REPORT OF THE AUDIT OF THE FORMER ROBERTSON COUNTY SHERIFF'S SETTLEMENT - 2023 TAXES

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

ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov

209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE 502.564.5841
FACSIMILE 502.564.2912

<u>CONTENTS</u> PAGE

THIS PAGE LEFT BLANK INTENTIONALLY

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 Valerie Grigson Miley, Robertson County Judge/Executive
The Honorable Terry Gray, Former Robertson County Sheriff
The Honorable Randy Insko, Robertson County Sheriff
Members of the Robertson County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Robertson 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 former Robertson 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 former Robertson 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 Robertson 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 former Robertson 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.

209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE 502.564.5841
FACSIMILE 502.564.2912
AUDITOR.KY.GOV

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Valerie Grigson Miley, Robertson County Judge/Executive
The Honorable Terry Gray, former Robertson County Sheriff
The Honorable Randy Insko, Robertson County Sheriff
Members of the Robertson 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 Robertson 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 Robertson 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 Robertson 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 Valerie Grigson Miley, Robertson County Judge/Executive
The Honorable Terry Gray, Former Robertson County Sheriff
The Honorable Randy Insko, Robertson County Sheriff
Members of the Robertson 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 Robertson 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 12, 2026, on our consideration of the former Robertson 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 Robertson 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:

2023-001 The Former Sheriff's Office Did Not Have Adequate Segregation Of Duties
2023-002 The Former Sheriff's Office Did Not Prepare Daily Checkout Sheets And Did Not Make Daily Deposits

Respectfully submitted,

Allison Ball

Allison Ball
Auditor of Public Accounts
Frankfort, Ky

May 12, 2026

ROBERTSON COUNTY
TERRY GRAY, FOMER SHERIFF
SHERIFF'S SETTLEMENT - 2023 TAXES

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

		County		Special Taxing Districts		School		State
Charges								
Real Estate	$	112,459	$	306,540	$	603,581	$	89,730
Tangible								7,150
Total Per Sheriff's Official Receipt		112,459		306,540		603,581		96,880
Other Taxes & Charges								
Franchise Taxes		43,036		114,694		208,840		
Bank Franchises		4,133						
Penalties		664		1,808		3,550		544
Gross Chargeable to Sheriff		160,292		423,042		815,971		97,424
Credits								
Exonerations		410		1,118		2,210		345
Discounts		1,725		4,700		9,253		1,492
Delinquent Real Estate		1,640		4,467		8,777		1,285
Delinquent Tangible								87
Total Credits		3,775		10,285		20,240		3,209
Taxes Collected		156,517		412,757		795,731		94,215
Less: Sheriff's Commissions*		6,652		17,542		31,829		4,004
Taxes Due Districts		149,865		395,215		763,902		90,211
Taxes Paid		149,824		395,102		763,678		90,177
Refunds (Current and Prior Year)		41		113		224		34
Taxes Due Districts	$	0	$	0	$	0	$	0

* Commissions:

4.25% on	$	663,489
4% on	$	795,731

ROBERTSON 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 former Robertson 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.

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 Robertson County Sheriff did not have a deposit policy for custodial credit risk, but rather followed the requirements of the DLG *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. <u>Property Taxes</u>

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 28, 2023 through April 15, 2024.

B. <u>Franchise Taxes</u>

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 September 1, 2023 through August 31, 2024.

Note 4. Interest Income

The former Robertson County Sheriff earned $194 as interest income on 2023 taxes. The former sheriff was in substantial compliance with his statutory responsibilities.

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

The former Robertson County Sheriff collected $3,670 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the sheriff's office.

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*

THIS PAGE LEFT BLANK INTENTIONALLY

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 Valerie Grigson Miley, Robertson County Judge/Executive
The Honorable Terry Gray, Former Robertson County Sheriff
The Honorable Randy Insko, Robertson County Sheriff
Members of the Robertson 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 Robertson 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 May 12, 2026. The former Robertson 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 Robertson 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 Robertson County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Robertson 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 2023-001 and 2023-002 to be material weaknesses.

209 St. Clair Street
Frankfort, KY 40601-1817
Telephone 502.564.5841
Facsimile 502.564.2912
auditor.ky.gov

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the former Robertson County Sheriff's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2023-002.

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 12, 2026

SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

ROBERTSON COUNTY
TERRY GRAY, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

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

FINANCIAL STATEMENT FINDINGS:

2023-001 The Former Sheriff's Office Did Not Have Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2022-001. The former sheriff's office did not have adequate segregation of duties. The employee responsible for handling tax receipts also recorded the receipts in the ledger, prepared bank deposits, and performed monthly bank reconciliations. Furthermore, this same employee prepared the disbursement checks and was responsible for preparing monthly reports that document the amounts to be paid to each taxing district. According to the former sheriff, this condition was a result of a limited budget which restricted the number of employees the sheriff could hire or delegate duties to. Having the same employee performing these functions increases the risk of undetected errors or fraud.

The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

The former sheriff should have segregated the duties in his office for handling receipts, disbursements, and bank reconciliations. If this was not possible, the former sheriff should have implemented compensating controls to help mitigate the lack of adequate segregation of duties to a control deficiency. The former sheriff could have agreed the daily collection report to the deposits and have the bookkeeper co-sign all checks. Also, the former sheriff could have reviewed and signed the bank reconciliations.

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

2023-002 The Former Sheriff Did Not Prepare Daily Checkout Sheets And Did Not Make Daily Deposits

The former sheriff did not prepare daily checkout sheets and did not make daily deposits; however, amounts reported on the combined checkout sheets were properly documented and deposited. We tested one week of daily receipts for October 16, 2024 through October 20, 2024, and noted the following exceptions:

- Tax collections for October 16, 2024, were combined with October 17, 2024, and the combined deposit of $15,724 cleared the bank on October 17, 2024.
- Tax collections for October 18, 2024, were combined with October 19, 2024, and the combined deposit of $48,21 cleared the bank on October 19, 2024..
- One tax bill collected on October 19, 2024, was added to the collections report for October 20, 2024. The combined deposit of $20,478 cleared the bank on October 20, 2024.

The former sheriff failed to implement proper oversight and review procedures to ensure that receipts were being deposited daily. Failure to prepare daily checkout sheets and deposit receipts daily increases the risk that funds will be lost, stolen, or otherwise misappropriated.

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-002 The Former Sheriff Did Not Prepare Daily Checkout Sheets And Did Not Make Daily Deposits (Continued)

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department of Local Governments (DLG's) *County Budget Preparation and State Local Finance Officer Policy Manual,* page 64 sets forth the minimum requirements for local officials handling public funds and requires "daily deposits intact into a federally insured banking institution."

Management implementing procedures to ensure that all receipts are accounted and deposited daily is a basic internal control necessary to ensure compliance with requirements from the DLG, and ensures the accuracy and reliability of financial reports.

We recommend the sheriff's office prepare daily checkout sheets and make daily deposits as required per DLG's guidance.

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