

**REPORT OF THE AUDIT OF THE
MAGOFFIN COUNTY
SHERIFF'S SETTLEMENT - 2015 UNMINED COAL TAXES**

**For The Period
July 21, 2015 Through July 18, 2016**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.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
SHERIFF’S SETTLEMENT - 2015 UNMINED COAL TAXES.....	4
NOTES TO FINANCIAL STATEMENT.....	5
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>	9
SCHEDULE OF FINDINGS AND RESPONSES.....	13

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Matthew Wireman, Magoffin County Judge/Executive

The Honorable Carson Montgomery, Magoffin County Sheriff

Members of the Magoffin County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the Magoffin County Sheriff's Settlement - 2015 Unmined Coal Taxes for the period July 21, 2015 through July 18, 2016 - Regulatory Basis, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for Sheriff's Tax Settlements* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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



To the People of Kentucky
The Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
The Honorable Matthew Wireman, Magoffin County Judge/Executive
The Honorable Carson Montgomery, Magoffin County Sheriff
Members of the Magoffin County Fiscal Court

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 Magoffin County Sheriff on the basis of accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the taxes charged, credited, and paid of the Magoffin County Sheriff, for the period July 21, 2015 through July 18, 2016.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the taxes charged, credited, and paid for the period July 21, 2015 through July 18, 2016 of the Magoffin County Sheriff, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2018, on our consideration of the Magoffin County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Magoffin County Sheriff's internal control over financial reporting and compliance.

To the People of Kentucky
The Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
The Honorable Matthew Wireman, Magoffin County Judge/Executive
The Honorable Carson Montgomery, Magoffin County Sheriff
Members of the Magoffin County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

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

- 2015-001 The Sheriff's Office Lacks Adequate Segregation Of Duties
- 2015-002 The Sheriff Did Not Prepare The Annual Settlement Of Tax Collections Timely
- 2015-003 The Sheriff Did Not Ensure That Timely And Accurate Bank Reconciliations Were Completed
- 2015-004 The Sheriff Over Paid Tax Commissions To The Fee Account
- 2015-005 The Sheriff Failed To Eliminate The Deficit In His 2010 Unmined Coal Tax Account
- 2015-006 The Sheriff Failed To Eliminate The Deficit In His 2012 Unmined Coal Tax Account
- 2015-007 The Sheriff Has Not Settled His 2013 Unmined Coal Tax Account
- 2015-008 The Sheriff Has A Surplus of \$267 In His 2014 Unmined Coal Tax Account

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

October 1, 2018

MAGOFFIN COUNTY
CARSON MONTGOMERY, SHERIFF
SHERIFF'S SETTLEMENT - 2015 UNMINED COAL TAXES

For The Period July 21, 2015 Through July 18, 2016

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Unmined Coal - 2015 Taxes	\$ 48,668	\$ 31,590	\$ 53,245	\$ 13,618
Gross Chargeable to Sheriff	48,668	31,590	53,245	13,618
 <u>Credits</u>				
Discounts	527	342	577	148
Delinquent Unmined Coal	22,298	14,473	24,395	6,239
Total Credits	22,825	14,815	24,972	6,387
Taxes Collected	25,843	16,775	28,273	7,231
Less: Commissions *	1,098	713	1,131	308
Taxes Due	24,745	16,062	27,142	6,923
Taxes Paid	24,745	16,062	27,142	6,508
Due District as of Completion of Audit	\$ 0	\$ 0	\$ 0	\$ 415

* Commissions:

4.25% on \$ 49,849

4% on \$ 28,273

MAGOFFIN COUNTY
NOTES TO FINANCIAL STATEMENT

July 18, 2016

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).

Note 2. Deposits

The Magoffin County Sheriff maintained deposits of public funds with depository institutions insured by the FDIC as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

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 Magoffin County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of July 18, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

MAGOFFIN COUNTY
NOTES TO FINANCIAL STATEMENT
July 18, 2016
(Continued)

Note 3. Tax Collection Period

The unmined coal tax assessments were levied as of January 1, 2015. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 19, 2016 through July 18, 2016.

Note 4. Interest Income

The Magoffin County Sheriff earned \$3 as interest income on 2015 unmined coal taxes. The sheriff did not distribute the appropriate amount to the school district as required by statute. As of October 1, 2018, the sheriff owed \$1 in interest to the school district and \$2 in interest to his fee account.

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



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Matthew Wireman, Magoffin County Judge/Executive
The Honorable Carson Montgomery, Magoffin County Sheriff
Members of the Magoffin County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Magoffin County Sheriff's Settlement - 2015 Unmined Coal Taxes for the period July 21, 2015 through July 18, 2016 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated October 1, 2018. The Magoffin County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Magoffin County Sheriff's internal control over financial reporting (internal control) to determine the 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 Magoffin County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Magoffin County Sheriff's internal control over financial reporting.

Our consideration of internal control 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 certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 deficiencies described in the accompanying Schedule of Findings and Responses as items 2015-001 and 2015-002 to be material weaknesses.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2015-004, 2015-005, 2015-006, 2015-007, and 2015-008 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Magoffin 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2015-002, 2015-003, 2015-004, 2015-005, 2015-006, 2015-007, and 2015-008.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

October 1, 2018

SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

MAGOFFIN COUNTY
CARSON MONTGOMERY, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Period July 21, 2015 Through July 18, 2016

FINANCIAL STATEMENT FINDINGS:

2015-001 The Sheriff's Office Lacks Adequate Segregation Of Duties

The sheriff's office lacks adequate segregation of duties and internal controls over tax receipts and disbursements because the sheriff failed to implement proper internal control procedures. This comment was previously reported in the prior year audit report as finding 2014-005. The bookkeeper and deputies collect tax receipts. The bookkeeper or a deputy prepares a daily bank deposit, reconciles the daily receipts to the daily collection report, and posts items to the receipts ledger. The bookkeeper prepares the month-end tax reports, prepares checks for tax distribution based on the month-end tax reports, and posts checks to the disbursements ledger. The bookkeeper and the sheriff sign tax distribution checks. The county treasurer prepares the monthly bank reconciliation, although there is nothing documented to determine who prepared the reconciliation or that it was reviewed by the sheriff. By not segregating these duties, there is an increased risk of misappropriation of assets either by undetected error or fraud. Internal controls and proper segregation of duties protect employees and the sheriff in the normal course of performing their daily responsibilities. Good internal controls dictate the same employee should not receive payments, prepare deposits, and post to the receipts ledger. The same employee should not prepare monthly reports, sign checks and post to the disbursements ledger, and the same employee should not deposit funds, sign checks, post to ledgers, and prepare bank reconciliations and monthly reports.

We recommend the sheriff's office implement internal controls and segregate duties as much as possible. Employees receiving payments and preparing deposits should not be posting to the receipts ledger and preparing bank reconciliations. Employees preparing and signing checks should not be posting to the disbursements ledger and preparing bank reconciliations. A proper segregation of duties may not be possible with a limited number of employees, and in that case, the sheriff could take on the responsibility of preparing or reviewing the daily deposits, receipts and disbursements ledgers, monthly reports, and bank reconciliations. These reviews must be documented in a way that indicates what was reviewed, by whom, and when, because signing off on inaccurate information does not provide internal control.

Sheriff's Response: The sheriff did not provide a response.

2015-002 The Sheriff Did Not Prepare The Annual Settlement Of Tax Collections Timely

The annual tax settlement was materially misstated when compared to the financial statement. This comment was previously reported in the prior year audit report as finding 2014-001. The annual tax settlement was not presented to and approved by the fiscal court until November 22, 2016. The sheriff did not implement proper control procedures to ensure the county settlement was prepared timely with all charges, credits, collections, and payments properly reflected. Charges as stated on the official receipt were combined with any credits that existed, along with commissions due to the sheriff's office, and the resulting collection total was applied to the settlement. Neglecting to complete a comprehensive annual settlement negates the ability to compare the sheriff's settlement to the audited financial statement. The lack of a detailed breakdown that a comprehensive annual settlement provides creates an environment more susceptible to misappropriation or fraud. By not preparing the county settlement timely, the sheriff was not in compliance with statutes. Annual settlements should utilize the official receipt to account for charges, the delinquent tax reports to account for credits to charges, as well as any recorded exonerations, penalties, refund etc.

MAGOFFIN COUNTY
 CARSON MONTGOMERY, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period July 21, 2015 Through July 18, 2016
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-002 The Sheriff Did Not Prepare The Annual Settlement Of Tax Collections Timely (Continued)

KRS 134.192 states, “[e]ach sheriff shall annually settle his or her tax accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year.” Furthermore, the annual settlement shall be filed in the county clerk’s office and approved by the governing body of the county no later than September 1 of each year. The settlement shall show the amount of taxes collected and disbursed for the county, school district, and all tax districts.

We recommend the sheriff’s office complete a comprehensive annual settlement and comply with KRS 134.192 by timely preparing an annual tax settlement.

Sheriff’s Response: The sheriff did not provide a response.

2015-003 The Sheriff Did Not Ensure That Timely And Accurate Bank Reconciliations Were Completed

The sheriff did not ensure that timely and accurate bank reconciliations were completed. Lack of reconciliation leaves accounts unbalanced and increases the risk of fraud, misappropriation of funds, and inaccurate financial records. The sheriff relied on accounting staff and did not provide sufficient oversight of accounting and reporting functions to ensure safeguards such as reconciliations were being performed accurately. Because the sheriff did not ensure that accurate bank reconciliations were completed, the accounts were unbalanced and the 2015 unmined coal account was \$2,988 overdrawn. To correct the issue, the same amount was deposited from the 2016 fee account. Timely and accurate bank reconciliations would have prevented the account from being overdrawn.

Management has a responsibility to provide reasonable assurance regarding the reliability of financial reporting. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The minimum requirements for handling public funds as stated in the *County Budget Preparation and State Local Finance Officer Policy Manual* include making deposits daily and intact, preparing monthly bank reconciliations, and having original books of entry for receipts and disbursements. Additionally, KRS 134.160 requires the following:

- (2)(c) The sheriff shall balance all accounts on a monthly basis unless otherwise provided by law. The cost of maintaining records and accounts in whatever form shall be paid for as other county records.
- (3) All payments received by the sheriff shall be entered immediately by the sheriff on his or her books. The sheriff may provide a receipt specifying the amount and to what account the payment was credited to the person making the payment.
- (4) The sheriff shall obtain a receipt for all disbursements made by the sheriff.
- [. . .]
- (6) The sheriff shall keep all books and accounts in the manner and form required by the department.

We recommend that receipts and disbursements ledgers are maintained to ensure that they are both complete and up to date. In addition, monthly bank reconciliations should be performed agreeing the receipts and disbursements ledgers to bank activity.

Sheriff’s Response: The sheriff did not provide a response.

MAGOFFIN COUNTY
 CARSON MONTGOMERY, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period July 21, 2015 Through July 18, 2016
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-004 The Sheriff Over Paid Tax Commissions To The Fee Account

The sheriff overpaid tax commissions to the fee account in the amount of \$944. The tax program utilized by the sheriff's office automatically applies compensation rates to taxes collected. It then shows total tax commissions due to the sheriff's fee account on the monthly reports. An error in the program caused the state taxing district to be calculated with an inflated compensation rate.

The sheriff did not implement proper internal control procedures to ensure that the monthly tax reports were completed accurately. Due to the inflated compensation rate, not only was the sheriff not in compliance with tax collection statutes, the state taxing district was also underpaid \$415 causing penalties in the amount of \$41 to be assessed. KRS 134.119(6)(a)(1) states, "[f]rom the Commonwealth the sheriff shall be paid four and one-quarter percent (4.25%) of the amount collected on behalf of the Commonwealth[.]"

We recommend the sheriff implement procedures to ensure the accurate commissions are assessed for tax collections.

Sheriff's Response: The sheriff did not provide a response.

2015-005 The Sheriff Failed To Eliminate The Deficit In His 2010 Unmined Coal Tax Account

The sheriff has a deficit of \$3,128 in his 2010 tax account. This was previously communicated in the prior year audit report as finding 2014-002. On September 7, 2016, the sheriff's bookkeeper transferred the remaining cash balance of \$32 from the 2010 unmined coal tax account to his 2016 operating account. The remaining tax money should have been allocated to the taxing districts detailed in the Magoffin County 2010 Tax Settlement Audit. Deficits are primarily due to undeposited receipts. In order to settle the account, the sheriff should collect and pay the following:

Assets:	
Due from 2016 fee account	\$ 32
Personal funds due from sheriff	<u>3,128</u>
 Total Assets	 <u>\$ 3,160</u>
Unpaid Obligations:	
Interest due school	\$ 23
Commission due 2011 fee account	<u>3,137</u>
 Total Liabilities	 <u>\$ 3,160</u>

Because the sheriff transferred 2010 unmined coal tax account money into his 2016 operating account, the 2016 fee account owes the 2010 tax account \$32. In addition, failure to pay liabilities timely causes taxing districts and other governmental agencies to be deprived of funds for significant time periods. After all receivables are collected and all liabilities are paid, the sheriff will be able to close his 2010 unmined coal tax account.

MAGOFFIN COUNTY
 CARSON MONTGOMERY, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period July 21, 2015 Through July 18, 2016
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-005 The Sheriff Failed To Eliminate The Deficit In His 2010 Unmined Coal Tax Account (Continued)

KRS 134.192 states, “[e]ach sheriff shall annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year.” In order to pay the liabilities due the districts and the other accounts noted above, \$3,128 should be collected from the sheriff personally and deposited into the 2010 unmined coal tax account. We recommend the sheriff collect all receivables and pay all the liabilities to close this account.

Sheriff's Response: The sheriff did not provide a response.

2015-006 The Sheriff Failed To Eliminate The Deficit In His 2012 Unmined Coal Tax Account

The sheriff has a deficit of \$972 in his 2012 Unmined Coal tax account. This comment was previously reported as comment 2014-004. Deficits are primarily due to undeposited receipts. In order to settle the account, the sheriff should collect and pay the following:

<u>Due From:</u>		<u>Due To:</u>	
Personally from sheriff	\$ 972	County	\$ 331
		School	61
		Library	8
		Health	11
		Extension	10
		Soil	2
		2013 fee account	549
Total Due From	<u>\$ 972</u>	Total Due To	<u>\$ 972</u>

Failure to pay liabilities timely causes taxing districts and other governmental agencies to be deprived of funds for significant time periods. After all receivables are collected and all liabilities are paid, the sheriff will be able to close his 2012 unmined coal tax account.

KRS 134.192 states, “[e]ach sheriff shall annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year.” Furthermore, KRS 64.820 states:

- (1) The fiscal court shall collect any amount due from county officials as determined by the audit of the official conducted pursuant to KRS 43.070 and 64.810 if the amount can be collected without suit.
- (2) In the event the fiscal court cannot collect the amount due the county from the county official without suit, the fiscal court shall then direct the county attorney to institute suit for the collection of the amount reported by the Auditor or certified public accountant to be due the county within ninety (90) days from the date of receiving the Auditor's or certified public accountant's report.

In order to pay the liabilities due the districts and the other accounts noted above, \$972 should be collected from the sheriff personally and deposited into the 2012 unmined coal tax account. We recommend the sheriff collect all receivables and pay all the liabilities to close this account.

MAGOFFIN COUNTY
 CARSON MONTGOMERY, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period July 21, 2015 Through July 18, 2016
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-006 The Sheriff Failed To Eliminate The Deficit In His 2012 Unmined Coal Tax Account (Continued)

Sheriff's Response: The sheriff did not provide a response.

2015-007 The Sheriff Has Not Settled His 2013 Unmined Coal Tax Account

The sheriff did not settle his 2013 unmined coal tax account. The sheriff failed to oversee the daily operations of his tax office. As a result the following receivables and liabilities should be collected and paid:

<u>Assets:</u>		<u>Liabilities:</u>	
Cash in bank	\$ 1,862	Due to County	\$ 2,772
Receivables:			
State	71		
County	191		
Commission from 2014 fee account	<u>648</u>		
 Total Assets	 <u>\$ 2,772</u>	 Total Liabilities	 <u>\$ 2,772</u>

Failure to pay liabilities timely causes taxing districts and other governmental agencies to be deprived of funds for significant time periods. After all receivables are collected and the liabilities are paid, the sheriff will be able to close his 2013 unmined coal tax account. KRS 134.192 states, "[e]ach sheriff shall annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year." Furthermore, KRS 64.820 states:

- (1) The fiscal court shall collect any amount due from county officials as determined by the audit of the official conducted pursuant to KRS 43.070 and 64.810 if the amount can be collected without suit.
- (2) In the event the fiscal court cannot collect the amount due the county from the county official without suit, the fiscal court shall then direct the county attorney to institute suit for the collection of the amount reported by the Auditor or certified public accountant to be due the county within ninety (90) days from the date of receiving the Auditor's or certified public accountant's report.

After the above amounts are collected and the liabilities noted above are paid, we recommend the sheriff close his 2013 unmined coal tax account.

Sheriff's Response: The sheriff did not provide a response.

MAGOFFIN COUNTY
 CARSON MONTGOMERY, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period July 21, 2015 Through July 18, 2016
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-008 The Sheriff Has A Surplus of \$267 In His 2014 Unmined Coal Tax Account

The sheriff has a surplus of \$267 in his 2014 unmined coal tax account. The following amounts should be collected and paid from the 2014 unmined coal tax account:

<u>Assets:</u>	
Cash in bank	\$ 125
Receivables:	
Due from 2015 fee account (overpaid commissions)	192
Due from school	<u>11</u>
Total Assets	<u>328</u>
<u>Liabilities:</u>	
Unpaid obligations:	
State	\$ 9
County	27
Library	5
Health	6
Extension	6
Soil	1
Interest due school	3
Interest due fee account	<u>4</u>
Total Unpaid Obligations	<u>61</u>
Total Fund Balance as of Audit Date	<u>\$ 267</u>

A tax surplus is due to unrefundable duplicate payments or unexplained receipts in the 2014 unmined coal tax account. The sheriff's staff did not mark all bills collected for 2014 unmined coal tax paid in the computer system. Two unmined coal bills collected on February 14, 2015 and February 24, 2014, were not marked paid in the computer system. Two taxpayers notified the county clerk that they paid their tax bills in the sheriff's office after receiving delinquent tax notices in the mail.

There is no way to determine how many bills the sheriff's office received but did not mark paid for 2014 unmined coal collections. As a result, the 2014 unmined coal tax account owes \$267 to the Kentucky State Treasurer for 2014 unmined coal tax surplus funds. Failure to pay liabilities timely causes governmental agencies to be deprived of funds for significant time periods. After all liabilities are paid, the sheriff will have settled his 2014 unmined coal tax account. KRS 393.090 states that after three years, if the funds have not been claimed, they are presumed abandoned. Abandoned funds are required to be sent to the Kentucky State Treasurer by KRS 393.110. In addition, KRS 134.192 states, "[e]ach sheriff shall annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year." We recommend the sheriff take the necessary steps to settle his 2014 unmined coal tax account.

MAGOFFIN COUNTY
CARSON MONTGOMERY, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Period July 21, 2015 Through July 18, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-008 The Sheriff Has A Surplus of \$267 In His 2014 Unmined Coal Tax Account (Continued)

Sheriff's Response: The sheriff did not provide a response.