

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

**For The Period
May 16, 2020 Through December 31, 2020**



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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 Frankie Springfield, Former Webster County Sheriff

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 former Webster County Sheriff's Settlement - 2020 Taxes for the period May 16, 2020 through December 31, 2020 - 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 Frankie Springfield, Former Webster County Sheriff
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 former 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 former Webster County Sheriff, for the period May 16, 2020 through December 31, 2020.

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 May 16, 2020 through December 31, 2020 of the former 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 former 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 former Webster County Sheriff's internal control over financial reporting and compliance.

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 Frankie Springfield, Former Webster County Sheriff
The Honorable Donald Jones, Webster County Sheriff
Members of the Webster County Fiscal Court

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

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

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

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

March 8, 2022

WEBSTER COUNTY
FRANKIE SPRINGFIELD, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 2020 TAXES

For The Period May 16, 2020 Through December 31, 2020

	County	Special Taxing Districts	School	State
<u>Charges</u>				
Real Estate	\$ 945,776	\$ 1,364,193	\$ 2,937,830	\$ 570,547
Tangible				141,937
Fire Protection	1,193			
Total Per Sheriff's Official Receipt	946,969	1,364,193	2,937,830	712,484
<u>Other Taxes & Charges</u>				
Court Ordered Increases	148	189	459	96
Franchise Taxes	158,726	251,695	479,261	
Additional Billings	140	203	435	91
Ditch Taxes		9,986		
Oil Property Taxes	25,333	36,983	78,687	16,440
Bank Franchises	67,274			
Gross Chargeable to Sheriff	1,198,590	1,663,249	3,496,672	729,111
<u>Credits</u>				
Exonerations	1,595	2,438	4,956	1,035
Discounts	15,411	20,353	43,685	10,311
Transferred to Incoming Sheriff:				
Real Estate	98,957	138,138	307,398	64,217
Tangible	3,423	5,624	10,634	15,274
Fire Protection	106			
Oil	9,596	14,008	29,800	6,227
Ditch Taxes		1,305		
Total Credits	129,088	181,866	396,473	97,064
Taxes Collected	1,069,502	1,481,383	3,100,199	632,047
Less: Sheriff's Commissions*	45,454	62,153	108,507	26,862
Taxes Due Districts	1,024,048	1,419,230	2,991,692	605,185
Taxes Paid	1,024,049	1,419,104	2,991,692	605,122
Refunds (Current and Prior Year)				18
Additional Payments Paid Per Settlement				45
Taxes Due Districts (Refund Due Sheriff)	\$ (1)	\$ 126	\$ 0	\$ 0

**

* and ** See next page.

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

WEBSTER COUNTY
FRANKIE SPRINGFIELD, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 2020 TAXES
For The Period May 16, 2020 Through December 31, 2020
(Continued)

* Commissions:

4.25% on \$ 2,860,670

4% on \$ 322,262

3.5% on \$ 3,100,199

** Special Taxing Districts:

Drainage Board	<u>\$ 126</u>
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Due District	<u>\$ 126</u>
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WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2020

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 former 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 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.

WEBSTER COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2020
 (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 former Webster County Sheriff did 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 December 31, 2020, 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 September 24, 2020 through December 31, 2020.

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 November 24, 2020 through December 31, 2020.

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 May 16, 2020 through December 31, 2020.

Note 4. Interest Income

The former Webster County Sheriff earned \$225 as interest income on 2020 taxes. As of March 8, 2022, the sheriff owed \$111 in interest to the school district and \$114 in interest to his fee account.

Note 5. Escrow Account

The former sheriff deposited unrefundable payments in a non-interest-bearing account. The former sheriff's escrowed beginning balance was \$1,064. There were no receipts or disbursements. The ending balance consists of escrowed of:

2014	\$356
2015	\$22
2016	\$32
2017	\$654

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

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2020
(Continued)

Note 6. Subsequent Event

Former Webster County Sheriff Frankie Springfield retired on December 31, 2020. Donald Jones was appointed sheriff on January 1, 2021.

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 Frankie Springfield, Former Webster County Sheriff
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 former Webster County Sheriff's Settlement – 2020 Taxes for the period May 16, 2020 through December 31, 2020 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated March 8, 2022. The former 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 former 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 former Webster County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former 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 former 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 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 2020-001.

Views of Responsible Official and Planned Corrective Action

The former 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 former 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 line extending to the right.

Mike Harmon
Auditor of Public Accounts

March 8, 2022

SCHEDULE OF FINDINGS AND RESPONSES

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WEBSTER COUNTY
FRANKIE SPRINGFIELD, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Period May 16, 2020 Through December 31, 2020

FINANCIAL STATEMENT FINDING:

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

The former Webster County Sheriff's tax settlement, for the period May 16, 2020 through December 31, 2020, was materially inaccurate. The former sheriff's settlement was overstated by the following:

- Franchise Taxes of \$283,833
- Discounts of \$1,017
- Tax Commissions of \$10,856
- Taxes Paid of \$272,887

The settlement also did not include unpaid ditch taxes of \$1,305, as a transfer of ditch taxes was not made to the incoming sheriff upon the former sheriff's retirement.

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 included taxes that were collected by the incoming sheriff in 2021. As a result, the former sheriff's settlement presented and approved by the fiscal court was not a complete and accurate reporting of taxes collected as of December 31, 2020.

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 a review of the settlements by the former sheriff.

The former sheriff should have presented separate settlements for the franchise and ditch tax collections that occurred while he was sheriff. A proper transfer of ditch taxes to the incoming sheriff should also have been made.

Former Sheriff's Response: We are aware and will correct if 2 different sheriffs serve in same collection year.