

**REPORT OF THE AUDIT OF THE  
WEBSTER COUNTY  
SHERIFF'S SETTLEMENT - 2020 TAXES**

**For The Period  
January 1, 2021 Through April 15, 2021**



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

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Steve Henry, Webster County Judge/Executive  
The Honorable Donald Jones, Webster County Sheriff  
Members of the Webster County Fiscal Court

**Independent Auditor's Report**

**Report on the Financial Statement**

We have audited the Webster County Sheriff's Settlement - 2020 Taxes for the period January 1, 2021 through April 15, 2021 - 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 Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Steve Henry, Webster County Judge/Executive  
The Honorable Donald Jones, Webster County Sheriff  
Members of the Webster 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 Webster 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 Webster County Sheriff, for the period January 1, 2021 through April 15, 2021.

### **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 January 1, 2021 through April 15, 2021 of the Webster 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 March 8, 2022, on our consideration of the Webster 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 Webster 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 comment:

2020-001 The Webster County Sheriff's Tax Settlement Was Materially Misstated

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a stylized flourish at the end.

Mike Harmon  
Auditor of Public Accounts

March 8, 2022

WEBSTER COUNTY  
DONALD JONES, SHERIFF  
SHERIFF'S SETTLEMENT - 2020 TAXES

For The Period January 1, 2021 Through April 15, 2021

	County	Special Taxing Districts	School	State
<u>Transfers From Outgoing Sheriff</u>				
Real Estate	\$ 98,957	\$ 138,138	\$ 307,398	\$ 64,217
Tangible	3,423	5,624	10,634	15,274
Oil Property Taxes	9,596	14,008	29,800	6,227
Ditch Taxes		1,305		
Fire Protection	106			
Total Transfers From Outgoing Sheriff	112,082	159,075	347,832	85,718
<u>Other Taxes &amp; Charges</u>				
Court Ordered Increases	222	271	689	48
Franchise Taxes	50,079	78,184	155,569	
Additional Billings	107	145	332	69
Unmined Coal - 2020 Taxes	1,282	1,872	3,983	832
Penalties	4,599	6,403	14,282	3,256
Gross Chargeable to Sheriff	168,371	245,950	522,687	89,923
<u>Credits</u>				
Exonerations	224	301	696	55
Discounts	190	305	592	8
Delinquent Real Estate	28,444	39,342	88,282	18,444
Delinquent Tangible	32	50	98	76
Delinquent Ditch Taxes		212		
Delinquent Unmined Coal - 2020 Taxes	314	458	976	204
Total Credits	29,204	40,668	90,644	18,787
Taxes Collected	139,167	205,282	432,043	71,136
Less: Sheriff's Commissions*	5,914	8,610	15,121	3,023
Taxes Due Districts	133,253	196,672	416,922	68,113
Taxes Paid	133,230	196,537	416,849	67,768
Refunds (Current and Prior Year)				345
Taxes Due Districts	\$ 23	\$ 135	\$ 73	\$ 0

\*\*

\* and \*\* See next page.

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

WEBSTER COUNTY  
DONALD JONES, SHERIFF  
SHERIFF'S SETTLEMENT - 2020 TAXES  
For The Period January 1, 2021 Through April 15, 2021  
(Continued)

\* Commissions:

4.25% on	\$	372,219
4% on	\$	43,366
3.5% on	\$	432,043

\*\* Special Taxing Districts:

Library District	\$	12
Health District		6
Extension District		8
Ambulance District		(17)
Drainage Board		<u>126</u>

Due Districts or (Refund Due Sheriff)	<u>\$</u>	<u>135</u>
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WEBSTER COUNTY  
NOTES TO FINANCIAL STATEMENT

April 15, 2021

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 Webster 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 fiscal court 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.

WEBSTER COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 15, 2021  
(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 Webster 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 April 15, 2021, 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, 2020. Property taxes were billed to finance governmental services for the fiscal year ending June 30, 2021. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 4, 2021 through April 15, 2021.

B. Oil Property Taxes

The oil property tax assessments were levied as of January 1, 2020. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 4, 2021 through May 21, 2021.

C. Unmined Coal Property Taxes

The unmined coal property tax assessments were levied as of January 1, 2020. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 25, 2021 through July 19, 2021.

D. 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 January 1, 2021 through April 15, 2021.

Note 4. Interest Income

The Webster County Sheriff earned \$154 as interest income on 2020 taxes. The sheriff was in substantial compliance with his statutory responsibilities.

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

The Webster County Sheriff collected \$20,792 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the sheriff's office.

WEBSTER COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 15, 2021  
(Continued)

Note 6. Escrow Account

The sheriff deposited unrefundable payments in a non-interest-bearing account. The sheriff's escrowed beginning balance was \$1,064. The sheriff received \$0 and disbursed \$114 resulting in a total ending balance as of April 15, 2021, of \$950. The ending balance consists of escrowed of:

2014	\$242
2015	\$22
2016	\$32
2017	\$654

When statutorily required, the sheriff will turn over the escrowed funds to the Kentucky State Treasurer as unclaimed property.

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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**

The Honorable Steve Henry, Webster County Judge/Executive  
The Honorable Donald Jones, Webster County Sheriff  
Members of the Webster 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 Webster County Sheriff's Settlement – 2020 Taxes for the period January 1, 2021 through April 15, 2021 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated March 8, 2022. The Webster 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 Webster 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 Webster County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Webster 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 a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2020-001 to be a material weakness.



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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Webster 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 matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2020-001.


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

The Webster 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 Webster 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,

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

March 8, 2022



## SCHEDULE OF FINDINGS AND RESPONSES

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WEBSTER COUNTY  
DONALD JONES, SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES

For The Period January 1, 2021 Through April 15, 2021

FINANCIAL STATEMENT FINDING:

2020-001 The Webster County Sheriff's Tax Settlement Was Materially Misstated

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The Webster County Sheriff's tax settlement, for the period January 1, 2021 through April 15, 2021, was materially inaccurate. The sheriff's settlement was overstated by the following:

- Franchise Taxes of \$889,683
- Bank Franchise Taxes of \$67,724
- Discounts of \$1,789
- Tax Commissions of \$37,231
- Taxes Paid of \$926,618

This was due to an error when preparing the tax settlements that were presented to fiscal court. The franchise and ditch tax settlements that were approved by the fiscal court also included franchise and ditch taxes that were collected by the outgoing sheriff in 2020. As a result, the sheriff's settlement presented and approved by the fiscal court was not a complete and accurate reporting of taxes collected as of April 15, 2021.

KRS 134.215(3) states, "[e]ach outgoing sheriff shall make a final settlement with the department, the fiscal court, and all districts for which his or her office collected taxes by March 15 immediately following the expiration of his or her term of office. The settlement shall address all charges of taxes made against the sheriff and all money received by him or her as sheriff, and shall include all of the information required for the annual settlement pursuant to KRS 134.192." KRS 134.192(5) states, in part, "[t]he settlement shall show the amount of ad valorem tax collected for the county, the school district, and all taxing districts, and an itemized statement of the money disbursed to or on behalf of the county, the school district, and all taxing districts." Additionally, good internal controls dictate the sheriff review the settlement for accuracy.

We recommend the sheriff only include activity that occurred during his time as sheriff on all future settlements.

*Sheriff's Response: Bookkeeper is aware of problem. Will keep in mind if two sheriffs serve in same tax collection period.*