REPORT OF THE AUDIT OF THE HANCOCK COUNTY SHERIFF'S SETTLEMENT - 2024 TAXES

For The Period
September 1, 2024 Through August 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 Johnny Roberts, Jr., Hancock County Judge/Executive
The Honorable Ralph D. Bozarth, Hancock County Sheriff
Members of the Hancock County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Hancock County Sheriff's Settlement - 2024 Taxes for the period September 1, 2024 through August 31, 2025 - Regulatory Basis, and the related notes to the financial statement, which collectively comprise the Hancock 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, 2024 through August 31, 2025 of the Hancock 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 Hancock County Sheriff, for the period September 1, 2024 through August 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 Hancock 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
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The Honorable Johnny Roberts, Jr., Hancock County Judge/Executive
The Honorable Ralph D. Bozarth, Hancock County Sheriff
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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 Hancock 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 Hancock 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 Hancock 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
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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 Hancock 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 May 21, 2026, on our consideration of the Hancock 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 Hancock 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 Hancock County Sheriff's Office Does Not Have Adequate Segregation Of Duties Over Receipts, Disbursements, And Bank Reconciliations
2024-002 The Hancock County Sheriff's Tax Settlement For 2024 Was Materially Misstated

Respectfully submitted,

Allison Ball

Allison Ball
Auditor of Public Accounts
Frankfort, Ky

May 21, 2026

HANCOCK COUNTY
RALPH D. BOZARTH, SHERIFF
SHERIFF'S SETTLEMENT - 2024 TAXES

For The Period September 1, 2024 Through August 31, 2025

	County	Special Taxing Districts	School	State
Charges				
Real Estate	$ 223,835	$ 812,746	$ 3,911,788	$ 583,211
Tangible	119,351	406,387	1,564,351	1,933,693
Fire Protection	2,617			
Total Per Sheriff's Official Receipt	345,803	1,219,133	5,476,139	2,516,904
Other Taxes & Charges				
Court Ordered Increases	191	692	3,330	517
Franchise Taxes	55,549	157,794	751,427	
Additional Billings	3	12	59	9
Oil Property Taxes	311	1,127	5,427	806
2023 Oil Property Taxes	3	10	47	7
Limestone, Sand, and Gravel Reserves	56	202	970	144
Clay Property Taxes	1	4	19	3
Penalties	534	1,909	9,187	1,415
Gross Chargeable to Sheriff	402,451	1,380,883	6,246,605	2,519,805
Credits				
Exonerations	2,338	6,890	33,162	15,646
Discounts	4,742	16,870	76,327	24,393
Delinquent Real Estate	1,856	6,668	32,096	4,792
Delinquent Tangible	34	91	440	151
Delinquent Oil	10	36	173	26
Total Credits	8,980	30,555	142,198	45,008
Taxes Collected	393,471	1,350,328	6,104,407	2,474,797
Less: Sheriff's Commissions	16,723	57,389	91,566	105,179
Taxes Due Districts	376,748	1,292,939	6,012,841	2,369,618
Taxes Paid	376,518	1,292,089	6,008,784	2,368,994
Refunds (Current and Prior Year)	231	850	4,057	624
Taxes Due Districts (Refund Due Sheriff)	$ (1)	$ 0	$ 0	$ 0

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

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT

August 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 Hancock 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 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.

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 sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d), KRS 41.240(4), and 12 U.S.C.A § 1823(e). As of August 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 9, 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 16, 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 16, 2025.

D. Clay Property Taxes

The clay 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 16, 2025.

E. 2023 Oil Property Taxes

The oil property tax assessments were levied as of January 1, 2023. 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 16, 2025.

F. Franchise Taxes

The franchise tax assessments were levied by the Department of Revenue for various tax years. Franchise taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was May 1, 2024 through April 30, 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 Hancock School System. Other taxing districts consist of the health and library 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%.

Note 6. Interest Income

The Hancock County Sheriff earned $871 as interest income on 2024 taxes. The sheriff was in substantial compliance with his statutory responsibilities.

Note 7. Sheriff's 10% Add-On Fee

The Hancock County Sheriff collected $9,554 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 Johnny Roberts, Jr., Hancock County Judge/Executive
The Honorable Ralph D. Bozarth, Hancock County Sheriff
Members of the Hancock 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 Hancock County Sheriff's Settlement - 2024 Taxes for the period September 1, 2024 through August 31, 2025 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated May 21, 2026. The Hancock 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 Hancock 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 Hancock County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hancock 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.

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Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Hancock 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 2024-002.

Views of Responsible Official and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on the Hancock County Sheriff's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. Hancock 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

May 21, 2026

SCHEDULE OF FINDINGS AND RESPONSES

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HANCOCK COUNTY
RALPH D. BOZARTH, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Period September 1, 2024 Through August 31, 2025

2024-001 The Hancock County Sheriff's Office Does Not Have Adequate Segregation Of Duties Over Receipts, Disbursements, And Bank Reconciliations

Condition and Context

This is a repeat finding and was included in the prior year audit report as finding 2023-001. The Hancock County Sheriff's office has a lack of segregation of duties over the receipt and disbursement functions and preparing the bank reconciliations. The bookkeeper is responsible for the collection of cash, preparation of the daily deposit, and preparing the bank reconciliations. She is also responsible for the preparation of monthly reports and issuance of monthly tax distribution checks to each taxing district.

Cause

According to the sheriff this lack of segregation of duties is due to a limited number of employees available to properly segregate these job duties.

Effect

Because the bookkeeper handled all receipt and disbursement functions and compensating controls were not implemented, there was no documentation maintained for reconciling bank statements to monthly reports or the monthly reports to the ledgers.

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 key preventative internal control activity, and requires that key duties, such as recordkeeping, preparing and making deposits and preparing bank reconciliations, are performed by more than one person. 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 reviews of activity and transactions by supervisory personnel.

Recommendations

We recommend the sheriff separate the duties over the receipt and disbursement functions and preparation of bank reconciliations. If this is not possible, due to limited number of staff, 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 this review.

Sheriff's Response: Due to lack of staffing, we are unable to segregate the duties.

2024-002 The Hancock County Sheriff's Tax Settlement For 2024 Was Materially Misstated

Condition and Context

The Hancock County Sheriff's 2024 tax settlement did not accurately reflect all tax charges and credits associated with 2024 property and franchise tax collection period. Franchise tax collections for the periods of May 2024 through September 2024 totaling $403,617 and the corresponding payments of $308,212 were omitted from the 2024 tax settlement.

Cause

The bookkeeper thought these franchise tax collections and payments had been accounted for as part of the 2023 tax settlement.

Effect

Because of the failure of internal controls in the preparation of the annual tax settlement, the sheriff's settlement contained material misstatements that required adjustments to accurately reflect the taxes collected and taxes paid during the 2024 tax collection period.

Criteria

KRS 134.192(1) requires the sheriff to settle his or her accounts with each taxing district for which he or she collects taxes on or before September 1 of each year.

KRS 134.160(2)(a) states, "[t]he sheriff shall keep an accurate account of all moneys received and all disbursements made…." The preparation of an accurate annual tax settlement is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

Recommendations

We recommend the sheriff strengthens internal controls over the preparation of the annual tax settlement, which may include a thorough review of the tax settlement by an individual not involved in its preparation to help detect any misstatements that might occur.

Sheriff's Response: Some franchises were omitted by accident when completing settlement.