

**REPORT OF THE AUDIT OF THE  
BALLARD COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2016**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



**EXECUTIVE SUMMARY**  
**AUDIT OF THE**  
**BALLARD COUNTY FISCAL COURT**

**June 30, 2016**

The Auditor of Public Accounts has completed the audit of the Ballard County Fiscal Court for fiscal year ended June 30, 2016.

We have issued a qualified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Ballard County Fiscal Court.

**Financial Condition:**

The Ballard County Fiscal Court had total receipts of \$5,642,746 and disbursements of \$6,439,577 in fiscal year 2016. This resulted in a total ending fund balance of \$1,225,764, which is an increase of \$428,505 from the prior year.

**Findings:**

- 2016-001 The Ballard County Fiscal Court Has Material Weaknesses Over The Health Reimbursement Account Which Resulted In Misuse
- 2016-002 The Ballard County Fiscal Court Has Material Weaknesses Over Cash And Financial Reporting
- 2016-003 The Ballard County Fiscal Court Is Not Properly Maintaining The Payroll Revolving Account
- 2016-004 The Ballard County Fiscal Court Has Material Weaknesses And Noncompliances Regarding Payroll And Timekeeping
- 2016-005 The Ballard County Fiscal Court Did Not Distribute Federal Tax Liabilities Properly
- 2016-006 The Ballard County Fiscal Court Did Not Properly Withhold Retirement From Employees' Checks And Did Not Properly Report And Pay Withholdings To CERS
- 2016-007 The Ballard County Fiscal Court Has Material Weaknesses Over Disbursements
- 2016-008 The Ballard County Fiscal Court Failed To Advertise For Bids As Required By The Ballard County Administrative Code And KRS 424.260
- 2016-009 The Ballard County Fiscal Court Failed To Pay Invoices Within 30 Working Days
- 2016-010 The Ballard County Fiscal Court Did Not Pay Off Short-term Notes By The End Of The Fiscal Year As Required
- 2016-011 The Ballard County Fiscal Court Failed To Properly Notify The State Local Debt Officer Before Entering Into Short Term Notes
- 2016-012 The Ballard County Fiscal Court Has Material Weaknesses Over The Reporting Of Liabilities And Debt
- 2016-013 The Ballard County Fiscal Court Has Weak Internal Controls Over Capital Assets Which Resulted In The Omission Of Capital Asset Additions And Retirements From The County's Schedule Of Capital Assets
- 2016-014 The Ballard County Detention Center Has Internal Control Weaknesses And Noncompliances Over The Jail Inmate Account
- 2016-015 The Ballard County Detention Center Lacks Segregation Of Duties Over Jail Commissary Operations
- 2016-016 The Ballard County Jailer Failed To Maintain The Minimum Accounting Records For The Jail Commissary

**Deposits:**

The fiscal court deposits were insured and collateralized by bank securities.

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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Todd Cooper, Ballard County Judge/Executive

The Honorable Vickie Viniard, Former Ballard County Judge/Executive

Members of the Ballard County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Ballard County Fiscal Court, for the year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Ballard County Fiscal Court's financial statement as listed in the table of contents.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.



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### **Auditor's Responsibility (Continued)**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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 Ballard County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government 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.

### **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 paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Ballard County Fiscal Court as of June 30, 2016, or changes in financial position or cash flows thereof for the year then ended.

### **Basis For Qualified Opinion on Regulatory Basis of Accounting**

Ballard County's Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis, includes the fund balance of the payroll revolving account as part of the general fund. The payroll revolving account did not have adequate supporting account records in order to determine an accurate amount of receivables and liabilities. Since the accounting records for the payroll revolving account were not adequate, the financial information presented for the fund balance of the Ballard County General Fund cannot be determined to be reasonably accurate.

### **Qualified Opinion on Regulatory Basis of Accounting**

In our opinion, except for the possible effects of the matters discussed in the Basis for Qualified Opinion On Regulatory Basis of Accounting paragraph, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Ballard County Fiscal Court as of June 30, 2016, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.



To the People of Kentucky

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## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Ballard County Fiscal Court. The Budgetary Comparison Schedules and Capital Asset Schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules and Capital Asset Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules and Capital Asset Schedule are fairly stated in all material respects in relation to the financial statement as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2017, on our consideration of the Ballard County Fiscal Court'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 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 Ballard County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying Schedule of Findings and Responses included herein, which discusses the following report findings:

- 2016-001 The Ballard County Fiscal Court Has Material Weaknesses Over The Health Reimbursement Account Which Resulted In Misuse
- 2016-002 The Ballard County Fiscal Court Has Material Weaknesses Over Cash And Financial Reporting
- 2016-003 The Ballard County Fiscal Court Is Not Properly Maintaining The Payroll Revolving Account
- 2016-004 The Ballard County Fiscal Court Has Material Weaknesses And Noncompliances Regarding Payroll And Timekeeping
- 2016-005 The Ballard County Fiscal Court Did Not Distribute Federal Tax Liabilities Properly
- 2016-006 The Ballard County Fiscal Court Did Not Properly Withhold Retirement From Employees' Checks And Did Not Properly Report And Pay Withholdings To CERS
- 2016-007 The Ballard County Fiscal Court Has Material Weaknesses Over Disbursements
- 2016-008 The Ballard County Fiscal Court Failed To Advertise For Bids As Required By The Ballard County Administrative Code And KRS 424.260
- 2016-009 The Ballard County Fiscal Court Failed To Pay Invoices Within 30 Working Days

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**Other Reporting Required by *Government Auditing Standards* (Continued)**

- 2016-010 The Ballard County Fiscal Court Did Not Pay Off Short-term Notes By The End Of The Fiscal Year As Required
- 2016-011 The Ballard County Fiscal Court Failed To Properly Notify The State Local Debt Officer Before Entering Into Short Term Notes
- 2016-012 The Ballard County Fiscal Court Has Material Weaknesses Over The Reporting Of Liabilities And Debt
- 2016-013 The Ballard County Fiscal Court Has Weak Internal Controls Over Capital Assets Which Resulted In The Omission Of Capital Asset Additions And Retirements From The County's Schedule Of Capital Assets
- 2016-014 The Ballard County Detention Center Has Internal Control Weaknesses And Noncompliances Over The Jail Inmate Account
- 2016-015 The Ballard County Detention Center Lacks Segregation Of Duties Over Jail Commissary Operations
- 2016-016 The Ballard County Jailer Failed To Maintain The Minimum Accounting Records For The Jail Commissary

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

December 6, 2017

BALLARD COUNTY OFFICIALS

For The Year Ended June 30, 2016

**Fiscal Court Members:**

Vicki Viniard	County Judge/Executive
Delaine Hazelwood	Magistrate
Steve Cooper	Magistrate
Robert Renfrow	Magistrate
John Summers	Magistrate
Stonnie Dennis	Magistrate

**Other Elected Officials:**

Vicki Hayden	County Attorney
Donnie Hall	Jailer
Lynn Lane	County Clerk
Holly Dunker	Circuit Court Clerk
Carey Batts	Sheriff
Anita Campbell	Property Valuation Administrator
Robert Morrow	Coroner

**Appointed Personnel:**

Belinda Foster	County Treasurer (July 1, 2015 through December 28, 2015)
Leslie Story	County Treasurer (December 29, 2015 through June 30, 2016)
Angela VanCleve	Finance Officer

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**BALLARD COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2016**

**BALLARD COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2016**

	<b>Budgeted Funds</b>			
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Disaster Emergency Services Fund</b>
<b>RECEIPTS</b>				
Taxes	\$ 1,205,912	\$	\$	\$
In Lieu Tax Payments	11,863			
Excess Fees	39,152			
Licenses and Permits	10,294			
Intergovernmental	143,912	1,582,063	642,577	27,818
Charges for Services			41,716	
Miscellaneous	49,778	65,576	62,056	743
Interest	1,869	285	17,860	11
<b>Total Receipts</b>	<b>1,462,780</b>	<b>1,647,924</b>	<b>764,209</b>	<b>28,572</b>
<b>DISBURSEMENTS</b>				
General Government	975,484			
Protection to Persons and Property	22,691		853,872	28,854
General Health and Sanitation	15,770	134,755		17,622
Social Services	3,465			
Recreation and Culture	9,600			
Roads		1,559,202		
Debt Service	600,000	230,923		
Capital Projects				
Administration	529,458	225,503	186,632	3,544
<b>Total Disbursements</b>	<b>2,156,468</b>	<b>2,150,383</b>	<b>1,040,504</b>	<b>50,020</b>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(693,688)	(502,459)	(276,295)	(21,448)
<b>Other Adjustments to Cash (Uses)</b>				
Change in Payroll Revolving Account	15,336			
Borrowed Money	600,000	400,000		
Transfers From Other Funds	616,000	649,897	321,500	14,000
Transfers To Other Funds	(462,071)	(492,800)		
<b>Total Other Adjustments to Cash (Uses)</b>	<b>769,265</b>	<b>557,097</b>	<b>321,500</b>	<b>14,000</b>
Net Change in Fund Balance	75,577	54,638	45,205	(7,448)
Fund Balance - Beginning (Restated)	46,718	11,678	(14,081)	10,852
Fund Balance - Ending	<b>\$ 122,295</b>	<b>\$ 66,316</b>	<b>\$ 31,124</b>	<b>\$ 3,404</b>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 33,256	\$ 66,316	\$ 32,280	\$ 3,404
Payroll Revolving Account Balance (See Note 11)	106,751			
Less: Outstanding Checks	(17,712)		(1,156)	
Certificates of Deposit				
Investments				
Fund Balance - Ending	<b>\$ 122,295</b>	<b>\$ 66,316</b>	<b>\$ 31,124</b>	<b>\$ 3,404</b>

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

**BALLARD COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2016**  
**(Continued)**

<u>Budgeted Funds</u>		<u>Unbudgeted Funds</u>			<u>Internal Service Fund</u>	
<u>Ambulance Fund</u>	<u>Occupational Tax Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>	<u>Medical Reimbursement Fund</u>	
\$	\$ 1,160,621	\$	\$	\$ 2,366,533	\$	
				11,863		
				39,152		
				10,294		
12,400		129,429		2,538,199		
402,809				444,525		
209			20,037	198,399	92,800	
54	5,401	8,301		33,781	92	
<u>415,472</u>	<u>1,166,022</u>	<u>137,730</u>	<u>20,037</u>	<u>5,642,746</u>	<u>92,892</u>	
	80,220			1,055,704		
532,955				1,438,372		
				168,147		
				3,465		
			22,898	32,498		
				1,559,202		
17,253	7,559	203,540		1,059,275		
	30,131			30,131		
<u>147,646</u>				<u>1,092,783</u>	<u>32,084</u>	
<u>697,854</u>	<u>117,910</u>	<u>203,540</u>	<u>22,898</u>	<u>6,439,577</u>	<u>32,084</u>	
<u>(282,382)</u>	<u>1,048,112</u>	<u>(65,810)</u>	<u>(2,861)</u>	<u>(796,831)</u>	<u>60,808</u>	
				15,336		
	210,000			1,210,000		
343,000	69,800	67,373		2,081,570		
	(1,126,699)			(2,081,570)		
<u>343,000</u>	<u>(846,899)</u>	<u>67,373</u>		<u>1,225,336</u>		
60,618	201,213	1,563	(2,861)	428,505	60,808	
(14,108)	529,769	216,496	9,935	797,259	14,438	
<u>\$ 46,510</u>	<u>\$ 730,982</u>	<u>\$ 218,059</u>	<u>\$ 7,074</u>	<u>\$ 1,225,764</u>	<u>\$ 75,246</u>	
\$ 48,826	\$ 202,755	\$ 9,147	\$ 7,746	\$ 403,730	\$ 75,246	
				106,751		
(2,316)			(672)	(21,856)		
	528,227			528,227		
		208,912		208,912		
<u>\$ 46,510</u>	<u>\$ 730,982</u>	<u>\$ 218,059</u>	<u>\$ 7,074</u>	<u>\$ 1,225,764</u>	<u>\$ 75,246</u>	

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

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENT**

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**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2016**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Ballard County includes all budgeted and unbudgeted funds under the control of the Ballard County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

**B. Basis of Accounting**

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Disaster Emergency Services Fund - The primary purpose of this fund is to account for the grants and related disbursements when disaster and emergency events occur. The primary sources of receipts for this fund are grants from the state and federal governments.

Ambulance Fund - The primary purpose of this fund is to account for funds received and disbursed in the operation of the ambulance services provided by the county.

Occupational Tax Fund - The primary purpose of this fund is to account for payroll tax receipts and expenses. The occupational tax fund may be used for general purpose expenses which the county budgeted for general government, debt service, capital projects, and administration for the fiscal year or transferred to other operating funds.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The primary purpose of this fund is to account for debt service requirements of the revenue bonds issued to fund construction of public buildings.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1). The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

**Internal Service Fund**

Medical Reimbursement Fund - This fund was established to account for health reimbursement accounts (HRA) offered to the Ballard County employees who waive the county's health insurance. If an employee elects not to participate in the county's health insurance program, their employer's monthly health premium contribution is deposited and held in their name to be used by the employee for qualifying medical expenses.

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Information (Continued)**

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

The State Local Finance Officer does not require the public properties corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. Ballard County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Ballard County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the Board of Education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Ballard County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**F. Deposits and Investments**

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county 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).

**G. Long-term Obligations**

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 2. Deposits**

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC 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 county 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.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2016.

	General Fund	Road Fund	Occupational Tax Fund	Total Transfers In
General Fund	\$ 424,898	\$ 352,000	\$ 264,000	\$ 616,000
Road Fund			224,999	649,897
Jail Fund	16,000	28,000	277,500	321,500
DES Fund	5,000		9,000	14,000
Ambulance Fund	15,000	43,000	285,000	343,000
Occupational Tax Fund		69,800		69,800
Public Properties Corporation Fund	1,173		66,200	67,373
Total Transfers Out	<u>\$ 462,071</u>	<u>\$ 492,800</u>	<u>\$ 1,126,699</u>	<u>\$ 2,081,570</u>

**Reason for transfers:**

To move resources from and to the general fund and other funds, for budgetary purposes, to the funds that will expend them.

**Note 4. Agency Trust Fund**

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2016, was \$17,083.

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 5. Short-term Debt**

**A. Financial Agreement - Operating Loan**

On April 17, 2014, Ballard County entered into a financing agreement with First Community Bank for the purpose of operating funds in Ballard County. The principal of the note is \$300,000 with a maturity date of December 31, 2014. On January 12, 2015, the maturity date was extended to March 30, 2015. As of June 30, 2016, the note was paid in full.

**B. Financial Agreement - Operating Loan**

On June 12, 2014, Ballard County entered into a financing agreement with First Community Bank for the purpose of operating funds in Ballard County. The principal of the note is \$150,000 with a maturity date of December 31, 2014. On January 12, 2015 the maturity date was extended to March 30, 2015. As of June 30, 2016, the note was paid in full.

**C. Financial Agreement - Operating Loan**

On October 14, 2015, Ballard County entered into a financing agreement with First Community Bank for the purpose of paying off the original short term promissory note dated April 17, 2014. The principal of the note is \$300,000 with a maturity date of April 6, 2016. As of June 30, 2016, the note was paid in full.

**D. Financial Agreement - Operating Loan**

On January 27, 2016, Ballard County entered into a financing agreement with First Community Bank for the purpose of funding the All Funds Accounts. The principal of the note is \$210,000 with a maturity date of January 26, 2017. As of June 30, 2016, the note was outstanding.

**E. Financial Agreement - Operating Loan**

On April 18, 2016, Ballard County entered into a financing agreement with First Community Bank for the purpose of paying off the short term promissory note dated October 14, 2015. The principal of the note is \$300,000 with a maturity date of January 6, 2017. As of June 30, 2016, the note was outstanding.

**F. Changes In Short-term Debt**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Promissory Notes	<u>\$ 450,000</u>	<u>\$ 810,000</u>	<u>\$ 750,000</u>	<u>\$ 510,000</u>	<u>\$ 510,000</u>
Total Short-term Debt	<u>\$ 450,000</u>	<u>\$ 810,000</u>	<u>\$ 750,000</u>	<u>\$ 510,000</u>	<u>\$ 510,000</u>

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 6. Long-term Debt**

**A. Courthouse Facility First Mortgage Refunding Revenue Bonds, Series 2007**

The Ballard County Public Properties Corporation issued First Mortgage Refunding Revenue Bonds, Series 2007, dated February 8, 2007, for the purpose of 1) advance refunding all of the outstanding Series 1995B bonds issued by the Ballard County Public Properties Corporation; and 2) paying the cost of issuance on the bonds. As of June 30, 2007, the Series 1995B bonds had been called. Ballard County issued \$1,675,000 of refinancing bonds, the proceeds of which were used to discharge all prior bonds. As of June 30, 2016, outstanding bond principal was \$195,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 195,000	\$ 3,656
Total	<u>\$ 195,000</u>	<u>\$ 3,656</u>

**B. Financing Agreement - Ambulance**

On January 19, 2012, Ballard County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of an ambulance to be used in Ballard County. The principal of the lease is \$79,999 with repayment to be made over a six year period. Principal payments are due monthly on the twentieth of each month in variable amounts; interest plus associated fees are due monthly in variable amounts. As of June 30, 2016, outstanding lease principal was \$31,717. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 11,960	\$ 1,195
2018	12,359	643
2019	<u>7,398</u>	<u>112</u>
Totals	<u>\$ 31,717</u>	<u>\$ 1,950</u>

**C. Financing Agreement - Ambulance Equipment**

On October 3, 2012, Ballard County entered into a financing agreement with U.S. Bank Equipment Finance for the purchase of ambulance equipment. The principal of the lease is \$14,079 with repayment to be made over a four year period. Principal payments are due monthly on the thirtieth of each month. As of June 30, 2016, outstanding lease principal was \$1,282. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 1,282	\$ 13
Total	<u>\$ 1,282</u>	<u>\$ 13</u>

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**D. Financing Agreement - Tractor Mower**

On August 11, 2010, Ballard County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a tractor mower to be used in Ballard County. The principal of the lease is \$97,436 with repayment to be made over a five year period. Principal payments are due monthly on the twentieth of each month in variable amounts; interest plus associated fees are due monthly in variable amounts. As of June 30, 2016, this lease was paid in full.

**E. Financing Agreement - Trucks/Bush Hog/Salt Spreader**

On April 25, 2014, Ballard County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of two trucks, a bush hog, and a salt spreader to be used in Ballard County. The principal of the lease is \$67,685 with repayment to be made over a five year period. Principal payments are due monthly on the twentieth of each month in variable amounts; interest plus associated fees are due monthly in variable amounts. As of June 30, 2016, outstanding lease principal was \$39,678. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 13,602	\$ 1,322
2018	14,037	777
2019	12,039	219
Totals	<u>\$ 39,678</u>	<u>\$ 2,318</u>

**F. Financing Agreement - Trucks**

On July 8, 2015, Ballard County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a John Deere Motor grader, a Kubota tractor, and a 2015 Freightliner truck to be used in Ballard County. The principal of the lease is \$400,000 with repayment to be made over a seven year period. Principal payments are due monthly on the twentieth of each month in variable amounts; interest plus associated fees are due monthly in variable amounts. As of June 30, 2016, outstanding lease principal was \$352,813. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 53,777	\$ 12,229
2018	55,372	10,199
2019	57,013	8,108
2020	58,703	5,956
2021	60,444	3,739
2022-2023	67,504	1,474
Totals	<u>\$ 352,813</u>	<u>\$ 41,705</u>

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**G. Changes In Long-Term Debt**

Long-term Debt activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 385,000	\$	\$ 190,000	\$ 195,000	\$ 195,000
Financing Obligations	104,740	400,000	79,250	425,490	80,621
Total Long-term Debt	<u>\$ 489,740</u>	<u>\$ 400,000</u>	<u>\$ 269,250</u>	<u>\$ 620,490</u>	<u>\$ 275,621</u>

**Note 7. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous duty positions in the county. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.06 percent.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute five percent (nonhazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2014 was \$451,915, FY 2015 was \$386,952, and FY 2016 was \$399,741.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.



**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KRS also issues a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/Employers/Resources/Pages/GASB.aspx>. The complete actuarial valuation report including all actuarial assumptions and methods is also available on the website or can be obtained as described in the paragraph above.

**Note 8. Deferred Compensation**

For the year ended June 30, 2016, the Ballard County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 9. Health Reimbursement Account/Flexible Spending Account**

The Ballard County Fiscal Court established a flexible spending account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$2,700 each year to pay for qualified medical expenses during January 1 through December 31, 2015. Beginning January 1, 2016, the county provided \$2,000 each year to pay for qualified medical expenses. The balance of the plan as of June 30, 2016, is \$44,418.

**Note 10. Insurance**

For the fiscal year ended June 30, 2016, the Ballard County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 11. Payroll Revolving Account**

The balance of the payroll revolving account as of June 30, 2016, \$106,751, was added to the general fund cash balance for financial reporting purposes. The balance consists of the June 30, 2016 payroll bank account balance of \$241,809, less outstanding checks of \$880, and known liabilities of \$134,178.

**Note 12. Related Party Transactions**

The Ballard County Fiscal Court conducted business with a mowing service that was owned and operated by the son and nephew of two of the county magistrates. During fiscal year, the county paid \$11,020 to this mowing service.

**Note 13. Prior Period Adjustments**

	<u>General Fund</u>	<u>Road Fund</u>	<u>DES Fund</u>	<u>Ambulance Fund</u>	<u>Occupational Tax Fund</u>	<u>Medical Reimbursement Fund</u>
Ending Cash Balance Prior Year	\$ 46,109	\$ 11,606	\$ 10,308	\$ (14,207)	\$ 529,619	\$ 14,439
Adjustments:						
Prior Year Voided Checks	609	72	544	99	151	
Rounding					(1)	(1)
Beginning Fund Balance - Restated	<u>\$ 46,718</u>	<u>\$ 11,678</u>	<u>\$ 10,852</u>	<u>\$ (14,108)</u>	<u>\$ 529,769</u>	<u>\$ 14,438</u>

**Note 14. Subsequent Events**

**A. Senior Citizens Center**

On October 3, 2016, Ballard County entered into a financing agreement with Kentucky Association of Counties Leasing Trust to finance part of the construction of the Ballard County Senior Citizens Center. The principal of the lease is \$500,000, and requires monthly interest payments for a period of five years. The total principal amount is due with the final interest payment.

**BALLARD COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 14. Subsequent Events (Continued)**

**B. Federal Tax Liability**

On June 22, 2017, Ballard County paid \$103,391 to the Internal Revenue Service (IRS) to settle federal tax withholdings that were not turned over properly. The majority of this amount was paid from an account consisting of \$90,471 that had been refunded by the IRS and was being held for this purpose.

**C. Pending Litigation**

Ballard County is involved in a civil suit, whereby a county ambulance was involved in a traffic accident. This case is still in the preliminary stages at this time.

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**BALLARD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2016**

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**BALLARD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2016**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,007,761	\$ 1,061,538	\$ 1,205,912	\$ 144,374
In Lieu Tax Payments	15,056	15,056	11,863	(3,193)
Excess Fees	49,000	49,000	39,152	(9,848)
Licenses and Permits	1,300	1,300	10,294	8,994
Intergovernmental	607,964	640,364	143,912	(496,452)
Miscellaneous	26,197	26,197	49,778	23,581
Interest	2,400	2,400	1,869	(531)
Total Receipts	<u>1,709,678</u>	<u>1,795,855</u>	<u>1,462,780</u>	<u>(333,075)</u>
<b>DISBURSEMENTS</b>				
General Government	947,160	995,826	975,484	20,342
Protection to Persons and Property	24,828	25,528	22,691	2,837
General Health and Sanitation	23,872	23,872	15,770	8,102
Social Services	7,500	7,500	3,465	4,035
Recreation and Culture	30,000	30,000	9,600	20,400
Debt Service	365,500	365,500	600,000	(234,500)
Capital Projects	500,000	500,000		500,000
Administration	587,023	623,834	529,458	94,376
Total Disbursements	<u>2,485,883</u>	<u>2,572,060</u>	<u>2,156,468</u>	<u>415,592</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	<u>(776,205)</u>	<u>(776,205)</u>	<u>(693,688)</u>	<u>82,517</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	490,430	490,430	616,000	125,570
Transfers To Other Funds	(114,225)	(114,225)	(462,071)	(347,846)
Borrowed Money	350,000	350,000	600,000	250,000
Total Other Adjustments to Cash (Uses)	<u>726,205</u>	<u>726,205</u>	<u>753,929</u>	<u>27,724</u>
Net Change in Fund Balance	(50,000)	(50,000)	60,241	110,241
Fund Balance - Beginning	<u>50,000</u>	<u>50,000</u>	<u>(44,697)</u>	<u>(94,697)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,544</u>	<u>\$ 15,544</u>

**BALLARD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2016**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,002,548	\$ 1,744,513	\$ 1,582,063	\$ (162,450)
Miscellaneous	129,224	129,224	65,576	(63,648)
Interest	200	200	285	85
Total Receipts	<u>1,131,972</u>	<u>1,873,937</u>	<u>1,647,924</u>	<u>(226,013)</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	105,176	140,123	134,755	5,368
Roads	1,066,322	1,422,232	1,559,202	(136,970)
Debt Service	168,373	366,695	230,923	135,772
Administration	281,500	434,286	225,503	208,783
Total Disbursements	<u>1,621,371</u>	<u>2,363,336</u>	<u>2,150,383</u>	<u>212,953</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(489,399)</u>	<u>(489,399)</u>	<u>(502,459)</u>	<u>(13,060)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	294,399	294,399	649,897	355,498
Transfers To Other Funds			(492,800)	(492,800)
Borrowed Money	185,000	185,000	400,000	215,000
Total Other Adjustments to Cash (Uses)	<u>479,399</u>	<u>479,399</u>	<u>557,097</u>	<u>77,698</u>
Net Change in Fund Balance	(10,000)	(10,000)	54,638	64,638
Fund Balance - Beginning	<u>10,000</u>	<u>10,000</u>	<u>11,678</u>	<u>1,678</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 66,316</u>	<u>\$ 66,316</u>



**BALLARD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2016**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 648,000	\$ 648,000	\$ 642,577	\$ (5,423)
Charges for Services	32,500	32,500	41,716	9,216
Miscellaneous	40,500	40,500	62,056	21,556
Interest	100	100	17,860	17,760
Total Receipts	<u>721,100</u>	<u>721,100</u>	<u>764,209</u>	<u>43,109</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	866,137	872,072	853,872	18,200
Administration	196,075	199,140	186,632	12,508
Total Disbursements	<u>1,062,212</u>	<u>1,071,212</u>	<u>1,040,504</u>	<u>30,708</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(341,112)</u>	<u>(350,112)</u>	<u>(276,295)</u>	<u>73,817</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	341,112	341,112	321,500	(19,612)
Total Other Adjustments to Cash (Uses)	<u>341,112</u>	<u>341,112</u>	<u>321,500</u>	<u>(19,612)</u>
Net Change in Fund Balance		(9,000)	45,205	54,205
Fund Balance - Beginning			<u>(14,081)</u>	<u>(14,081)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (9,000)</u>	<u>\$ 31,124</u>	<u>\$ 40,124</u>

**BALLARD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2016**  
**(Continued)**

	<b>DISASTER EMERGENCY SERVICES FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 83,230	\$ 83,230	\$ 27,818	\$ (55,412)
Miscellaneous	17,696	17,696	743	(16,953)
Interest			11	11
Total Receipts	<u>100,926</u>	<u>100,926</u>	<u>28,572</u>	<u>(72,354)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	88,682	80,682	28,854	51,828
General Health and Sanitation	13,200	23,543	17,622	5,921
Administration	12,043	9,700	3,544	6,156
Total Disbursements	<u>113,925</u>	<u>113,925</u>	<u>50,020</u>	<u>63,905</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(12,999)</u>	<u>(12,999)</u>	<u>(21,448)</u>	<u>(8,449)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	12,999	12,999	14,000	1,001
Total Other Adjustments to Cash (Uses)	<u>12,999</u>	<u>12,999</u>	<u>14,000</u>	<u>1,001</u>
Net Change in Fund Balance			(7,448)	(7,448)
Fund Balance - Beginning			<u>10,852</u>	<u>10,852</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,404</u>	<u>\$ 3,404</u>

**BALLARD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2016**  
**(Continued)**

	<b>AMBULANCE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 20,838	\$ 20,838	\$ 12,400	\$ (8,438)
Charges for Services	469,922	469,922	402,809	(67,113)
Miscellaneous	11,000	11,000	209	(10,791)
Interest			54	54
Total Receipts	<u>501,760</u>	<u>501,760</u>	<u>415,472</u>	<u>(86,288)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	622,000	603,064	532,955	70,109
Debt Service		17,253	17,253	
Administration	147,000	166,683	147,646	19,037
Total Disbursements	<u>769,000</u>	<u>787,000</u>	<u>697,854</u>	<u>89,146</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(267,240)</u>	<u>(285,240)</u>	<u>(282,382)</u>	<u>2,858</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>267,240</u>	<u>267,240</u>	<u>343,000</u>	<u>75,760</u>
Total Other Adjustments to Cash (Uses)	<u>267,240</u>	<u>267,240</u>	<u>343,000</u>	<u>75,760</u>
Net Change in Fund Balance		(18,000)	60,618	78,618
Fund Balance - Beginning			<u>(14,108)</u>	<u>(14,108)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (18,000)</u>	<u>\$ 46,510</u>	<u>\$ 64,510</u>

**BALLARD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2016**  
**(Continued)**

	<b>OCCUPATIONAL TAX FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,154,025	\$ 1,154,025	\$ 1,160,621	\$ 6,596
Interest	17,000	17,000	5,401	(11,599)
Total Receipts	<u>1,171,025</u>	<u>1,171,025</u>	<u>1,166,022</u>	<u>(5,003)</u>
<b>DISBURSEMENTS</b>				
General Government	380,190	364,190	80,220	283,970
Debt Service	951,007	951,007	7,559	943,448
Capital Projects	521,333	537,333	30,131	507,202
Administration	402,999	375,999		375,999
Total Disbursements	<u>2,255,529</u>	<u>2,228,529</u>	<u>117,910</u>	<u>2,110,619</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,084,504)</u>	<u>(1,057,504)</u>	<u>1,048,112</u>	<u>2,105,616</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	228,450	228,450	69,800	(158,650)
Transfers To Other Funds	(1,520,405)	(1,520,405)	(1,126,699)	393,706
Borrowed Money	350,000	350,000	210,000	(140,000)
Total Other Adjustments to Cash (Uses)	<u>(941,955)</u>	<u>(941,955)</u>	<u>(846,899)</u>	<u>95,056</u>
Net Change in Fund Balance	(2,026,459)	(1,999,459)	201,213	2,200,672
Fund Balance - Beginning	<u>2,026,459</u>	<u>2,026,459</u>	<u>529,769</u>	<u>(1,496,690)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 27,000</u>	<u>\$ 730,982</u>	<u>\$ 703,982</u>

**BALLARD COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2016**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

**Note 2. Reconciliation of the General Fund**

The Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis differs from the Budgetary Comparison Schedule for the General Fund in Other Adjustments to Cash (Uses) due to the revolving payroll account balance, as noted below.

Other Adjustments to Cash (Uses) - Budgetary Basis	\$ 753,929
To adjust for Change in Payroll Revolving Account	<u>15,336</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u>\$ 769,265</u>
Fund Balance Ending - Budgetary Basis	\$ 15,544
To adjust for Payroll Revolving Account Balance	<u>106,751</u>
Total Fund Balance - Ending - Regulatory Basis	<u>\$ 122,295</u>

**Note 3. Excess of Disbursements Over Appropriations**

General fund debt service disbursements exceeded budgeted appropriations by \$234,500.

Road fund roads disbursements exceeded budgeted appropriations by \$136,970.

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**BALLARD COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2016**

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**BALLARD COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2016**

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 221,845	\$	\$	\$ 221,845
Buildings	5,954,728			5,954,728
Vehicles and Equipment	1,950,402	396,857	95,276	2,251,983
Infrastructure	2,706,021	475,926		3,181,947
Total Capital Assets	<u>\$ 10,832,996</u>	<u>\$ 872,783</u>	<u>\$ 95,276</u>	<u>\$ 11,610,503</u>

**BALLARD COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - SCHEDULE OF CAPITAL ASSETS**

**June 30, 2016**

**Note 1. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-20
Machinery and Equipment	\$ 25,000	3-10
Vehicles	\$ 25,000	1-10
Infrastructure	\$ 25,000	10-30

**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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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Todd Cooper, Ballard County Judge/Executive  
The Honorable Vickie Viniard, Former Ballard County Judge/Executive  
Members of the Ballard County Fiscal Court

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

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 Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Ballard County Fiscal Court for the fiscal year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Ballard County Fiscal Court's financial statement and have issued our report thereon dated December 6, 2017, wherein we issued a qualified opinion. Since the accounting records for the payroll revolving account were not adequate, the financial information presented for the fund balance of the Ballard County General Fund cannot be determined to be reasonably accurate.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Ballard County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Ballard County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ballard County Fiscal Court'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 over financial reporting 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 and another deficiency that we consider to be a significant deficiency.

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 2016-001, 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-012, 2016-013, and 2016-014 to be material weaknesses.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards*  
(Continued)

**Internal Control Over Financial Reporting (Continued)**

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2016-015 to be a significant deficiency.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Ballard County Fiscal Court's financial statement is free of 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 determination of financial statement amounts. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2016-004, 2016-005, 2016-008, 2016-009, 2016-010, 2016-011, 2016-014, and 2016-016.

**Views of Responsible Officials and Planned Corrective Action**

Ballard County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

**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,



Mike Harmon  
Auditor of Public Accounts

December 6, 2017

**BALLARD COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2016**

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**BALLARD COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**

**Fiscal Year Ended June 30, 2016**

**FINANCIAL STATEMENT FINDINGS:**

2016-001 The Ballard County Fiscal Court Has Material Weaknesses Over The Health Reimbursement Account Which Resulted In Misuse

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This is a repeat finding and was included in the prior year audit report as finding 2015-001. The following findings were noted with Ballard County's health reimbursement account for the fiscal year ending June 30, 2016:

- The former treasurer received duplicate payments totaling \$233.
- The county made reimbursements that do not qualify under IRS guidelines to employees, including non-prescription massages and over-the-counter medicine.
- Lack of fiscal court approval for reimbursements.
- During the first half of the year, employees were not required to submit reimbursement forms prior to being reimbursed for medical expenses.
- No formal policy over health reimbursements.
- A lack of segregation of duties over the health reimbursement account.

During fiscal year 2016, the health reimbursement account was maintained by the county treasurer for those employees who waived the county's health insurance coverage. Each month, the county contributed \$500 for each employee who participates. These funds were then used to reimburse participating employees for medical expenses.

Strong internal controls and a written policy governing the health reimbursement account are vital in ensuring that it is accounted for properly and that all reimbursement amounts are appropriate and qualify under federal guidelines. They are also important in protecting the county's assets and those given the responsibility of accounting for them. Lack of strong internal controls and written policies resulted in the weaknesses identified above.

In response to these findings, we make the following recommendations:

- Ballard County should adopt a formal policy in compliance with federal guidelines that governs health reimbursement accounts offered to employees who waive the county's health insurance.
- The county should implement strong fiscal court oversight and monitoring of the account and ledgers, ensuring all disbursements are properly supported, properly approved, properly recorded, and valid according to the county's HRA policy.
- All claims submitted by employees for reimbursement should be subject to review and approval in order to ensure employees are only reimbursed once for any medical expenses.
- The county should maintain accurate ledgers, detailing reimbursement amounts issued to employees who waive the county's insurance coverage.
- The county should eliminate all reimbursements for non-qualifying expenses according to IRS guidelines.

**Views of Responsible Official and Planned Corrective Action:**

*County Judge/Executive's Response: The Health Reimbursement Account has been closed. All employee health benefits are maintained by a vendor, and the treasurer reconciles monthly vendor statements.*

**BALLARD COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-002 The Ballard County Fiscal Court Has Material Weaknesses Over Cash And Financial Reporting

This is a repeat finding and was included in the prior year audit report as finding 2015-002. The county's Fourth Quarter Financial Report and the County Treasurer's Settlement were both materially misstated. According to the county's Fourth Quarter Financial Report, the total fund balance of all budgeted operating funds was \$341,174 as of June 30, 2016. The former county treasurer's annual settlement for fiscal year 2016 reported a total fund balance of \$374,190 for budgeted funds, a variance of \$33,016 between the two reports. The audited financial statement reports an ending fund balance of \$1,000,631 for budgeted funds, a variance of \$659,457 with the Fourth Quarter Financial Report and \$626,441 with the former treasurer's settlement.

The variances and misstatements noted are the result of a weak internal control system over the cash and financial reporting system. Because of this weak internal control system, the transactions posted to the receipts and disbursements ledgers are not always in agreement with the actual transaction amounts, especially with payroll transactions and transfers. When the amounts posted to the receipts and disbursements ledgers do not agree with actual transactions, these misstatements occur.

Strong internal controls over cash and financial reporting are vital in ensuring the county's financial reports accurately reflect the financial activity of the county. To remedy the misstatements associated with cash and financial reporting, we recommend the county implement stronger internal controls. Internal controls such as a thorough review of the receipts and disbursements ledgers and bank reconciliations by someone independent of the accounting function can help detect misstatements and errors that have occurred. This review should include tracing transactions posted to the receipts and disbursements ledgers to actual bank statement transactions. It should also include agreeing fund balances between the quarterly report and bank reconciliations, checking for mathematical accuracy, and verification of bank reconciliation amounts. Once the ledgers and reconciliations are deemed accurate, the reviewer should document that fact, and submit the review to the fiscal court for approval. By implementing these procedures, the fiscal court can strengthen its internal control system, and help ensure accurate financial reporting.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The current county treasurer submits all monthly and quarterly reports for review to the fiscal court and Judge Executive. The reports are true and accurate statements of accounts, and are reconciled with current bank balances, and the budget is balanced monthly. Budget transfers are all submitted, reviewed, and approved by the fiscal court. These reports are reviewed by other County officials and the fiscal court, periodically, to cross check that the monthly and quarterly statements are correct and reconciled with bank balances.*

2016-003 The Ballard County Fiscal Court Is Not Properly Maintaining The Payroll Revolving Account

This is a repeat finding and was included in the prior year audit report as finding 2015-003. Ballard County's payroll revolving account had a June 30, 2016, known reconciled balance of \$106,751, consisting of the following:

Bank Balance	\$ 241,809
Less:	
Outstanding Checks	(880)
Liabilities	(134,178)
Reconciled Balance	<u>\$ 106,751</u>

**BALLARD COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-003 The Ballard County Fiscal Court Is Not Properly Maintaining The Payroll Revolving Account  
 (Continued)

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The noted known liabilities consist of \$61,412 of payroll withholdings and county contributions, including federal, state, and local income taxes, Social Security, Medicare, retirement, insurance, and deferred compensation. Liabilities also consist of \$72,766 in amounts owed to operating funds for July 2016 payroll. The county failed to realize the importance of strong internal controls over the payroll account, and instead relied on a single employee without sufficient oversight. The payroll revolving account and records have not been properly maintained, resulting in the above balance. Because the county has failed to properly maintain the payroll revolving account, the county's fourth quarter financial statement may be misstated.

Due to the nature of revolving accounts, the reconciled balance of the payroll fund should be \$0, or possibly a small reserve balance if the county so chooses. Strong internal controls over the account should be implemented to ensure that proper amounts are transferred timely. Should a balance accrue in the payroll revolving account, the county should allocate this balance to the appropriate funds.

We recommend the fiscal court implement strong internal controls over the payroll revolving account. These controls should include somebody independent of the payroll function verifying proper payroll amounts are transferred to the payroll revolving account from the corresponding operating funds prior to each pay period. These controls should also include verifying that withholdings amounts and county contributions are handled properly, and paid over to the proper authorities timely, and that any accumulated balance is properly allocated and reflected on the county's financial statement.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Before payroll checks are issued to any individual employees, the Treasurer issues withholding checks to the each proper authority, and the judge executive signs off on the withholding checks. After these checks are issued to the proper authority for withholdings, the payroll checks are signed by the treasurer and finance officer or county judge and distributed to the individual employees. The payroll and payroll expenses are reviewed monthly by the Fiscal Court, as a third system of checks and balances. To strengthen internal controls, the treasurer, finance officer, and judge will not sign and issue any individual employee checks, until after the proper withholding checks are issued.*

2016-004 The Ballard County Fiscal Court Has Material Weaknesses And Noncompliances Regarding Payroll And Timekeeping

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This is a repeat finding and was included in the prior year audit report as finding 2015-006. During fiscal year 2016, the Ballard County Fiscal Court had material weaknesses and noncompliances surrounding payroll and timekeeping.

The following findings were noted with Ballard County's payroll:

- Of the individuals selected for testing, three employees' pay did not agree with the rate approved by the fiscal court.
- Three additional hours of overtime were given to the road supervisor each week regardless of the amount of hours actually worked.
- Overtime hours were not properly attributed to two ambulance service employees as required by KRS 337.285(1).

**BALLARD COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-004 The Ballard County Fiscal Court Has Material Weaknesses And Noncompliances Regarding Payroll And Timekeeping (Continued)

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- Of the individuals selected for testing, one employee's timesheet did not agree with the payroll earnings report.
- Of the individuals selected for testing, one employee did not have a timesheet as required by KRS 337.320(1)(b), four employees' timesheets were not signed by the employee or the supervisor, and four employees' timesheets were not signed by the supervisor signifying approval.
- Personnel files were incomplete as to withholdings authorizations.
- FICA wages did not agree with the amounts reported on the 2015 IRS W-2 forms for four of the individuals selected for testing.
- The backs of cancelled checks, to verify proper endorsements, were not provided with the payroll fund bank statements.
- Of individuals selected for testing, leave balances were not maintained for two employees.
- The former county treasurer was compensated twice for the same training incentive.

Strong internal controls over payroll and timekeeping are vital in ensuring that payroll amounts are calculated and accounted for properly. Strong internal controls are also important in safeguarding the county's assets and those given the responsibility of accounting for them, as well as helping make certain the county is in compliance with state statutes. KRS 337.320(1) requires that "[e]very employer shall keep a record of: (a) The amount paid each pay period of each employee; (b) The hours worked each day and each week by each employee; and (c) Such other information the commissioner requires." Also, KRS 337.285(1) states "[n]o employer shall employ any of his employees for a work week longer than forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed." Rather than implement a strong internal control system, the Ballard County Fiscal Court relied on a single employee without sufficient oversight. As a result, the aforementioned findings occurred.

We make the following recommendations to address these findings:

- The fiscal court should implement controls to ensure employees' pay agrees to the rate on the salary schedule approved by the fiscal court. Any adjustments to this schedule should be properly reflected in the fiscal court minutes and included in employees' personnel files.
- Overtime should be awarded to all employees based on hours actually worked, including any applicable overtime in accordance with KRS 337.285(1).
- Timesheets should be maintained by all non-exempt employees as required by KRS 337.320(1)(b). Timesheets should document the hours worked each day and each week by each employee.
- All timesheets should be signed by the corresponding employee and his or her supervisor.
- Personnel files should be complete as to all withholding authorizations and updated when any changes occur.
- Year-end IRS Form W-2 reports should agree with annual earnings records.
- The fiscal court should require the bank to provide the backs of cancelled checks with the bank statements.
- Leave balances should be maintained for all employees.
- An individual independent of the payroll process should review payroll transactions, including payroll checks, to verify that amounts have been calculated properly and that they are properly supported.

**BALLARD COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
Fiscal Year Ended June 30, 2016  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-004 The Ballard County Fiscal Court Has Material Weaknesses And Noncompliances Regarding Payroll And Timekeeping (Continued)

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- The fiscal court should consult with the county attorney about seeking reimbursement from the former county treasurer for being compensated twice for the same training incentive, and regarding payroll discrepancies.

By implementing the above recommendations, the county can strengthen its internal control system over payroll and timekeeping and reduce the risks of noncompliance and payroll errors. Such procedures will also protect the county against potential payroll disputes.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We have began to implement a pay scale for the road dept, ambulance service, and 911 center. The treasurer reviews all employees time cards before issuing payroll checks. We have had numerous meetings, soon to be five, with dept. heads to correct errors in payroll, over time, c-time, sick time, and vacation time and how all these areas will be paid. The fiscal court reviews all time cards of the treasurer and finance officer. We have implemented a new policy manual effective 07/01/2017, to help employees and dept heads to correct payroll and time keeping errors, from the past.*

2016-005 The Ballard County Fiscal Court Did Not Distribute Federal Tax Liabilities Properly

---

This is a repeat finding and was included in the prior year audit report as finding 2015-007. During fiscal year 2016, federal tax withholding and employer contributions were not properly turned over to the Internal Revenue Service (IRS) correctly or timely. For most pay periods, federal tax withholdings and employer contributions were held more than one month before being turned over to the IRS. Additionally, there was at least one pay period that auditors could not determine if these amounts were ever turned over.

Strong internal controls over the payroll process are essential in ensuring that employee withholdings and employer contributions are turned over to the appropriate taxing authorities. In addition, *Publication 15 Employer's Tax Guide (Circular E)* and *Notice 931 Deposit Requirements For Employment Taxes* issued by the IRS require employers who are semiweekly schedule depositors to deposit federal taxes accumulated on taxes for payroll paid on Wednesday, Thursday, or Friday by the following Wednesday and federal taxes accumulated on taxes for payroll paid on Monday or Tuesday by the following Friday. The Ballard County Fiscal Court failed to implement such internal controls and instead relied on a single employee without sufficient oversight. As a result, federal taxes, including Social Security and Medicare, were not distributed in accordance with the federal deposit withholding deposit schedule as determined by *Employers Tax Guide* published by the IRS.

We recommend the fiscal court implement internal controls over federal tax liabilities. Internal controls such as a thorough review of payroll earnings records should be performed by an individual independent of the payroll process. This review should include a comparison of the federal tax payment report worksheets to payroll summaries of each pay period to verify that federal taxes are properly submitted to the IRS. Once completed, the review should be signed by the individual performing the review, and submitted to the county judge/executive and fiscal court.

**BALLARD COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-005 The Ballard County Fiscal Court Did Not Distribute Federal Tax Liabilities Properly (Continued)

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We have implemented proper payroll withholding system that is double checked before payroll is issued to individual employees, to pay withholdings to the IRS. We have hired a private accounting firm to contact the IRS for Ballard Co. to resolve past years federal withholding issues. We are in the process of resolving all past issues with federal withholdings.*

2016-006 The Ballard County Fiscal Court Did Not Properly Withhold Retirement From Employees' Checks And Did Not Properly Report And Pay Withholdings To CERS

This is a repeat finding and was included in the prior year audit report as finding 2015-008. Retirement was not properly reported or withheld from Ballard County employees.

The following errors or problems were noted with the county's retirement benefits:

- The amounts reported for gross salaries on the retirement reports did not agree with gross salaries per the payroll summaries.
- The county's retirement contribution amount paid per the Fourth Quarter Report did not agree with the retirement reports for the fiscal year.
- The county's retirement contribution for three retired employees was not reported nor paid on the retirement reports to the County Employees Retirement System (CERS).
- The additional one percent employee contribution for employees hired on or after September 1, 2008, was properly withheld from four employees' wages, but it was not properly reported or turned over to CERS.
- Two employees had withholdings and matching reported on the monthly CERS reports, but amounts were not withheld from employee's wages.
- Two employees' retirement withholdings and matching were not reported on the monthly CERS report.
- Two employee's retirement withholdings did not agree with the monthly CERS report.
- One employee was excluded from the retirement report.

A strong internal control system over retirement is essential in ensuring that retirement benefits are calculated, reported, and paid over to CERS properly. Because the county did not devote sufficient resources to internal controls over retirement benefits, and instead relied on a single employee without sufficient oversight, the aforementioned errors occurred.

In order to strengthen internal controls over retirement, we recommend, an individual independent of the payroll process, reconcile the monthly retirement reports to monthly payroll summaries. This reconciliation should include tying all wage and retirement amounts on the retirement report to the payroll summary. This reconciliation should then be reviewed by the county judge/executive and/or the fiscal court. Once the retirement report and payroll summary are deemed accurate, retirement benefits should be submitted to CERS timely.

Because of their nature and severity, the findings associated with retirement will be referred to CERS.

**BALLARD COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-006 The Ballard County Fiscal Court Did Not Properly Withhold Retirement From Employees' Checks And Did Not Properly Report And Pay Withholdings To CERS (Continued)

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Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We have been in contact with CERS. We are currently being audited by CERS for past years improper payroll withholding problems. When the CERS audit is complete, we will submit to any findings they may have with our agency. Currently we are compliant with CERS withholding requirements.*

2016-007 The Ballard County Fiscal Court Has Material Weaknesses Over Disbursements

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This is a repeat finding and was included in the prior year audit report as finding 2015-010. Material weaknesses exist over the disbursements of Ballard County.

The following exceptions were noted during testing:

- Seven disbursements, totaling \$20,332 had no supporting documentation.
- Eight disbursements, totaling \$2,506 had insufficient supporting documentation.
- 36 disbursements, totaling \$345,277 were not presented to the fiscal court prior to payment.
- 75 disbursements, totaling \$64,483 did not have a properly executed purchase order as required by the county's administrative code.

Strong internal controls over disbursements are essential in ensuring disbursements are properly approved and recorded. They are also vital to ensuring that all disbursements are for the official business of the county. The fiscal court failed to place an emphasis on having a strong internal control system over disbursements. By having weak internal controls over disbursements, the above exceptions occurred. Also, the county assumes a higher risk of misstatement and fraud.

Because of their importance, we recommend the county strengthen internal controls over disbursements. By requiring all disbursements to have proper supporting documentation and fiscal court approval prior to payment, the county can strengthen its internal controls system and reduce the risks associated with disbursements.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We have implemented a new po system, which should remedy past disbursement issues.*

2016-008 The Ballard County Fiscal Court Failed To Advertise For Bids As Required By The Ballard County Administrative Code And KRS 424.260

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This is a repeat finding and was included in the prior year audit report as finding 2015-012. The county approved disbursements for road resurfacing without going through the bid process. Three disbursements for road resurfacing totaling \$475,928 were made without first making an advertisement requesting bids.

**BALLARD COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-008 The Ballard County Fiscal Court Failed To Advertise For Bids As Required By The Ballard County Administrative Code And KRS 424.260 (Continued)

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Ballard County's Administrative Code states, "The Judge Executive, with the assistance of Department Heads, shall annually prepare a list of supplies and materials that the county expects to purchase where the value of which is \$20,000 or more. This list shall be made available to vendors who will be requested to submit their bids for such items for the forthcoming fiscal year." Additionally, KRS 424.260(1) prohibits a county from entering into a contract for materials or services "involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids." The county overlooked this requirement because of the lack of resurfacing contractors in the area; therefore, the county is noncompliant with their administrative code and KRS 424.260.

We recommend the county follow the administrative code set by the Ballard County Fiscal Court and KRS 424.260 by advertising for bids on all disbursements for applicable goods or services in excess of \$20,000.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: When we realized we were not compliant, we began implementing the KRS 424.260 bid process. The 2017 audit will reflect we were not compliant as well. We have started a system of bidding and future audits should reflect total compliance.*

2016-009 The Ballard County Fiscal Court Failed To Pay Invoices Within 30 Working Days

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This is a repeat finding and was included in the prior year audit report as finding 2015-013. The Ballard County Fiscal Court failed to pay all invoices within 30 working days as required by KRS 65.140. Out of the 95 disbursements that were tested, three disbursements, totaling \$303,403 were not paid within 30 days. Additionally, six invoices were not stamped when received; therefore, no determination could be made if these invoices were paid within the 30-day period. According to KRS 65.140(2), "[u]nless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor." Because the county failed to pay claims within 30 working days of the receipt of an invoice with no evidence of a contract between the county and its vendors or a written letter of disapproval, the county was not in compliance with KRS 65.140. We recommend the county comply with KRS 65.140 by paying all claims within 30 working days of the receipt of a vendor's invoice. We also recommend the county stamp the date received on claims and invoices in order to help the county ensure compliance.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: In September of 2017, the Ballard Fiscal Court began conducting two monthly meetings to comply with paying invoices in a timely manner, as required.*



**BALLARD COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-010 The Ballard County Fiscal Court Did Not Pay Off Short-term Notes By The End Of The Fiscal Year As Required

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This is a repeat finding and was included in the prior year audit report as finding 2015-014. The Ballard County Fiscal Court took out three short-term notes payable during the 2016 fiscal year. As of June 30, 2016, two notes totaling \$510,000 remained outstanding. Two of these notes were taken out to pay off previous notes. The other note was used to fund county operations. While such short-term notes are allowable, KRS 65.7707 requires the notes to “mature on a date determined by the governing body which shall be no later than the last day of the fiscal year in which the notes are issued.”

The fiscal court failed to pay off two of the notes that were initiated during the fiscal year and as a result, the county was not compliant with KRS 65.7707. We recommend the fiscal court comply with KRS 65.7707 by satisfying short-term debt obligations by the maturity date set by the banking institution, which should be no later than the end of the fiscal year.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: The bank notes have been paid in full. In the future, we will not borrow any monies without notifying all parties, and we will make timely payments as required by KRS 65.7707.*

2016-011 The Ballard County Fiscal Court Failed To Properly Notify The State Local Debt Officer Before Entering Into Short Term Notes

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The Ballard County Fiscal Court took out three short-term notes payable during the 2016 fiscal year without giving the proper notification to the state local debt officer. Two of these notes were taken out to pay off previous notes. The other note was used to fund county operations. While such short-term notes are allowable under statute, KRS 65.117(1) states, “[n]o city, county, urban-county, consolidated local government, charter county, or special purpose governmental entity as defined in KRS 65A.010 shall enter into any financing obligation of any nature. . .without first notifying the state local debt officer in writing.” The fiscal court failed to know and understand the state statutes governing short-term notes, and as a result, the fiscal court is not compliant with KRS 65.117. We recommend the fiscal court comply with KRS 65.117 by making the proper notification to the state local debt officer prior to issuing any sort of debt instrument.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: The bank notes have been paid in full. In the future, we will not borrow any monies without notifying all parties, as required by KRS 65.117.*

2016-012 The Ballard County Fiscal Court Has Material Weaknesses Over The Reporting Of Liabilities And Debt

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This is a repeat finding and was included in the prior year audit report as finding 2015-015. Material weaknesses existed over the reporting of liabilities and debt of Ballard County. The June 30, 2016 outstanding debt balances reported on the Fourth Quarter Financial Report were misstated when compared to the actual debt balances confirmed with lenders. According to the Fourth Quarter Financial Report, total long-term liabilities were \$1,324,207 as of June 30, 2016. Long-term liabilities had an audited balance of \$620,489, which caused a variance of \$703,718.

**BALLARD COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-012 The Ballard County Fiscal Court Has Material Weaknesses Over The Reporting Of Liabilities And Debt (Continued)

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Strong internal controls over outstanding debt and liabilities are necessary to ensure accurate financial reporting. The county failed to have a strong internal control system over liabilities and debt service, and instead relied upon a single employee without sufficient oversight. As a result, the county's Fourth Quarter Financial Report was materially misstated. We recommend the county strengthen internal controls over the reporting of debt service payments and outstanding balances. Internal controls, such as comparisons of payment amounts and outstanding balances to amortization and payment schedules, should be implemented.

We also recommend the county consult with lenders to verify outstanding debt balances are in agreement with the county's schedule of leases and liabilities. Such practices will strengthen internal controls over liabilities and debt service and ensure that proper amounts are reported.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We have implemented controls over borrowing for future projects. All past unreported liabilities have been repaid in full. All monthly and quarterly reports are closely monitored by other county officials and are published for review. The reports include all investments and all liabilities.*

2016-013 The Ballard County Fiscal Court Has Weak Internal Controls Over Capital Assets Which Resulted In The Omission Of Capital Asset Additions And Retirements From The County's Schedule Of Capital Assets

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This is a repeat finding and was included in the prior year audit report as finding 2015-016. Material weaknesses existed over the reporting of capital assets and infrastructure of Ballard County. The county's schedule of capital assets and infrastructure for the period of audit failed to recognize all asset purchases that occurred throughout the year. Vehicles and equipment additions were understated by \$135,557. Infrastructure additions were overstated by \$55,332. Also, the county treasurer failed to remove a retirement of \$95,276 from vehicles and equipment.

Strong internal controls over capital assets are necessary to ensure accurate financial reporting and to protect assets from misappropriation. The county failed to emphasize strong internal controls over the reporting of capital assets and infrastructure, and instead relied on a single employee without sufficient supervision. By having weak internal controls over capital assets, they are left vulnerable to misappropriation or misstatement. In this case, misstatements were able to occur without detection.

In order to strengthen the county's internal controls over capital assets, we recommend the county establish a detailed inventory system. This system should include a detailed description of each county asset, an inventory control number or serial number, the date acquired, purchase price, location, date destroyed or sold as surplus, and a brief description of why the asset was discarded. The inventory of county assets should be updated throughout the year as new assets are acquired and old assets are retired. We also recommend the county conduct a physical inspection of the county's assets at the end of each year to make comparisons to the county's list of inventoried assets.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We have implemented a capital asset schedule and maintain it with our county inventory files.*

**BALLARD COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-014 The Ballard County Detention Center Has Internal Control Weaknesses And Noncompliances Over The Jail Inmate Account

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This is a repeat finding and was included in the prior year audit report as finding 2015-017. During fiscal year 2016, material weaknesses and noncompliances were noted for the jail inmate account.

The following findings were noted with the jail inmate account:

- Receipts are not issued in triplicate in accordance with KRS 64.840.
- Receipt forms are not batched daily in accordance with 68.210.
- Receipts and disbursements ledgers are not properly maintained.
- Receipts are not deposited daily.
- Detailed inmate reports are not maintained that document the nature of inmate transactions, therefore auditors were unable to determine the validity of inmate transactions.

Six days of receipts were tested in April while the jail was using one software program for a total of \$6,279. Of those six days, all six days' receipts were issued in duplicate, they were not batched daily, the numerical sequence was not accounted for, and no daily checkout sheets were maintained. Five days of receipts were tested in November while the jail was using a different software program for a total of \$2,251. Of those five days, manual receipts were issued in duplicate, they were not batched daily, and the numerical sequence was not accounted for.

According to KRS 64.840, all county officials shall issue receipt forms upon the receipt of any fine, forfeiture, tax, or fee. KRS 68.210 gives the State Local Finance Officer the authority to prescribe minimum accounting and reporting standards. These minimum accounting and reporting standards, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, require at the end of each business day the jailer or assigned personnel to separate receipts into categories, and make daily deposits into a federally insured banking institution. In addition to state statute, a good internal control system allows for a trail of funds from receipt to disbursement. Because the Ballard County Detention Center lacks adequate controls over receipts, the failure to maintain proper records over the jail inmate accounts could result in receipts being distributed incorrectly between the jail commissary account, county treasurer, and inmate accounts.

We recommend the jailer comply with KRS 64.840 and KRS 68.210 by issuing receipt forms for all receipts and depositing them daily. We also recommend the jailer maintain proper accounting records and reports to support the source of these funds, their intended purpose, and their use.

Views of Responsible Officials and Planned Corrective Action:

*County Judge/Executive's Response: Jailer and Chief Deputy reviewed and will implement recommendations.*

*Jailer's Response: Most of the issues listed pertained to problems from the prior administration and issues that arose during our vendor change that deals with our accounting software.*

*No changes were made from the 2015 audit during the 2016 budget. This was because the 2015 audit was not completed before the end of the 2016 budget. It was impossible to make changes during 2016 since we did not know any needed to be changed.*

**BALLARD COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-015 The Ballard County Detention Center Lacks Segregation Of Duties Over Jail Commissary Operations

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This is a repeat finding and was included in the prior year audit report as finding 2015-018. During fiscal year 2016, the Ballard County Detention Center lacked adequate segregation of duties over the jail commissary operations. Due to staffing restrictions and a limited budget at the Ballard County Detention Center, the jailer has elected to perform the accounting duties of the jail commissary fund himself.

Segregation of duties over these tasks, or the implementation of compensating controls when limited by staff, is essential for providing protection from asset misappropriation and helping prevent inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Without the proper segregation of duties, fraud or errors could go undetected and uncorrected.

To adequately prevent the misappropriation of assets, we recommend the jailer separate the duties of collecting receipts, preparing deposits, bank reconciliations, and other accounting functions. If these duties cannot be separated due to limited staff, then strong oversight should be provided to the employee or employees responsible for these duties. If the jailer elects to continue performing these tasks himself, this oversight should be performed by the county finance officer and the fiscal court.

Views of Responsible Officials and Planned Corrective Action:

*County Judge/Executive's Response: Jailer and Chief Deputy reviewed findings and will implement recommendations.*

*Jailer's Response: The lack of segregation of duties was discussed during the exit and changes will be made to correct the issue.*

*No changes were made from the 2015 audit during the 2016 budget. This was because the 2015 audit was not completed before the end of the 2016 budget. It was impossible to make changes during 2016 since we did not know any needed to be changed*

2016-016 The Ballard County Jailer Failed To Maintain The Minimum Accounting Records For The Jail Commissary

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This is a repeat finding and was included in the prior year audit report as finding 2015-019. During fiscal year 2016, the Ballard County Jailer failed to maintain the minimum accounting records prescribed by the state local finance officer pursuant to KRS 68.210 to be utilized by county jailers for jail commissary funds, including daily checkout sheets, detailed receipts and disbursements journals, and a year-to-date summary report.

KRS 68.210, gives the State Local Finance Officer the authority to prescribe minimum accounting and reporting standards. These minimum accounting and reporting standards, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual* state, "At the end of each business day the Jailer or assigned personnel should separate individual receipts into categories listed on the check-out sheet" and deposit them daily. These receipts should then be posted by category to the jail commissary receipts journal.

**BALLARD COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-016 The Ballard County Jailer Failed To Maintain The Minimum Accounting Records For The Jail Commissary (Continued)

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The manual also requires each check written from the jail commissary account to be posted to the proper category listed on the jail commissary disbursements journal. Because the jailer chose not to utilize daily checkout sheets, the receipts and disbursements journals were not categorized, and the year-end commissary report was not detailed he was not in compliance with KRS 68.210.

We recommend the jailer comply with the minimum accounting and reporting standards of KRS 68.210 by implementing daily checkout procedures. We also recommend the jailer use detailed receipts and disbursements journals to properly report the activities of the jail commissary.

Views of Responsible Officials and Planned Corrective Action:

*County Judge/Executive's Response: Jailer and Chief Deputy reviewed findings and will implement recommendations.*

*Jailer's Response: The accounting records for the Jail Commissary account was discussed during the exit and changes will be made to correct the issue.*

*No changes were made from the 2015 audit during the 2016 budget. This was because the 2015 audit was not completed before the end of the 2016 budget. It was impossible to make changes during 2016 since we did not know any needed to be changed.*