December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2022 services
- Reimbursements for 2022 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2022

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

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).

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2022
(Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits

The sheriff's office has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Kentucky Public Pensions Authority (KPPA). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous

Nonhazardous covered employees are required to contribute five percent (5%) of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent (6%) of their salary to be allocated as follows: five percent (5%) will go to the member's account and one percent (1%) will go to the CERS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute five percent (5%) of their annual creditable compensation. Nonhazardous members also contribute one percent (1%) to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the CERS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (4%) employer pay credit. The employer pay credit represents a portion of the employer contribution.

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. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 26.95 percent for the first six months and 26.79 percent for the last six months.

Hazardous

Hazardous covered employees are required to contribute eight percent (8%) of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute nine percent (9%) of their salary to be allocated as follows: eight percent (8%) will go to the member's account and one percent (1%) will go to the Kentucky Retirement System insurance fund.

GRAYSON COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2022
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Hazardous (Continued)

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute eight percent (8%) of their annual creditable compensation and one percent (1%) to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a seven and one-half percent (7.5%) employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 44.33 percent for the first six months and 49.59 percent for the last six months.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2022
(Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 78.5536.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, they earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

C. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

Once members reach a minimum vesting period of 15 years, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

D. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of Kentucky Retirement Systems benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

GRAYSON COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2022
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

E. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

F. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

Kentucky Retirement System Annual Financial Report and Proportionate Share Audit Report

Kentucky Retirement System issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Kentucky Retirement System also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 3. Deposits

The Grayson 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.

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 Grayson 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 December 31, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

GRAYSON COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2022
 (Continued)

Note 4. U.S Corps Of Engineers – Lake Patrol Contracts

A. Nolin Lake Contract

The Grayson County Sheriff's Office contracted with the U.S. Army Corps of Engineers to provide patrols around Nolin Lake project grounds from May 1, 2022 through December 31, 2022. The amount received under this contract for 2022 was \$16,775.

B. Rough River Lake Contract

The Grayson County Sheriff's Office contracted with the U.S. Army Corps of Engineers to provide patrols around Rough River Lake project grounds from January 1, 2022 through December 31, 2022. The amount received under this contract for 2022 was \$8,938.

Note 5. Short-term Debt

Direct Borrowing

A. Direct Borrowing

The Grayson County Sheriff received a state advancement of funds in the amount of \$300,000 to defray the expenses of the office for calendar year 2022, in accordance with KRS 64.140. State advancements must be paid in full from the fee account in which they are received. The balance was \$0 as of December 31, 2022.

B. Changes in Short-term Debt

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
State Advancement	\$	\$ 300,000	\$ 300,000	\$
Total Short-term Debt	<u>\$ 0</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 0</u>

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2022
(Continued)

Note 6. Long-Term Debt

Direct Borrowing

- A. The Grayson County Sheriff's office was committed to a lease agreement for four vehicles. The agreement requires a yearly variable payment for four years to be completed on December 30, 2024. The total remaining balance of the agreement was \$59,134 as of December 31, 2022. In the event of default, the bank has the ability to seize the collateral given of the four vehicles purchased. Future principal and interest requirements are:

	Calendar Year Ended	
	December 31	
2023	\$ 29,420	\$ 1,951
2024	29,714	985
Totals	<u>\$ 59,134</u>	<u>\$ 2,936</u>

B. Changes In Long-term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings	\$ 88,554	\$	\$ 29,420	\$ 59,134	\$ 29,420
Total Long-term Debt	<u>\$ 88,554</u>	<u>\$ 0</u>	<u>\$ 29,420</u>	<u>\$ 59,134</u>	<u>\$ 29,420</u>

Note 7. Drug Eradication Fund

The Grayson County Sheriff's office maintains a drug eradication fund for the deposit of court ordered forfeitures and associated disbursements. The balance of the fund on January 1, 2022 was \$2,842. During 2022, receipts of the drug eradication fund totaled \$599 and disbursements totaled \$598. The ending balance was \$2,843 as of December 31, 2022, which is not subject to excess fees.

Note 8. Fiduciary Account - Drug Confiscation Fund

The sheriff's office maintains a drug confiscation fund for holding drug related seized funds until a court order for dispensation. The balance of the fund on January 1, 2022 was \$8,998. During 2022, receipts of the drug confiscation fund were \$16,366 and disbursements were \$598. The ending balance was \$24,766, which is not subject to excess fees.

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*

THIS PAGE LEFT BLANK INTENTIONALLY



ALLISON BALL
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 Kevin Henderson, Grayson County Judge/Executive
The Honorable Norman Chaffins, Grayson County Sheriff
Members of the Grayson County Fiscal Court

We have audited, 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 Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Grayson County Sheriff for the year ended December 31, 2022, and the related notes to the financial statement and have issued our report thereon dated October 26, 2023. The Grayson 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 Grayson 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 Grayson County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Grayson 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 over financial reporting 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 Grayson County Sheriff's financial statement 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2022-001 and 2022-002.

Views of Responsible Official and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on the Grayson County Sheriff's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Grayson County Sheriff's responses were not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the responses.

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,



Allison Ball
Auditor of Public Accounts
Frankfort, KY

October 26, 2023

SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

GRAYSON COUNTY
NORMAN CHAFFINS, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2022

FINANCIAL STATEMENT FINDINGS:

2022-001 The Grayson County Sheriff's Fourth Quarter Financial Report Was Materially Misstated

This is a repeat finding and was included in the prior year's audit report as finding 2021-001. The Grayson County Sheriff's fourth quarter financial report submitted to the Department for Local Government (DLG) was materially misstated for receipts. Receipts were understated by \$99,027 and disbursements were understated by \$7,221 when compared to the bank account for collections and disbursements that occurred after December 31, 2022. In addition, the liabilities section of the fourth quarter financial statement was not completed to include any debt of the sheriff's office.

The inaccurate report submitted to DLG was due to management oversight. The liabilities section not being completed by the sheriff's office was also an oversight. Due to the reporting error, the quarterly report did not accurately reflect all receipts for calendar year 2022 and did not include any liabilities as of December 31, 2022.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to submit quarterly reports to the DLG by the 30th day following the close of each quarter. The quarterly report submitted to DLG should be materially accurate.

Good internal controls dictate that all receipts and disbursements should be accounted for in the accurate period of collection and disbursed and agree to the ledger for each quarter. Any debt of the sheriff's office should also be included in the liabilities section of the quarterly report.

We recommend the quarterly report reflect the total collections and disbursements per calendar year and agree to the receipts and disbursements in the bank account. In addition, any debt obtained by the sheriff's office should be included in the liabilities section of the fourth quarter financial statement.

Sheriff's Response: All money was accounted for, but it was documented incorrectly. We will take measures in the future to ensure that all transactions are properly documented and recorded according to standard(s).

2022-002 The Grayson County Sheriff Did Not Pay The Balance Of The Promissory Note As Required

This is a repeat finding and was included in the prior year's audit report as finding 2021-005. On June 11, 2021, the Grayson Sheriff's Office entered into a promissory note in the amount of \$118,062 from a local financial institution for a three-year period to purchase vehicles. During the 2021 calendar year, the sheriff's office paid \$29,508 of principal, and paid \$29,420 of principal during the current calendar year, leaving an unpaid principal balance of \$59,134. The length of this loan is longer than what is allowable per KRS 65.7707.

This was caused by the sheriff not knowing about the restrictions of KRS 65.7707. By entering into a long-term loan agreement, the sheriff has allocated future years' revenues before having a budget set for these years.

While KRS's 65.7701 through 65.7721 allows for governmental agencies to enter into notes under the Short Term Borrowing Act, these statutes also require that these financial obligations be repaid by the end of the fiscal year.

KRS 65.7707 states, "[n]otes payable shall mature on a date determined by the governing body which shall be no later than the last day of the fiscal year in which the notes are issued."

GRAYSON COUNTY
NORMAN CHAFFINS, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2022
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-002 The Grayson County Sheriff Did Not Pay The Balance Of The Promissory Note As Required
(Continued)

We recommend that the sheriff follow KRS 65.7707 and not enter into any loans with a maturity date of December 31 of the current calendar year.

Sheriff's Response: This transaction was a fiscal court approved purchase for new patrol vehicles. Initially, it was believed to be a lease; however, it was a promissory note to be paid off in three years. We will ensure that future purchases are leased and not obtained through a conventional loan unless that loan is paid off in the respective calendar year.