

**REPORT OF THE AUDIT OF THE  
GREENUP COUNTY  
SHERIFF'S SETTLEMENT - 2021 TAXES**

**For The Period  
April 16, 2021 Through August 31, 2022**



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

**Independent Auditor's Report**

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Bobby Hall, Greenup County Judge/Executive  
The Honorable Matt Smith, Greenup County Sheriff  
Members of the Greenup County Fiscal Court

**Report on the Audit of the Financial Statements**

**Opinions**

We have audited the accompanying Greenup County Sheriff's Settlement - 2021 Taxes for the period April 16, 2021 through August 31, 2022 - Regulatory Basis, and the related notes to the financial statement.

*Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the accompanying financial statement presents fairly, in all material respects, the taxes charged, credited, and paid for the period April 16, 2021 through August 31, 2022 of the Greenup County Sheriff, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

*Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statement does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the taxes charged, credited, and paid of the Greenup County Sheriff, for the period April 16, 2021 through August 31, 2022.

**Basis for Opinion**

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



To the People of Kentucky  
 The Honorable Andy Beshear, Governor  
 Holly M. Johnson, Secretary  
 Finance and Administration Cabinet  
 The Honorable Bobby Hall, Greenup County Judge/Executive  
 The Honorable Matt Smith, Greenup County Sheriff  
 Members of the Greenup 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 Greenup County Sheriff on the basis of accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

### **Responsibilities of Management for the Financial Statement**

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

### **Auditor's Responsibilities for the Audit of the Financial Statement**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Greenup 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 Greenup County Sheriff's ability to continue as a going concern for a reasonable period of time.

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Bobby Hall, Greenup County Judge/Executive  
The Honorable Matt Smith, Greenup County Sheriff  
Members of the Greenup County Fiscal Court

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2023, on our consideration of the Greenup County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Greenup 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:

- 2021-001 The Sheriff's Office Does Not Have Adequate Segregation Of Duties
- 2021-002 The Sheriff Collected Tax Bills With The Incorrect County Tangible Tax Rate

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

May 12, 2023

GREENUP COUNTY  
MATT SMITH, SHERIFF  
SHERIFF'S SETTLEMENT - 2021 TAXES

For The Period April 16, 2021 Through August 31, 2022

	County	Special Taxing Districts	School	State
<u>Charges</u>				
Real Estate	\$ 4,430,825	\$ 4,670,826	\$ 11,815,397	\$ 1,649,680
Tangible	328,729	669,537	672,936	359,525
Total Per Sheriff's Official Receipt	4,759,554	5,340,363	12,488,333	2,009,205
<u>Other Taxes &amp; Charges</u>				
Court Ordered Increases		2		
Franchise Taxes	1,086,799	896,564	2,408,652	
Additional Billings	4,807	7,068	14,732	1,787
Oil and Gas Property Taxes	15,042	13,679	38,497	5,594
Penalties	21,799	24,214	57,190	8,598
Gross Chargeable to Sheriff	5,888,001	6,281,890	15,007,404	2,025,184
<u>Credits</u>				
Exonerations	18,002	18,683	47,798	6,694
Discounts	78,560	88,831	205,776	32,870
Delinquent Real Estate	106,728	113,252	281,666	38,911
Delinquent Tangible				1,717
Total Credits	203,290	220,766	535,240	80,192
Taxes Collected	5,684,711	6,061,124	14,472,164	1,944,992
Less: Sheriff's Commissions*	241,600	257,598	331,664	82,662
Taxes Due Districts	5,443,111	5,803,526	14,140,500	1,862,330
Taxes Paid	5,437,831	5,798,357	14,127,041	1,859,419
Refunds (Current and Prior Year)	5,280	5,169	13,459	2,911
Taxes Due Districts	\$ 0	\$ 0	\$ 0	\$ 0

\* See next page.

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



GREENUP COUNTY  
MATT SMITH, SHERIFF  
SHERIFF'S SETTLEMENT - 2021 TAXES  
For The Period April 16, 2021 Through August 31, 2022  
(Continued)

\* Commissions:

4.25% on	\$	13,690,827
2.50% on	\$	8,444,164
2% on	\$	6,028,000

GREENUP COUNTY  
NOTES TO FINANCIAL STATEMENT

August 31, 2022

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

D. Preparation of State Settlement

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

Note 2. Deposits

The Greenup 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.

GREENUP COUNTY  
NOTES TO FINANCIAL STATEMENT  
August 31, 2022  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The Greenup 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 August 31, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Periods

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2021. Property taxes were billed to finance governmental services for the fiscal year ending June 30, 2022. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 27, 2021 through April 18, 2022.

B. Oil and Gas Property Taxes

The oil and gas property tax assessments were levied as of January 1, 2021. 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 25, 2022 through August 15, 2022.

C. Franchise Taxes

The franchise tax assessments were levied by the Department of Revenue for various tax years. Franchise taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was April 16, 2021 through April 18, 2022.

Note 4. Interest Income

The Greenup County Sheriff earned \$2,691 as interest income on 2021 taxes. The sheriff was in substantial compliance with his statutory responsibilities.

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

The Greenup County Sheriff collected \$103,042 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the sheriff's office.

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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 Bobby Hall, Greenup County Judge/Executive  
The Honorable Matt Smith, Greenup County Sheriff  
Members of the Greenup 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 Greenup County Sheriff's Settlement - 2021 Taxes for the period April 16, 2021 through August 31, 2022 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated May 12, 2023. The Greenup 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 Greenup 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 Greenup County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Greenup County Sheriff's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, which are described in the accompanying Schedule of Findings and Responses as items 2021-001 and 2021-002 that we consider to be significant deficiencies.



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 Greenup County Sheriff's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

The Greenup County Sheriff's views and planned corrective action for the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Greenup County Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

**Purpose of this Report**

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

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts  
Frankfort, Ky

May 12, 2023



## SCHEDULE OF FINDINGS AND RESPONSES

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GREENUP COUNTY  
MATT SMITH, SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES

For The Period April 16, 2021 Through August 31, 2022

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2021-001 The Sheriff's Office Does Not Have Adequate Segregation Of Duties

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This is a repeat finding and was included in the prior year audit report as finding 2020-001. The sheriff's office does not have adequate segregation of duties. The sheriff allowed the bookkeeper to collect taxes, prepare deposits, prepare monthly tax reports, write checks to taxing districts, and reconcile the bank account. There are some reviews of the bookkeeper's work, but not enough documentation of the reviews to determine oversight is in place.

The sheriff has not structured his office in a way that adequately segregates duties among employees and has not provided sufficient oversight of the bookkeeper's work. Inadequate segregation of duties increases the risk of undetected misappropriation of assets or incorrect reporting. Internal controls and proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Good internal controls dictate the same employee should not collect and deposit receipts and also should not process, report, and reconcile disbursements.

We recommend the sheriff's office adequately segregate duties. 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 reviewing the daily deposits, receipts and disbursements ledgers, monthly reports, and bank reconciliations prepared by another employee. 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. The sheriff could also choose to prepare the bank reconciliations and other reports himself.

*Sheriff's Response: I have a surprise cash system and spread sheet where I perform unexpected cash counts of drawers. I approve and review all checks written. We are a small staffed office and I am active in all day to day handling of funds.*

2021-002 The Sheriff Collected Tax Bills With The Incorrect County Tangible Tax Rate

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On August 10, 2021, the fiscal court met and approved the county tangible tax rate at 42.00 for the 2021 tax year. Subsequently, it was determined the county tangible rate of 42.00 that was printed on the tax bills was incorrect. On December 14, 2021, the fiscal court met and corrected the tax rate to 41.02. Once the sheriff became aware of the incorrect rate on the tax bills, he contacted the Department of Revenue for guidance. The Department of Revenue advised the sheriff to publish in the local newspaper a notice of the incorrect tax rate and how to request a refund. On July 21, 2022, the sheriff published a notice in the local newspaper advising taxpayers of the incorrect tax rate and the process for receiving a refund.

The sheriff relied on the county tangible tax rate approved in the fiscal court minutes on August 10, 2021, when deciding to accept the regular tax bills and franchise tax bills from the county clerk for the 2021 tax year. The sheriff collected too much in county tangible taxes from taxpayers because of the incorrect rate on the tax bills. Good internal controls dictate the sheriff should verify the tax rates for all taxing districts before signing the official receipt acknowledging acceptance of the regular tax bills from the county clerk. In addition, the sheriff should verify tax rates before sending franchise tax bills to taxpayers that are prepared and received from the county clerk.

GREENUP COUNTY  
MATT SMITH, SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Period April 16, 2021 Through August 31, 2022  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2021-002 The Sheriff Collected Tax Bills With Incorrect County Tangible Tax Rate (Continued)

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We recommend the sheriff consult with the county attorney and the Department of Revenue to determine the proper handling of the refunds due to taxpayers for the over-collection of county tangible taxes.

*Sheriff's Response: The tangible rate was recorded wrong in the fiscal court minutes. By the time it was discovered collections had already started. We contacted [name redacted] at the Dept of Revenue. We followed his directions verbatim. The rate passed through six people before given to my office. In the future I will confirm the rates and not trust the fiscal court minutes.*