

**REPORT OF THE AUDIT OF THE
MADISON COUNTY
SHERIFF**

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



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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

The Honorable Reagan Taylor, Madison County Judge/Executive
The Honorable Mike Coyle, Madison County Sheriff
Members of the Madison County Fiscal Court

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the Sheriff of Madison County, Kentucky, and the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2022, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the receipts and disbursements of the Madison County Sheriff and the receipts, disbursements, and fund balances of the Madison County Sheriff's operating fund and county fund with the state treasurer 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 Opinions on U.S. Generally Accepted Accounting Principles section of our report, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Madison 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 Madison 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 Reagan Taylor, Madison County Judge/Executive
The Honorable Mike Coyle, Madison County Sheriff
Members of the Madison 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 statements, the financial statements are prepared by the Madison 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 statements 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 Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are 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 statements as a whole are 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 statements.

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 statements, 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 statements.
- 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 Madison 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 statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Madison 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 Reagan Taylor, Madison County Judge/Executive
The Honorable Mike Coyle, Madison County Sheriff
Members of the Madison County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2023, on our consideration of the Madison 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Madison 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 Madison County Sheriff Materially Misstated Payroll On The Fourth Quarter Financial Statement

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike H", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts
Frankfort, KY

August 23, 2023

MADISON COUNTY
MIKE COYLE, SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2022

Receipts

Federal:		
Grants		\$ 12,825
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		182,217
State Fees for Services:		
Finance and Administration Cabinet	\$ 237,848	
Sheriff Security Service	30,791	
Cabinet For Health And Family Services	<u>1,339</u>	269,978
Circuit Court Clerk:		
Fines/Fees Collected		9,262
Fiscal Court		1,931,330
County Clerk - Delinquent Taxes		129,984
Commission on Taxes		1,669,905
Fees Collected for Services:		
Auto Inspections	38,790	
Accident /Police Reports	2,623	
Serving Papers	116,618	
Carry Concealed Deadly Weapon Permits	<u>21,430</u>	179,461
Other:		
Add-On Fees	80,673	
Miscellaneous	149,416	
Impound & Storage Fee	81,437	
Eastern State Hospital	666	
Telecommunications Tax	13,955	
Fiscal Court Ordinance Fees	<u>16,960</u>	343,107
Interest Earned		<u>3,086</u>
Total Receipts		4,731,155

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

MADISON COUNTY
MIKE COYLE, SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
For The Year Ended December 31, 2022
(Continued)

Disbursements

Payments to County:		
Fees Collected - Fiscal Court	<u>\$ 16,960</u>	
Total Disbursements		<u>\$ 16,960</u>
Net Receipts		4,714,195
Payments to State Treasurer:		
75% Operating Fund *	4,372,158	
25% County Fund	<u>342,037</u>	<u>4,714,195</u>
Balance Due at Completion of Audit		<u><u>\$ 0</u></u>

* Includes reimbursed expenses in the amount of \$3,346,047 for the audit period.
See Note 1 of Notes to Financial Statements.

MADISON COUNTY
 MIKE COYLE, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2022

	75% Operating Fund	25% County Fund	Totals
Fund Balance (Restated) - January 1, 2022	(\$124,325)	\$ 246,034	\$ 121,709
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	4,372,158		4,372,158
Fees Paid to State - County Funds (25%)		342,037	342,037
Total Funds Available	<u>4,247,833</u>	<u>588,071</u>	<u>4,835,904</u>
<u>Disbursements</u>			
Madison County Fiscal Court		530,258	530,258
Personal Services-			
Official's Statutory Maximum	133,346		133,346
Official's Training Incentive	4,679		4,679
Deputies' Salaries	2,245,152		2,245,152
Employee Benefits-			
Employer's Share Social Security	178,725		178,725
Employer's Share Retirement	725,782		725,782
Employer's Share Health Insurance	253,657		253,657
Workers' Compensation	162,012		162,012
Contracted Services-			
Advertising	861		861
Auditor	39,112		39,112
Supplies and Materials-			
Office Supplies	24,691		24,691
Uniforms/Equipment	20,926		20,926
Deputy Equipment	35,295		35,295
IT Services	15,750		15,750
Subscriptions & Licenses	38,610		38,610

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

MADISON COUNTY
MIKE COYLE, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2022
(Continued)

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
<u>Disbursements (Continued)</u>			
Other Charges-			
Bond Fees	\$ 603	\$	\$ 603
Insurance - Vehicle	60,117		60,117
Miscellaneous	5,257		5,257
Postage	2,187		2,187
Towing Expense	18,690		18,690
Telephone/Fax/Cellular	23,288		23,288
Training	5,560		5,560
Transport	4,962		4,962
Vehicle Equipment	17,605		17,605
Law Enforcement Liability	49,800		49,800
Canine	2,741		2,741
Auto Expenses-			
Gasoline	193,785		193,785
Maintenance and Repairs	44,039		44,039
Capital Outlay-			
Vehicles	246,034		246,034
	<u>4,553,266</u>	<u>530,258</u>	<u>5,083,524</u>
Total Disbursements			
Fund Balance - December 31, 2022	<u>\$ (305,433)</u>	<u>\$ 57,813</u>	<u>\$ (247,620)</u>

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

MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

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 due from the sheriff as determined by the audit. 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.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the state treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in the sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

Also, some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

The financial statements have 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:

- Interest receivable
- Collection on accounts due from others for 2022 services
- Reimbursements for 2022 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2022

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).

MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
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 Board of Trustees of 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.

The sheriff's contribution for calendar year 2020 was \$504,153, calendar year 2021 was \$613,281, and calendar year 2022 was \$725,782.

Nonhazardous

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent 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 of their annual creditable compensation. Nonhazardous members also contribute one percent 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 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 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the Kentucky Retirement System insurance fund.

MADISON COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 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 of their annual creditable compensation and also contribute one percent 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 7.5 percent 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.

MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
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, 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, they 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.

MADISON COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 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 Systems Annual Financial Report and Proportionate Share Audit Report

Kentucky Retirement Systems 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 Systems 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 Madison 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 Madison 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.

MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022
(Continued)

Note 4. Federal Highway Safety Grant

The Madison County Sheriff's office received a federal grant passed from the Kentucky Transportation Cabinet Office of Highway Safety for equipment and personnel expenses in the amount of \$19,085. Funds totaling \$12,825 were expended during the year. The unexpended grant balance was \$6,260 as of December 31, 2022.

Note 5. Lease Agreement

The Madison County Sheriff's office was committed to a lease agreement for a postage meter. The agreement requires a monthly payment of \$60 for 66 months to be completed on November 8, 2027. The total remaining balance of the agreement was \$3,743 as of December 31, 2022.

Note 6. Other Accounts

A. Forfeiture Funds Account

The Madison County Sheriff maintains a forfeited funds account. These funds were used in law enforcement activities against illegal drug use and are not considered in determining excess fees. As of January 1, 2022, the sheriff had a balance of \$34,763. During the year, the sheriff received \$32,873 and did not have any disbursements, leaving a balance of \$67,636 as of December 31, 2022.

B. MCSO Seized Account

The Madison County Sheriff maintains an account for funds seized and turned over by the state. The use of these monies is for expenses of the sheriff's office and will not be included as excess fees. As of January 1, 2022, the sheriff had a balance of \$19,231. During the year, the sheriff received \$1,396 and did not have any disbursements, leaving a balance of \$20,627 as of December 31, 2022.

C. Seized Account

The Madison County Sheriff maintains an account for all seized monies. The use of these monies is determined by a court order granting forfeiture funds to the sheriff's office; therefore, they are not included in excess fees. As of January 1, 2022, the sheriff had a balance of \$70,339. During the year, the sheriff received \$16,490 and disbursed \$390, leaving a balance of \$86,439 as of December 31, 2022.

D. Donations Account

The Madison County Sheriff maintains a donations account. The purpose of these funds is to further the public purpose of the office and not to supplement the sheriff's normal operating budget; therefore, they are not considered in determining excess fees. As of January 1, 2022, the sheriff had a balance of \$10,127. During the year the sheriff received \$7,497 and disbursed \$3,552, leaving a balance of \$14,072 as of December 31, 2022.

Note 7. Discretionary Fund Bank Account

The Madison County Sheriff has established a discretionary account as provided by KRS 64.345. This fund is used to cover additional expenses including extraordinary office expenses in amounts authorized by the approving authority. The account had a beginning balance of \$8 with receipts of \$992 and \$379 of disbursements for calendar year 2022. The account balance was \$621 as of December 31, 2022.

MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022
(Continued)

Note 8. Imprest Cash Account

The Finance & Administration – County Fee Systems Branch authorized the Madison County Sheriff to administer an Imprest Cash Fund in the amount of \$5,000. This fund is to be used for expenses, such as postage and other necessary expenses \$1,000 or less that need to be paid in less than 10 days, except travel and payroll expenses.

Note 9. Beginning Balance Restatement

The beginning balance of the sheriff's 75% operating fund of (\$43,676) was decreased by \$80,649 due to corrections to the pay-in vouchers. The fund had a deficit balance of (\$124,325) as of January 1, 2022.

Note 10. Contingencies

The sheriff is involved in multiple lawsuits, which could negatively impact the financial position of the sheriff's office. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the sheriff's office cannot be made at this time.

Note 11. 75% Operating Fund

The Madison County Sheriff's 75% operating fund had a deficit balance of \$305,433 as of December 31, 2022. KRS 64.345(4) states, in part, "[i]f seventy-five percent (75%) of the amount paid into the State Treasury in any month by any of such officers is not sufficient to pay the salaries and expenses of his office for that month, the deficit may be made up out of the amount paid in any succeeding month; but in no event shall the amount allowed by the Finance and Administration Cabinet to any officer for salaries and expenses exceed seventy-five percent (75%) of the amount paid to the Finance and Administration Cabinet by the officer during his official term." The 75% operating fund has to be settled at the end of the sheriff's term, which ended December 31, 2022. The deficit was paid in full on April 11, 2023 by the Madison 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*

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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 Regan Taylor, Madison County Judge/Executive
The Honorable Mike Coyle, Madison County Sheriff
Members of the Madison 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 Statement of Receipts and Disbursements – Regulatory Basis of the Madison County Sheriff, the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer – Regulatory Basis for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated August 23, 2023. The Madison County Sheriff's financial statements are 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 Madison 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 Madison County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Madison 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
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(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Madison 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 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

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

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

August 23, 2023

SCHEDULE OF FINDINGS AND RESPONSES

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MADISON COUNTY
MIKE COYLE, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2022

FINANCIAL STATEMENT FINDING:

2022-001 The Madison County Sheriff Materially Misstated Payroll On The Fourth Quarter Financial Statement

The Madison County Sheriff's office materially misstated their fourth quarter financial statement by \$276,950. The overage was a result of payroll expenses that included, \$121,574 that was previously reported in the prior year financials, double posting overtime salaries for a total of \$104,526, posting Highway Safety Grant salaries three times for a total of \$25,650, and other payroll expenses included in errors totaling \$25,200. The auditor proposed these \$276,950 of adjustments to the financial statement which were accepted by the sheriff.

The office has multiple people posting the payroll expenses and this resulted in the same amounts being posted multiple times. The failure to identify these errors resulted from the lack of internal controls over review and oversight.

By not having adequate internal controls over ledgers to detect or correct posting errors, the sheriff materially misstated his fourth quarter by \$276,950 and required auditor adjustments to correctly agree with EMARS.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. This system of accounts requires the fee official quarterly financial report be submitted by the 30th day following the close of each quarter. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department of Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual requires the sheriff to prepare a quarterly report which includes total receipts and total disbursements on a cash basis per line-item category. In addition, good internal control procedures would detect errors in daily posting to ledgers, reducing the risk of misappropriation and inaccurate financial reporting.

We recommend the Madison County Sheriff ensure that he is complying with applicable statutes and DLG's manual. We recommend updating internal controls to properly monitor posting to ledgers for all payroll expenditures.

Sheriff's Response: The corrections have already been made. These were clerical errors pertaining to postings by two different individuals which resulted in double posting and the salary reported for the 4th quarter was reported in a prior year. The 2022 Fee Audit was the last year reported in a four-year term. We have also implemented a new bookkeeping program that we hope will nullify these issues. These were only clerical errors; no monies were reported missing.