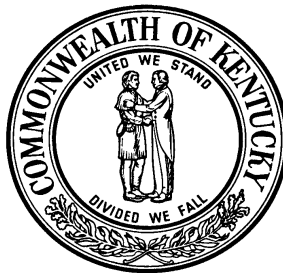


**REPORT OF THE AUDIT OF THE
FORMER ADAIR COUNTY
SHERIFF'S SETTLEMENT - 2024 TAXES**

**For The Period
October 1, 2024 through July 31, 2025**



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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 Larry Russell Bryant, Adair County Judge/Executive

The Honorable Jamie Richard, Former Adair County Sheriff

The Honorable Gary Roy, Adair County Sheriff

Members of the Adair County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Adair County Sheriff's Settlement - 2024 Taxes for the period October 1, 2024 through July 31, 2025 - Regulatory Basis, and the related notes to the financial statement, which collectively comprise the former Adair County Sheriff's financial statement as listed in the table of contents.

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 October 1, 2024 through July 31, 2025 of the former Adair 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 former Adair County Sheriff, for the period October 1, 2024 through July 31, 2025.

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 former Adair 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 Larry Russell Bryant, Adair County Judge/Executive
The Honorable Jamie Richard, Former Adair County Sheriff
The Honorable Gary Roy, Adair County Sheriff
Members of the Adair 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 former Adair 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the former Adair County Sheriff's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 former Adair County Sheriff's internal control. Accordingly, no such opinion is expressed.

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Larry Russell Bryant, Adair County Judge/Executive
The Honorable Jamie Richard, Former Adair County Sheriff
The Honorable Gary Roy, Adair County Sheriff
Members of the Adair County Fiscal Court

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

- 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 former Adair County Sheriff's ability to continue as a going concern for a reasonable period of time.

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 September 1, 2026, on our consideration of the former Adair 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 former Adair 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:

- 2024-001 The Former Adair County Sheriff's Office Did Not Have Adequate Segregation Of Duties Over Receipts, Disbursements, Recordkeeping, And Reconciliations.
- 2024-002 The Former Adair County Sheriff Did Not Have Adequate Controls Over Financial Reporting Resulting In A Material Misstatement

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

September 1, 2026

ADAIR COUNTY
JAMIE RICHARD, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 2024 TAXES

For The Period October 1, 2024 Through July 31, 2025

	County	Special Taxing Districts	School	State
<u>Charges</u>				
Real Estate	\$ 1,040,489	\$ 2,670,814	\$ 4,085,685	\$ 1,043,138
Tangible	99,217	186,345	296,831	
Total Per Sheriff's Official Receipt	1,139,706	2,857,159	4,382,516	1,043,138
<u>Other Taxes & Charges</u>				
Court Ordered Increases	17	36	60	20
Franchise Taxes	165,641	339,013	551,633	
Additional Billings	1,332	2,507	4,007	3,058
Oil Property Taxes	7,345	17,298	28,901	
Limestone, Sand, and Gravel Reserves	761	1,792	2,995	6,403
Bank Franchises	107,919			
Penalties	4,210	11,247	16,446	3,663
Gross Chargeable to Sheriff	1,426,931	3,229,052	4,986,558	1,056,282
<u>Credits</u>				
Exonerations	8,405	24,075	30,881	7,931
Discounts	21,273	46,731	72,437	16,733
Delinquent Real Estate	12,896	36,117	50,653	10,168
Delinquent Tangible	339	636	1,015	848
Delinquent Oil Property	3,229	7,604	12,704	2,550
Total Credits	46,142	115,163	167,690	38,230
Taxes Collected	1,380,789	3,113,889	4,818,868	1,018,052
Less: Sheriff's Commissions	58,684	130,963	192,676	43,267
Taxes Due Districts	1,322,105	2,982,926	4,626,192	974,785
Taxes Paid	1,321,509	2,979,486	4,623,960	974,369
Refunds (Current and Prior Year)	596	1,380	2,232	466
Taxes Due Districts (Refund Due Sheriff)	\$ 0	\$ 2,060	\$ 0	\$ (50)

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

ADAIR COUNTY
NOTES TO FINANCIAL STATEMENT

July 31, 2025

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 Adair County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by 66.480(1)(d), and obtained sufficient collateral or a surety bond to cover deposits of uninsured public funds in accordance with KRS 41.240(4). The former sheriff also entered into a valid written collateral security agreement required by 12 U.S.C.A § 1823(e) so that its security interest in the collateral is valid and superior to any claims by the FDIC in the event of a failure or insolvency of the depository institution. In order to be recognized as valid by the FDIC, this agreement should be (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.

ADAIR COUNTY
NOTES TO FINANCIAL STATEMENT
July 31, 2025
(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 sheriff did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 66.480(1)(d), KRS 41.240(4), and 12 U.S.C.A § 1823(e). As of July 31, 2025, 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, 2024. Property taxes were billed to finance governmental services for the fiscal year ending June 30, 2025. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 1, 2024 through April 15, 2025.

B. Oil Property Taxes

The oil property tax assessments were levied as of January 1, 2024. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was December 12, 2024 through June 18, 2025.

C. Limestone, Sand, and Gravel Reserves

The limestone, sand, and gravel property tax assessments were levied as of January 1, 2024. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was December 12, 2024 through June 18, 2025.

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 October 1, 2024 through July 31, 2025.

Note 4. Taxing Districts

The sheriff collects property taxes for the state, county, schools, and other taxing districts. The schools taxing district consists of the Adair County School System. Other taxing districts consist of the Library, Extension, Health, Ambulance, Hospital, Soil Conservation, Breeding Fire, Kniffley Fire, and Columbia/Adair Fire taxing districts.

Note 5. Commission Rates

The sheriff is compensated by commissions for collecting property taxes for the taxing districts, as established by KRS 134.119. Commissions for the collection of state, county, and other taxing districts range from 1.0% to 4.25% under applicable statutes. Commissions on school taxes are negotiated between the sheriff and school districts, based on KRS 160.500, and range from 1.5% to 4.0%.

ADAIR COUNTY
NOTES TO FINANCIAL STATEMENT
July 31, 2025
(Continued)

Note 6. Amounts Due To Schools and Special Taxing Districts and/or Refunds Due Sheriff

The sheriff owes from the special taxing districts as follows:

\$2,060 Soil Conservation District

Note 7. Interest Income

The former Adair County Sheriff earned \$872 as interest income on 2024 taxes. The former sheriff was in substantial compliance with his statutory responsibilities.

Note 8. Sheriff's 10% Add-On Fee

The former Adair County Sheriff collected \$29,101 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the sheriff's office.

Note 9. Subsequent Events

The former sheriff resigned on July 31, 2025, and a new sheriff was appointed by the county judge/executive on August 1, 2025.

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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 Larry Russell Bryant, Adair County Judge/Executive
The Honorable Jamie Richard, Former Adair County Sheriff
The Honorable Gary Roy, Adair County Sheriff
Members of the Adair 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 former Adair County Sheriff's Settlement - 2024 Taxes for the period October 1, 2024 through July 31, 2025 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated September 1, 2026. The former Adair 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 former Adair 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 Adair County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Adair 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 2024-001 and 2024-002 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 former Adair 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*.

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

September 1, 2026

SCHEDULE OF FINDINGS AND RESPONSES

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ADAIR COUNTY
JAMIE RICHARD, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Period October 1, 2024 Through July 31, 2025

2024-001 The Former Adair County Sheriff's Office Did Not Have Adequate Segregation Of Duties Over Receipts, Disbursements, Recordkeeping, And Reconciliations

Condition and Context

The former Adair County Sheriff's Office did not have adequate segregation of duties over receipts, disbursements, and reconciliations. The bookkeeper collected tax payments from customers, assisted in the preparation of deposits, prepared daily collection printouts, maintained records, and posted to the receipts and disbursements ledgers. In addition, the bookkeeper prepared monthly tax reports, prepared and signed checks, filed documents, and performed monthly bank reconciliations. To compensate, all checks require two signatures, and the former sheriff reviewed and signed monthly reports and year end settlements.

Cause

According to the former sheriff, a limited budget places restrictions on the number of employees the sheriff's office could hire.

Effect

The lack of adequate segregation of duties increases the risk that errors could occur and not be detected.

Criteria

KRS 134.160(2)(a) states, "[t]he sheriff shall keep an accurate account of all moneys received and all disbursements made...." A strong system of internal controls is necessary to ensure accurate records and requires the segregation of incompatible duties. Segregation of duties is a basic internal control requiring key duties, such as recordkeeping, preparing and making deposits and preparing bank reconciliations, are segregated. The purpose of segregation of duties is to prevent and detect fraud, financial statement errors, and misuse of funds by dividing responsibilities among different individuals. If it is not practical to adequately segregate the financial duties, compensating controls should be established. Such controls could consist of supervisory reviewing activity and transactions.

Recommendations

We recommend the sheriff's office segregate duties over the receipt and reconciliation portions of the tax collection process where possible with limited staff. If these duties cannot be separated due to limited staff or limited budget, then strong oversight over those areas should occur and involve the sheriff or an employee not currently performing any of those functions. The individual providing this oversight should initial source documents as evidence of review.

Former Sheriff's Response: The former Sheriff did not provide a response.

ADAIR COUNTY
JAMIE RICHARD, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Period October 1, 2024 Through July 31, 2025
(Continued)

2024-002 The Former Adair County Sheriff Did Not Have Adequate Controls Over Financial Reporting
Resulting In A Material Misstatement

Condition and Context

The former Adair County Sheriff did not have adequate internal controls over financial reporting which resulted in failing to settle all tax collections charged to him while in office. The former Adair County Sheriff settled his tax collections through May 2025 and then retired from office on July 31, 2025. However, the former sheriff collected \$403,771 of franchise taxes in June that he failed to include on any tax settlement. There were no internal controls in place to alert the sheriff of this omission.

Cause

According to the former sheriff, the franchise collection period is variable, and he did not realize he needed to settle his franchise collections that occurred in June 2025.

Effect

By not having adequate controls over the financial reporting process and ensuring all accounts are settled, material tax collections collected by the former sheriff before his retirement were omitted from his tax settlement.

Criteria

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. If any sheriff resigns, dies, or otherwise vacates his or her office, the books and records shall be made available to the department, the county, and any other district for which the sheriff collects taxes within thirty (30) days from the date that the office is vacated. The annual settlement of the sheriff shall be audited in accordance with KRS 43.070, 64.810, and 134.193.” The lack of internal controls, including effective compensating controls, over the financial reporting function are basic internal controls necessary to ensure the accuracy and reliability of financial reports.

Recommendations

We recommend the sheriff’s office comply with KRS 134.192 and strengthen controls over financial reporting to ensure tax collection settlements are complete and accurate

Former Sheriff’s Response: The former Sheriff did not provide a response.