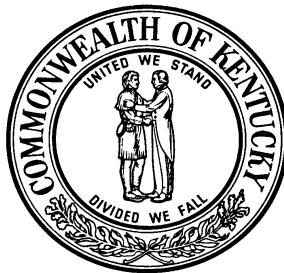


**REPORT OF THE AUDIT OF THE  
BATH COUNTY  
SHERIFF'S SETTLEMENT - 2023 TAXES**

**For The Period  
September 1, 2023 Through August 31, 2024**



**ALLISON BALL  
AUDITOR OF PUBLIC ACCOUNTS  
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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 Forrest McKenzie, Bath County Judge/Executive  
The Honorable Jessie Stewart, Bath County Sheriff  
Members of the Bath County Fiscal Court

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

##### **Opinions**

We have audited the accompanying Bath County Sheriff's Settlement - 2023 Taxes for the period September 1, 2023 through August 31, 2024 - Regulatory Basis, and the related notes to the financial statement, which collectively comprise the Bath 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 September 1, 2023 through August 31, 2024 of the Bath 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 Bath County Sheriff, for the period September 1, 2023 through August 31, 2024.

##### **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 Bath 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 Forrest McKenzie, Bath County Judge/Executive  
The Honorable Jessie Stewart, Bath County Sheriff  
Members of the Bath 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 Bath 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 Bath 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 Bath 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 Forrest McKenzie, Bath County Judge/Executive  
The Honorable Jessie Stewart, Bath County Sheriff  
Members of the Bath 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 Bath 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 October 1, 2025, on our consideration of the Bath 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 Bath 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:

2023-001 The Sheriff's Office Collected Taxes Prepared Using The Incorrect Rate For The Bath County Health District

Respectfully submitted,



Allison Ball  
Auditor of Public Accounts  
Frankfort, Ky

October 1, 2025

**BATH COUNTY  
JESSIE STEWART, SHERIFF  
SHERIFF'S SETTLEMENT - 2023 TAXES**

For The Period September 1, 2023 Through August 31, 2024

	Special Taxing			
	County	Districts	School	State
<b><u>Charges</u></b>				
Real Estate	\$ 399,785	\$ 1,557,992	\$ 2,200,725	\$ 436,663
Tangible	29,829	129,157	163,664	127,332
Total Per Sheriff's Official Receipt	<u>429,614</u>	<u>1,687,149</u>	<u>2,364,389</u>	<u>563,995</u>
<b><u>Other Taxes &amp; Charges</u></b>				
Court Ordered Increases	291	1,160	1,601	316
Franchise Taxes	59,942	228,946	329,299	
Additional Billings	1,954	7,992	10,557	2,194
Penalties	<u>2,760</u>	<u>12,433</u>	<u>15,274</u>	<u>4,910</u>
Gross Chargeable to Sheriff	494,561	1,937,680	2,721,120	571,415
<b><u>Credits</u></b>				
Exonerations	2,745	11,001	15,112	2,981
Discounts	7,134	29,009	39,308	8,822
Delinquent Real Estate	6,320	25,175	34,785	6,863
Delinquent Tangible	<u>243</u>	<u>866</u>	<u>1,338</u>	<u>776</u>
Total Credits	16,442	66,051	90,543	19,442
Taxes Collected	478,119	1,871,629	2,630,577	551,973
Less: Sheriff's Commissions*	<u>20,320</u>	<u>68,628</u>	<u>52,611</u>	<u>23,459</u>
Taxes Due Districts	457,799	1,803,001	2,577,966	528,514
Taxes Paid	446,207	1,844,308	2,517,450	527,250
Refunds (Current and Prior Year)	<u>11,601</u>	<u>47,845</u>	<u>60,522</u>	<u>1,272</u>
Taxes Due Districts (Refund Due Sheriff)	<u>\$ (9)</u>	<u>\$ (89,152)</u>	<u>\$ (6)</u>	<u>\$ (8)</u>
		**		

\* and \*\* See next page.

BATH COUNTY  
JESSIE STEWART, SHERIFF  
SHERIFF'S SETTLEMENT - 2023 TAXES  
For The Period September 1, 2023 Through August 31, 2024  
(Continued)

\* Commissions:

4.25% on	\$	2,158,198
4% on	\$	441,602
2% on	\$	2,630,577
1% on	\$	301,921

\*\* Special Taxing Districts:

Library District	\$	3
Health District		(89,024)
Extension District		2
Ambulance District		3
Fire District		<u>(136)</u>

Due Districts or (Refunds Due Sheriff)	\$	<u>(89,152)</u>
-------------------------------------------	----	-----------------

**BATH COUNTY  
NOTES TO FINANCIAL STATEMENT**

August 31, 2024

**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 Bath 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.

BATH COUNTY  
NOTES TO FINANCIAL STATEMENT  
August 31, 2024  
(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 Bath County Sheriff does not have a deposit policy for custodial credit risk, but rather follows the requirements of the *DLGCounty Budget Preparation and State Local Finance Officer Policy Manual*. As of August 31, 2024, all deposits were covered by FDIC insurance or a properly executed collateral security.

Note 3. Tax Collection Periods

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2023. Property taxes were billed to finance governmental services for the fiscal year ending June 30, 2024. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 27, 2023 through May 15, 2024.

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 16, 2023 through May 15, 2024.

Note 4. Interest Income

The Bath County Sheriff earned \$673 as interest income on 2023 taxes. The sheriff was in substantial compliance with his statutory responsibilities.

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

The Bath County Sheriff collected \$20,215 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the sheriff's office.

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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 Forrest McKenzie, Bath County Judge/Executive  
The Honorable Jessie Stewart, Bath County Sheriff  
Members of the Bath 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 Bath County Sheriff's Settlement - 2023 Taxes for the period September 1, 2023 through August 31, 2024 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated October 1, 2025. The Bath 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 Bath 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 Bath County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bath 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 are described in the accompanying Schedule of Findings and Responses as item 2023-001 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 Bath 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**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Bath County Sheriff's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. Bath County Sheriff's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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

October 1, 2025

## SCHEDULE OF FINDINGS AND RESPONSES

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BATH COUNTY  
JESSIE STEWART, SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES

For The Period September 1, 2023 Through August 31, 2024

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2023-001 The Sheriff's Office Collected Taxes Prepared Using The Incorrect Rate For The Bath County Health District

---

The Bath County Sheriff's Office collected taxes prepared using the incorrect tax rate for the Bath County Public Health District. The Bath County Clerk's Office prepared the property tax bills for the 2023 tax year using the rate of 9% for the health district instead of the correct rate of 7%. The sheriff's office did not discover the error until after the tax year had concluded. This resulted in the sheriff's office collecting a combined \$92,954 in extra taxes. Though the sheriff's office were not responsible for creating the tax bills, due to a lack of control over the collections process, the error was not caught when the sheriff's office reviewed the bills. Due to this error, the health district and the sheriff's fee account were overpaid, and taxpayers were overcharged.

Strong internal controls over the collections process require the sheriff to ensure tax bills collected by the office are correct. Having multiple employees check tax bills and comparing the bills to the original tax rate letters from the districts will prevent errors before the bills are paid.

We recommend the Bath County Sheriff collect the amount overpaid to the health district and fee account and refund the taxpayers for their overpayments. In addition, we recommend the sheriff have multiple employees check the tax bills once they are prepared and compare the rates to the forms sent in by the districts to ensure they are free from errors.

*Sheriff's Response: Myself and office staff will look closer at the tax rates that are turned in to the clerk's office.*