

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

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



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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 Dan Ison, Shelby County Judge/Executive  
The Honorable Mark Moore, Shelby County Sheriff  
Members of the Shelby County Fiscal Court

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

**Opinions**

We have audited the accompanying Shelby 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 Shelby 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 Shelby 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 Shelby 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 Dan Ison, Shelby County Judge/Executive  
The Honorable Mark Moore, Shelby County Sheriff  
Members of the Shelby 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 Shelby 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 Shelby 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 Shelby 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 Dan Ison, Shelby County Judge/Executive  
The Honorable Mark Moore, Shelby County Sheriff  
Members of the Shelby 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.

**Supplementary Information**

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, if fairly presented in all material respects in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2023, on our consideration of the Shelby 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 Shelby 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 Sheriff’s Office Does Not Have Adequate Internal Controls Over Monthly Bank Reconciliations

Respectfully submitted,



Allison Ball  
Auditor of Public Accounts  
Frankfort, Ky

November 2, 2023

SHELBY COUNTY  
MARK MOORE, 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	\$ 4,315,633	\$ 9,409,712	\$ 30,551,265	\$ 4,924,196
Tangible	326,201	671,397	2,233,429	1,545,550
Total Per Sheriff's Official Receipt	4,641,834	10,081,109	32,784,694	6,469,746
<u>Other Taxes &amp; Charges</u>				
Court Ordered Increases	264	501	1,820	3,531
Franchise Taxes	378,103	676,420	2,617,011	
Additional Billings	779	1,474	5,358	3,035
Penalties	7,683	15,245	54,329	9,419
Gross Chargeable to Sheriff	5,028,663	10,774,749	35,463,212	6,485,731
<u>Credits</u>				
Exonerations	23,425	50,386	165,729	27,882
Discounts	81,696	159,724	576,934	112,472
Delinquent Real Estate	44,157	104,478	310,652	40,309
Delinquent Tangible				9,903
District Change Out		7		
Total Credits	149,278	314,595	1,053,315	190,566
Taxes Collected	4,879,385	10,460,154	34,409,897	6,295,165
Less: Sheriff's Commissions*	207,374	305,855	516,148	267,545
Taxes Due Districts	4,672,011	10,154,299	33,893,749	6,027,620
Taxes Paid	4,657,178	10,124,505	33,790,688	6,010,544
Refunds (Current and Prior Year)	14,833	29,794	103,061	17,076
Taxes Due Districts	\$ 0	\$ 0	\$ 0	\$ 0

\* Commissions:

4.25% on	\$ 17,076,284
2% on	\$ 944,736
1.5% on	\$ 34,409,897
1% on	\$ 3,613,684

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



SHELBY 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 Shelby 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.

SHELBY 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 Shelby 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 23, 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 May 1, 2022 through April 30, 2023.

Note 4. Interest Income

The Shelby County Sheriff earned \$4,643 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 Shelby County Sheriff collected \$53,846 of 10% add-on fees allowed by KRS 134.119(7). As of November 2, 2023, the sheriff owed \$5,974 in 10% add-on fees to his fee account.

SHELBY COUNTY  
MARK MOORE, SHERIFF  
SCHEDULE OF EXCESS LIABILITIES OVER ASSETS

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

Assets

Reconciled Cash Balance \$ 69

Total Assets 69

Liabilities

Unpaid Obligation -

Add-On Fees Due Sheriff's Fee Account \$ 5,974

Total Unpaid Obligation 5,974

Total Fund Deficit as of August 31, 2023 \$ (5,905)

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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 Dan Ison, Shelby County Judge/Executive  
The Honorable Mark Moore, Shelby County Sheriff  
Members of the Shelby 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 Shelby 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 November 2, 2023. The Shelby 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 Shelby 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 Shelby County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Shelby 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 a certain deficiency in internal control, which is described in the accompanying Schedule of Findings and Responses as item 2022-001 that we consider to be a significant deficiency.



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 Shelby 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 Shelby County Sheriff's views and planned corrective action for the finding identified in our audit are described in the accompanying Schedule of Findings and Responses. The Shelby County Sheriff's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

**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

November 2, 2023



## SCHEDULE OF FINDINGS AND RESPONSES

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SHELBY COUNTY  
MARK MOORE, SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES

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

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2022-001 The Sheriff's Office Does Not Have Adequate Internal Controls Over Monthly Bank Reconciliations

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The sheriff's office does not have adequate internal controls over monthly bank reconciliations. The sheriff's office is not properly performing monthly reconciliations to ensure that receipts are equal to disbursements. Daily receipts are deposited timely and reconciled monthly to the bank account. Total receipts are compared to monthly tax reports and checks are written timely to taxing districts and sheriff's fee account. However, overpayments were not subtracted from receipts prior to making payments to districts since the checks are normally written the following month. The tax account was instead reconciled to the bank balance instead of zeroing out the account. As a result, they have a shortage of \$5,905 in their 2022 tax account.

The tax account was not balanced to zero every month but was instead reconciled to the bank balance. All daily receipts were traced to bank deposits, and all checks written were accounted for. However, when paying add-on fees for April due to sheriff's 2023 fee account, there were not enough funds in the tax account. The amount due was short by \$5,974. The sheriff and bookkeeper stated that every effort had been made to determine the cause of the deficit. By not reconciling the tax account to zero monthly, the deficit was not discovered until the end of the tax collection period.

Good internal controls dictate that monthly bank reconciliations be performed over the tax account to ensure that all amounts received are paid out and the account balances to zero each month. Good internal controls further dictate that controls be in place to ensure duties over reconciliations are properly segregated and monthly reconciliations are properly reviewed by someone not a part of performing the monthly reconciliation to reduce the risk of misappropriation of assets, errors, and/or inaccurate financial reporting.

We recommend the sheriff's office implement controls over reconciling the tax account to zero monthly. In addition, the sheriff needs to work with fiscal court to rectify the shortage.

*Sheriff's Response: The Shelby County's Sheriff's Office recognizes a great relationship and level of trust with the Citizens we serve. The Current Bookkeeper has been with the Sheriff's Office since before his election to office in 2017. Since beginning her tenure as Bookkeeper, there has never been any discrepancy with monies received or monies paid to the taxing districts. With the normal exception of Segregation of Duties, we have enjoyed audits void of any monetary discrepancies. [bookkeeper's name redacted] has also received verbal accolades from auditors regarding her documentation of all received tax receipts.*

*During the closing of this current (2022) tax year, it was discovered that [bookkeeper's name redacted] and [bank's name redacted] balanced, while our Tax Software provider [name redacted] reported \$5,974.00 (overage) discrepancy. Many with knowledge of County Property Tax collection were contacted for consult. I immediately contacted the Office of State Auditor Mike Harmon requesting we be quickly scheduled for Audit. The Audit was completed in a timely manner, however there were no answers as to where the discrepancy lies. Therefore, I as Sheriff, have enlisted the services of an outside Auditing Firm. I believe, in the interest of Public Trust, the discrepancy must be found. The Shelby County Sheriff Office is open to training in bookkeeping methods that would prevent this from occurring in the future.*

*Let it be clear that none of the County Taxing District were shorted any operating funds. The \$5,974 was taken from the Sheriff's Commissions. When the error is discovered, the County will be made whole. I will be working closely with the Shelby Fiscal Court for resolution.*

SHELBY COUNTY  
MARK MOORE, SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Period September 1, 2022 Through August 31, 2023  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY: (Continued)

2022-001 The Sheriff's Office Does Not Have Adequate Internal Controls Over Monthly Bank Reconciliations (Continued)

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Auditor's Reply: The purpose of the audit was to provide an opinion on whether the sheriff's financial statement was free from material misstatement. Finding 2022-001 reports an internal control weakness that allowed the error to occur and not be detected by the sheriff's internal control system. The auditor's office is not a part of a local government's internal control system and cannot be a replacement or supplement to an adequate system of internal controls.