

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

**For The Period  
September 1, 2022 Through August 31, 2023**



**ALLISON BALL  
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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT ..... 1

SHERIFF’S SETTLEMENT - 2022 TAXES .....4

NOTES TO FINANCIAL STATEMENT .....6

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* ..... 11

SCHEDULE OF FINDINGS AND RESPONSES ..... 15

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**ALLISON BALL**  
**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 Tim Hutchins, Nelson County Judge/Executive  
The Honorable Ramon Pineiroa, Nelson County Sheriff  
Members of the Nelson County Fiscal Court

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

**Opinions**

We have audited the accompanying Nelson County Sheriff's Settlement - 2022 Taxes for the period September 1, 2022 through August 31, 2023 - 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 September 1, 2022 through August 31, 2023 of the Nelson 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 Nelson County Sheriff, for the period September 1, 2022 through August 31, 2023.

**Basis for Opinions**

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



To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Tim Hutchins, Nelson County Judge/Executive  
The Honorable Ramon Pineiroa, Nelson County Sheriff  
Members of the Nelson County Fiscal Court

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

#### *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As described in Note 1 of the financial statement, the financial statement is prepared by the Nelson 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 Nelson 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 Nelson 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 Tim Hutchins, Nelson County Judge/Executive  
The Honorable Ramon Pineiroa, Nelson County Sheriff  
Members of the Nelson 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 14, 2024, on our consideration of the Nelson 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 Nelson County Sheriff’s internal control over financial reporting and compliance.

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

- 2022-001 The Nelson County Sheriff’s Office Has A Lack Of Segregation Of Duties Over Receipts And Reconciliations
- 2022-002 The Nelson County Sheriff Did Not Present A Franchise Tax Settlement To The Fiscal Court

Respectfully submitted,



Allison Ball  
Auditor of Public Accounts  
Frankfort, Ky

May 14, 2024

NELSON COUNTY  
RAMON PINEIROA, SHERIFF  
SHERIFF'S SETTLEMENT - 2022 TAXES

For The Period September 1, 2022 Through August 31, 2023

	Special Taxing			
	County	Districts	School	State
<u>Charges</u>				
Real Estate	\$ 5,179,642	\$ 4,001,589	\$ 19,140,973	\$ 4,362,081
Tangible	329,620	211,994	771,170	1,272,145
Fire Dues		704,749		
Fire Protection	556			
Total Per Sheriff's Official Receipt	5,509,818	4,918,332	19,912,143	5,634,226
<u>Other Taxes &amp; Charges</u>				
Court Ordered Increases	335	324	11,246	281
Franchise Taxes	110,591	65,656	457,979	
Distilled Spirits Taxes	1,461,418	876,227	5,686,303	
Additional Billings	9,189	5,335	1,328	4,891
Bank Franchises	241,480			
Penalties	31,489	27,719	37,239	8,486
Gross Chargeable to Sheriff	7,364,320	5,893,593	26,106,238	5,647,884
<u>Credits</u>				
Exonerations	28,980	19,686	133,469	29,416
Discounts	127,916	91,605	468,940	100,978
Delinquent Real Estate	34,828	38,854	95,076	29,234
Delinquent Tangible	8,061	4,483	1,680	6,706
Total Credits	199,785	154,628	699,165	166,334
Taxes Collected	7,164,535	5,738,965	25,407,073	5,481,550
Less: Sheriff's Commissions*	304,494	195,585	558,956	232,966
Taxes Due Districts	6,860,041	5,543,380	24,848,117	5,248,584
Taxes Paid	6,863,131	5,549,608	24,792,472	5,238,568
Refunds (Current and Prior Year)	14,582	7,989	47,568	10,016
Taxes Due Districts (Refund Due Sheriff)	\$ (17,672)	\$ (14,217)	\$ 8,077	\$ 0

\*\*

\* and \*\* See next page.

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



NELSON COUNTY  
 RAMON PINEIROA, SHERIFF  
 SHERIFF'S SETTLEMENT - 2022 TAXES  
 For The Period September 1, 2022 Through August 31, 2023  
 (Continued)

\* Commissions:

4.25% on \$ 16,898,263

2.2% on \$ 25,407,073

1% on \$ 1,486,787

\*\* Special Taxing Districts:

Library District \$ (13,123)

Extension District (2,028)

Soil Conservation District 21

N.E. Nelson Fire District 292

Rolling Forks Fire District (30)

City of Bloomfield 651

Due Districts or

(Refunds Due Sheriff) \$ (14,217)

NELSON COUNTY  
NOTES TO FINANCIAL STATEMENT

August 31, 2023

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 Nelson 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.

NELSON COUNTY  
NOTES TO FINANCIAL STATEMENT  
August 31, 2023  
(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 Nelson 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, 2023, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2022. Property taxes were billed to finance governmental services for the fiscal year ending June 30, 2023. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 22, 2022 through April 17, 2023.

B. 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 June 1, 2022 through May 31, 2023.

Note 4. Interest Income

The Nelson County Sheriff earned \$1,619 as interest income on 2022 taxes. The sheriff was in substantial compliance with his statutory responsibilities.

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

The Nelson County Sheriff collected \$82,954 of 10% property tax add-on fees allowed by KRS 134.119(7). As of May 14, 2024, the sheriff owed \$43,972 in 10% franchise tax add-on fees to his fee account.

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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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ALLISON BALL  
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable Tim Hutchins, Nelson County Judge/Executive  
The Honorable Ramon Pineiroa, Nelson County Sheriff  
Members of the Nelson 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 Nelson County Sheriff's Settlement - 2022 Taxes for the period September 1, 2022 through August 31, 2023 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated May 14, 2024. The Nelson 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 Nelson 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 Nelson County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nelson County Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 2022-001 and 2022-002 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)

**Report on Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Nelson County Sheriff's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2022-002.

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

The Nelson 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 Nelson 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,



Allison Ball  
Auditor of Public Accounts  
Frankfort, Ky

May 14, 2024



## SCHEDULE OF FINDINGS AND RESPONSES

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NELSON COUNTY  
RAMON PINEIROA, SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES

For The Period September 1, 2022 Through August 31, 2023

FINANCIAL STATEMENT FINDINGS:

2022-001 The Nelson County Sheriff's Office Does Not Have Segregation Of Duties Over Receipts And Reconciliations

This is a repeat finding and was included in the prior year audit report as finding 2021-001. The Nelson County Sheriff's bookkeeper collects taxes, prepares deposits, posts to the ledger, and completes the monthly bank reconciliation. There was not sufficient evidence available that would show that the sheriff or another employee reviews the daily checkout sheets, deposit tickets, ledgers, or the bank reconciliations to offset the risk caused by the lack of segregation of duties. The sheriff stated he does not have enough funds to hire additional personnel to segregate duties.

By the same employee primarily performing related functions with no documentation of review, the risk increases that errors or fraud may go undetected. The lack of adequate segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. Segregation of duties is essential for providing protection from fraud or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff's office separate duties over receipts and reconciliation processes. If these duties cannot be separated due to limited staff or limited budget, the sheriff's office should implement strong oversight over these areas, either by an employee independent of those functions or by the sheriff, such as:

- The sheriff (or designee) should compare the daily bank deposit to the daily checkout sheet and then compare to the bank deposit receipt. This should be documented by initialing the bank deposit, daily checkout sheet and bank deposit receipt.
- The sheriff (or designee) should compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The sheriff (or designee) could document this by initialing the bank reconciliation and ledger.

*Sheriff's Response: Segregation of duties was implemented as of 2/25/2023. Daily cash receipts check-list is initialed by each clerk once their tax drawer is balanced. The totals are confirmed with Tax Computer software and initials by CFO. CFO prepares bank deposits and Office Manager takes it to the bank nightly. The Sheriff initials each deposit once it is returned from the bank. The CFO reconciles bank statements and Sheriff reviews and initials.*

2022-002 The Nelson County Sheriff Did Not Present A Franchise Tax Settlement To The Fiscal Court

The Nelson County Sheriff's franchise settlement was not presented to the fiscal court as required. Total collections for franchise tax, bank franchise tax, and distilled spirits totaled \$8,899,654. This was an oversight by management due to a change in the bookkeeper in February 2023, prior to the tax year ending April 15, 2023. Management was not aware the franchise settlement needed to be approved by the fiscal court. The franchise monthly reports were prepared and paid on a timely basis. However, the franchise tax collections were not included on the tax settlement. The property tax settlement was approved by the fiscal court September 5, 2023.

The sheriff did not present a complete and accurate franchise tax settlement to the fiscal court as required by statute. The franchise receipts omitted were material to the financial statement.

NELSON COUNTY  
RAMON PINEIROA, SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Period September 1, 2022 Through August 31, 2023  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-002 The Nelson County Sheriff Did Not Present A Franchise Tax Settlement To The Fiscal Court  
(Continued)

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KRS 134.192(1) 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.”

KRS 134.192(5) states, “[t]he report of the state and local 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.”

We recommend the sheriff ensure that a complete and accurate franchise tax settlement be completed and submitted to the fiscal court for approval by September 1 of each year.

*Sheriff’s Response: Due to the change in personnel, management was not aware the Franchise Settlement needed to be approved by Fiscal Court. With additional training in September 2023 future Franchise Settlement approval will be implemented.*