

**REPORT OF THE AUDIT OF THE
FORMER BULLITT COUNTY
SHERIFF**

**For The Year Ended
December 31, 2015**



**MIKE HARMON
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EXECUTIVE SUMMARY

AUDIT OF THE FORMER BULLITT COUNTY SHERIFF

**For The Year Ended
December 31, 2015**

The Auditor of Public Accounts has completed the former Bullitt County Sheriff's audit for the year ended December 31, 2015. Based upon the audit work performed, the financial statements present fairly in all material respects, the receipts and disbursements of the former Bullitt County Sheriff and the receipts, disbursements, and fund balances of the former Bullitt County Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in the sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The former Bullitt County Sheriff had total receipts of \$4,423,651, which was a \$263,669 increase from the prior year. Except for reimbursed expenses in the amount of \$3,075,195, which includes fiscal court contributions of \$1,731,170, the former sheriff paid 25% of receipts to the Bullitt County Fiscal Court in the amount of \$337,889. This was an increase of \$44,963 from the prior year. In addition, 75% fund operating disbursements decreased by \$298,100.

Debt Obligations:

Capital lease principal agreements totaled \$387,562 as of December 31, 2015. Future principal and interest payments of \$387,562 are needed to meet these obligations.

Report Comment:

2015-001 The Former Sheriff Did Not Have A Written Agreement To Protect Deposits

Deposits:

The former sheriff's deposits as of January 7, 2015, were exposed to custodial credit risk at bank #1 as follows:

- Uncollateralized and Uninsured \$1,979,269

The former sheriff's deposits were covered by FDIC insurance and a properly executed collateral security agreement with bank #1, but the bank did not adequately collateralize the former sheriff's deposits in accordance with the security agreement.

The former sheriff's deposits as of November 5, 2015 and December 31, 2015, were exposed to custodial credit risk at bank #2 as follows:

- Uncollateralized And Uninsured \$54,692,639 (November 5, 2015)
- Uncollateralized And Uninsured \$2,969,697 (December 31, 2015)

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Melanie Roberts, Bullitt County Judge/Executive
Honorable David Greenwell, Former Bullitt County Sheriff
Honorable Donnie Tinnell, Bullitt County Sheriff
Members of the Bullitt County Fiscal Court

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the former Sheriff of Bullitt County, Kentucky, and the Statement of Receipts, Disbursements, and Fund Balances of the former Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 County Fee Officials* 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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



The Honorable Melanie Roberts, Bullitt County Judge/Executive
Honorable David Greenwell, Former Bullitt County Sheriff
Honorable Donnie Tinnell, Bullitt County Sheriff
Members of the Bullitt County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the former Bullitt County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements 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 statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the former Bullitt County Sheriff, as of December 31, 2015, or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion the financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the former Bullitt County Sheriff and the receipts, disbursements, and fund balances of the sheriff's operating fund and county fund with the state treasurer for the year ended December 31, 2015, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2017 on our consideration of the former Bullitt County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

The Honorable Melanie Roberts, Bullitt County Judge/Executive
Honorable David Greenwell, Former Bullitt County Sheriff
Honorable Donnie Tinnell, Bullitt County Sheriff
Members of the Bullitt County Fiscal Court

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

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

2015-001 The Former Sheriff Did Not Have A Written Agreement To Protect Deposits

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

January 17, 2017

BULLITT COUNTY
 DAVID GREENWELL, FORMER SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2015

Receipts

Federal Grants		\$ 10,172
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		135,474
State Fees for Services:		
Finance and Administration Cabinet	\$ 32,873	
Sheriff Security Service	132,508	
Cabinet For Health And Family Services	30,304	
Juror Meals Reimbursement	<u>52</u>	195,737
Fiscal Court		
Salary Supplement and DARE Salary	597,917	
Election Comm & Miscellaneous	280	
Retirement Reimbursement	606,882	
Social Security Reimbursement	150,857	
Insurance Reimbursement	340,401	
Transport Prisoners	<u>34,833</u>	1,731,170
County Clerk - Delinquent Taxes		72,470
Commission on Taxes	1,105,209	
Commission on School Taxes	<u>782,030</u>	1,887,239
Fees Collected for Services:		
Auto Inspections	20,625	
Accident /Police Reports	10,211	
Serving Papers	123,957	
Carry Concealed Deadly Weapon Permits	<u>45,595</u>	200,388
Other:		
Add-On Fees	122,261	
Workers Compensation Reimbursement	2,026	
School Resource Officer	32,331	
Transport Prisoners	2,476	
Miscellaneous	<u>31,169</u>	190,263
Interest Earned		<u>738</u>
Total Receipts		4,423,651

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

BULLITT COUNTY
 DAVID GREENWELL, FORMER SHERIFF
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
 For The Year Ended December 31, 2015
 (Continued)

Disbursements

Other Disbursements:

Bank Service Charges	\$ 184
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Total Disbursements	<u>\$ 184</u>
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Net Receipts	4,423,467
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Payments to State Treasurer:

75% Operating Fund *	4,088,861	
25% County Fund	<u>337,889</u>	<u>4,426,750</u>

Due from State Treasurer at Completion of Audit **	<u>\$ (3,283)</u>
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* Includes reimbursed expenses in the amount of \$3,075,195 for the audit period.
 See Note 1 of Notes to Financial Statements.

** See Note 13 of Notes to Financial Statements.

BULLITT COUNTY
 DAVID GREENWELL, FORMER SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE COUNTY SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2015

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2015 (Restated)	\$(149,071)	\$ 0	\$(149,071)
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	4,088,861		4,088,861
Fees Paid to State - County Funds (25%)		337,889	337,889
Total Funds Available	<u>3,939,790</u>	<u>337,889</u>	<u>4,277,679</u>
<u>Disbursements</u>			
Bullitt County Fiscal Court		337,889	337,889
Personal Services-			
Official's Statutory Maximum	106,396		106,396
Official's Training Incentive	3,941		3,941
Deputies' Salaries	2,151,227		2,151,227
Employee Benefits-			
Employer's Share Social Security	157,310		157,310
Employer's Share Retirement	630,554		630,554
Employer's Share Health Insurance	396,755		396,755
Contracted Services-			
Advertising	867		867
Supplies and Materials-			
Office Supplies	15,258		15,258
Uniforms/Equipment	4,235		4,235
Other Charges-			
Dues	5,222		5,222
Sequestered Jurors	333		333
Postage	20,884		20,884
School/Training Expenses	6,022		6,022
Telephone/Fax/Cellular	22,977		22,977
Transport	10,835		10,835
Miscellaneous	4,695		4,695

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

BULLITT COUNTY
 DAVID GREENWELL, FORMER SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2015
 (Continued)

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
<u>Disbursements (Continued)</u>			
Auto Expenses-			
Gasoline	\$ 116,010	\$	\$ 116,010
Maintenance and Repairs	40,112		40,112
Capital Outlay-			
Computer Hardware	64,860		64,860
Patrol Equipment	11,981		11,981
Vehicles	125,522		125,522
	<u> </u>	<u> </u>	<u> </u>
Total Disbursements	<u>3,895,996</u>	<u>337,889</u>	<u>4,233,885</u>
Fund Balance - December 31, 2015	<u>\$ 43,794</u>	<u>\$ 0</u>	<u>\$ 43,794</u>

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

BULLITT COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the sheriff as determined by the audit. KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the state treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in the sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2015 services
- Reimbursements for 2015 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2015

Also, some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

BULLITT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System and Other Post-Employment Benefits

The county official and employees have 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, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. 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 17.67 percent for the first six months and 17.06 percent for the last six months.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 34.31 percent for the first six months and 32.95 percent for the last six months.

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) and eight percent (hazardous) 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) and seven and one half percent (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The former sheriff's contribution for calendar year 2013 was \$737,935, calendar year 2014 was \$716,904, and calendar year 2015 was \$630,554.

BULLITT COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2015
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

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 (member's 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.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

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:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
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.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. 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.

BULLITT COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2015
 (Continued)

Note 3. Deposits

The former Bullitt County Sheriff 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 sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were not met at bank #1 or bank #2, and the sheriff did not have a written agreement with bank #2.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The former Bullitt County Sheriff did 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 December 31, 2015, at bank #1 all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of January 7, 2015, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the former sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$1,979,269

At bank #2, on November 5, 2015 and December 31, 2015, the former sheriff's bank balances were exposed to custodial credit risk, as the former sheriff did not have a written security agreement, as follows:

- Uncollateralized and Uninsured \$54,692,639 (November 5, 2015)
- Uncollateralized and Uninsured \$2,969,697 (December 31, 2015)

Note 4. Federal Grant

The former sheriff's office was awarded a highway safety grant in the amount of \$12,500 for the contract period October 1, 2014 through September 30, 2015. The grant agreement requires the funds to be used to cover costs associated with personnel services and equipment in dealing with highway safety issues. The former sheriff's office was reimbursed \$10,172 during the calendar year.

BULLITT COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2015
 (Continued)

Note 5. Lease

The former sheriff's office was committed to the following lease agreements as of December 31, 2015:

Item Purchased	Monthly or *Annual Payment	Term of Agreement	Ending Date	Principal Balance December 31, 2015
Computer Hardware	\$ 3,155	36 Month	11/1/2018	\$ 107,810
Computer	2,000	12 Months	6/27/2016	12,000
Computer	250	12 Months	10/1/2016	2,250
Vehicles*	88,501	4 Years	7/2/2018	265,502
Total				<u>\$ 387,562</u>

Note 6. DARE Account

The former sheriff's office maintained an account for the deposit of donations to be used for drug abuse resistance education (DARE) activities. The balance on January 1, 2015 was \$1,428. During calendar year 2015, receipts totaled \$2,428 and disbursements were \$3,502. The balance on December 31, 2015 was \$354.

Note 7. State Drug Confiscated Property Account

The former sheriff's office maintained an account for the deposit and disbursement of funds received as a result of property confiscated during drug-related law enforcement activities. These funds are to be expended for law enforcement purposes. The balance on January 1, 2015 was \$60,080 (restated, reduced by \$5,282 due to an error in the prior year). During calendar 2015, receipts totaled \$91,001 and disbursements were \$102,984. The balance on December 31, 2015 was \$48,097.

Note 8. Credit Card Account

The former sheriff's office maintained an account for tax and fee credit card payments to the sheriff's office. The balance on January 1, 2015 was \$195. During calendar year 2015, receipts totaled \$229,927 and disbursements were \$230,052. The balance on December 31, 2015 was \$70.

Note 9. Federal Asset Forfeiture Account

The former sheriff's office maintained an account for the deposit and disbursement of funds received as a result of cash confiscated during federal drug-related law enforcement activities. The balance on January 1, 2015 was \$24,137. During calendar year 2015, receipts totaled \$15,874 and disbursements were \$38,684. The balance on December 31, 2015 was \$1,327.

BULLITT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

Note 10. High Intensity Drug Enforcement Unit Account

The former sheriff's office maintained an account for the deposit and disbursement of funds associated with the seizure of funds and is held until the court system issues orders on what to do with the funds. The balance on January 1, 2015 was \$52,819. During calendar year 2015, receipts totaled \$126,918 and disbursements were \$74,098. The balance on December 31, 2015 was \$105,639.

Note 11. Explorer Account

The former sheriff's office maintained an account to run an explorer post. The balance on January 1, 2015 was \$2,544. During calendar year 2015, receipts totaled \$11,786 and disbursements were \$9,188. The balance on December 31, 2015 was \$5,142.

Note 12. Donation Account

The former sheriff's office opened an account to collect donations for bulletproof vests in September 2015. During calendar year 2015, receipts totaled \$6,477 and disbursements were \$0. The balance on December 31, 2015 was \$6,477.

Note 13. Balance Due At Completion Of Audit and Fund Balance

The balance due of \$3,283 on the Statement of Receipts and Disbursements (first financial statement) is the result of the former sheriff's overpayment of fees totaling \$3,098 and not adjusting for a charge for checks of \$185 deducted by the bank.

Note 14. Restatement Of Beginning Fund Balance

The beginning fund balance of the 75% Operating Fund on the Statement of Receipts, Disbursements, and Fund Balances of the former Sheriff's Operating Fund and County Fund with the State Treasurer was decreased by \$149,071 due to county fees moving the December 16 through 31 payroll totaling \$149,071, from the term ending December 31, 2014 to the term ending December 31, 2018.

Note 15. Contingencies

The former sheriff's office was involved in multiple lawsuits that arose from the normal course of doing business. While individually they may not be significant, in the aggregate, they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Melanie Roberts, Bullitt County Judge/Executive
The Honorable David Greenwell, Former Bullitt County Sheriff
The Honorable Donnie Tinnell, Bullitt County Sheriff
Members of the Bullitt County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements 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 and Disbursements - Regulatory Basis of the former Sheriff of Bullitt County, Kentucky, the Statement of Receipts, Disbursements, and Fund Balances of the former Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated January 17, 2017. The former Bullitt County Sheriff's financial statements are prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the former Bullitt County Sheriff's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the former Bullitt County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Bullitt County Sheriff's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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

Internal Control over Financial Reporting

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Bullitt County Sheriff's financial statements are 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which are described in the accompanying comment and recommendation as item 2015-001.

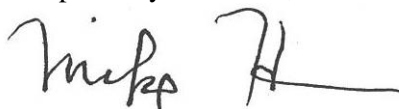
Sheriff's Response to Finding

The former Bullitt County Sheriff's response to the finding identified in our audit is included in the accompanying comment and recommendation. The former Bullitt County Sheriff's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

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

January 17, 2017

COMMENT AND RECOMMENDATION

BULLITT COUNTY
DAVID GREENWELL, FORMER SHERIFF
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2015

STATE LAWS AND REGULATIONS:

2015-001 The Former Sheriff Did Not Have A Written Agreement To Protect Deposits

The former sheriff did not have a written agreement with one of his depository institutions. The former sheriff failed to get a written agreement with a depository institution when he opened multiple accounts with them. Even though the bank pledged sufficient collateral, by not having a written agreement, the former sheriff's deposits were uncollateralized and uninsured as of November 5, 2015 and December 31, 2015 by \$54,692,639 and 2,969,697, respectively. According to 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. We recommend the sheriff's office enter into a written agreement with the depository institution to adequately pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Former Sheriff's Response: Working with [bank personnel] to get corrected.

