

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

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



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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 David Fields, Pendleton County Judge/Executive
The Honorable Jared Brewer, Pendleton County Sheriff
Members of the Pendleton County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Pendleton 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 Pendleton 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 Pendleton 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 Pendleton 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 Pendleton 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 David Fields, Pendleton County Judge/Executive
The Honorable Jared Brewer, Pendleton County Sheriff
Members of the Pendleton 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 Pendleton 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 Pendleton 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 Pendleton 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 David Fields, Pendleton County Judge/Executive
The Honorable Jared Brewer, Pendleton County Sheriff
Members of the Pendleton 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 Pendleton 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 June 11, 2025, on our consideration of the Pendleton 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 Pendleton 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 Pendleton County Sheriff’s Office Lacks Adequate Internal Controls Over Receipts, Disbursements, And Reconciliations

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

June 11, 2025

PENDLETON COUNTY
JARED BREWER, SHERIFF
SHERIFF'S SETTLEMENT - 2023 TAXES

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

| | Special Taxing | | | |
|--|----------------|--------------|--------------|------------|
| | County | Districts | School | State |
| <u>Charges</u> | | | | |
| Real Estate | \$ 998,773 | \$ 3,233,305 | \$ 4,641,377 | \$ 786,549 |
| Tangible | | | | 305,266 |
| Total Per Sheriff's Official Receipt | 998,773 | 3,233,305 | 4,641,377 | 1,091,815 |
| <u>Other Taxes & Charges</u> | | | | |
| Court Ordered Increases | 126 | 463 | 586 | 106 |
| Franchise Taxes | 118,750 | 433,298 | 551,546 | |
| Additional Billings | 155 | 453 | 707 | 127 |
| Limestone, Sand, and Gravel Reserves | 19,216 | 60,601 | 87,589 | 15,704 |
| Bank Franchises | 40,287 | | | |
| Penalties | 2,997 | 9,446 | 13,929 | 2,680 |
| Gross Chargeable to Sheriff | 1,180,304 | 3,737,566 | 5,295,734 | 1,110,432 |
| <u>Credits</u> | | | | |
| Exonerations | 2,168 | 6,655 | 10,075 | 1,833 |
| Discounts | 19,984 | 62,683 | 89,111 | 18,518 |
| Delinquent Real Estate | 9,827 | 30,099 | 45,663 | 8,209 |
| Delinquent Tangible | 498 | 2,037 | 2,313 | 313 |
| Additional Taxes - Uncollected | 143 | 801 | 664 | 27 |
| Total Credits | 32,620 | 102,275 | 147,826 | 28,900 |
| Taxes Collected | 1,147,684 | 3,635,291 | 5,147,908 | 1,081,532 |
| Less: Sheriff's Commissions* | 48,774 | 141,475 | 154,430 | 45,965 |
| Taxes Due Districts | 1,098,910 | 3,493,816 | 4,993,478 | 1,035,567 |
| Taxes Paid | 1,096,543 | 3,485,328 | 4,982,821 | 1,034,444 |
| Refunds (Current and Prior Year) | 2,365 | 8,594 | 10,647 | 1,124 |
| Taxes Due Districts (Refund Due Sheriff) | \$ 2 | \$ (106) | \$ 10 | \$ (1) |

**

* and ** See next page.

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

PENDLETON COUNTY
 JARED BREWER, SHERIFF
 SHERIFF'S SETTLEMENT - 2023 TAXES
 For The Period September 1, 2023 Through August 31, 2024
 (Continued)

* Commissions:

| | | |
|----------|----|-----------|
| 4.25% on | \$ | 4,870,538 |
| 4% on | \$ | 642,325 |
| 3% on | \$ | 5,147,908 |
| 1% on | \$ | 351,644 |

** Special Taxing Districts:

| | | |
|------------------------|----|-------|
| Library District | \$ | 3 |
| Health District | | 2 |
| Extension District | | 2 |
| Mental Health District | | (150) |
| Ambulance District | | 37 |
| | | <hr/> |

| | | |
|--|----|--------------|
| Due Districts or (Refund Due Sheriff) | \$ | <u>(106)</u> |
|--|----|--------------|

PENDLETON 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 Pendleton County Sheriff maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG's) *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.

PENDLETON 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 Pendleton County Sheriff does not have a deposit policy for custodial credit risk, but rather follows the requirements of DLG's *County 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 agreement.

Note 3. Tax Collection Period

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 September 29, 2023 through April 15, 2024.

B. 2022 Limestone, Sand, and Gravel Reserves

The 2022 limestone, sand, and gravel property tax assessments were levied as of January 1, 2022. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was May 19, 2023 through January 15, 2024.

C. 2023 Limestone, Sand, and Gravel Reserves

The 2023 limestone, sand, and gravel 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 January 13, 2024 through July 15, 2024.

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 June 1, 2023 through May 31, 2024.

Note 4. Interest Income

The Pendleton County Sheriff earned \$32,297 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 Pendleton County Sheriff collected \$24,028 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 David Fields, Pendleton County Judge/Executive
The Honorable Jared Brewer, Pendleton County Sheriff
Members of the Pendleton 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 Pendleton 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 June 11, 2025. The Pendleton 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 Pendleton 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 Pendleton County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pendleton 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 2023-001 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)

Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Pendleton 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 Pendleton County Sheriff's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. Pendleton 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

June 11, 2025

SCHEDULE OF FINDINGS AND RESPONSES

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PENDLETON COUNTY
JARED BREWER, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

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

INTERNAL CONTROL - MATERIAL WEAKNESS:

2023-001 The Pendleton County Sheriff's Office Lacks Adequate Internal Controls Over Receipts, Disbursements, And Reconciliations

This is a repeat finding and was included in the prior year audit report as finding 2022-001. The Pendleton County Sheriff's Office lacks adequate internal controls over tax receipts, disbursements, and reconciliations. The office manager, sheriff, and deputies receive tax payments from the public. The sheriff prepares deposit slips and related reports, records transactions in a deposit journal, and prepares monthly distribution reports and disbursement checks. Deposits are made by the sheriff, office manager, or a sworn deputy. No documentation exists to show independent review of receipt reports, deposit slips, monthly reports, or disbursement checks. The office does not maintain a general ledger or perform monthly bank reconciliations, although the sheriff does monitor activity online. Additionally, tax receipts are not consistently batched daily.

According to management, due to budget constraints and limited staffing, the sheriff's office has not established adequate segregation of duties within its internal control processes. Furthermore, the office has not implemented sufficient compensating controls to mitigate the risks associated with this lack of segregation. A lack of segregation of duties, documented review procedures, reconciliations, and daily batching of receipts increases the risk of undetected errors, misstatements, or misappropriation. The absence of monthly reconciliations and a general ledger reduces the reliability of financial records and limits the ability to detect and correct discrepancies in a timely manner.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." The lack of segregation of duties and failure to batch tax receipts daily are basic internal controls necessary to ensure the accuracy and reliability of financial reports. Segregation of duties helps prevent errors or fraud by ensuring no one person handles all aspects of a transaction. Daily batching of receipts ensures timely recording, helping detect discrepancies and improve the reliability of financial reports.

We recommend the Pendleton County Sheriff's Office strengthen internal controls over receipts, disbursements, and reconciliations by:

- Segregating the duties of collecting receipts, preparing deposits, posting transactions, preparing reports and disbursement checks, and performing reconciliations.
- If segregation of duties is not possible, implement and document compensating controls, such as independent review of deposit slips, daily reports, monthly reports, and disbursements.
- Maintaining a general ledger to track receipts, disbursements, and cash balances, and reconciling this ledger to bank statements monthly.
- Batching daily tax receipts and depositing them intact on a daily basis.

Sheriff's Response: Enhanced compensating controls have been implemented going forward. Multiple office members are now responsible for independently reviewing and verifying all receipts, disbursements, and reconciliations to ensure accuracy and correctness. Daily tax receipts are being batched and deposited daily. A general ledger will be maintained to track receipts, disbursements, and cash balances, and will be reconciled to the monthly bank statement. These review processes are being documented accordingly.