

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

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



**MIKE HARMON  
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## EXECUTIVE SUMMARY

### AUDIT OF THE JESSAMINE COUNTY FISCAL COURT

June 30, 2016

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

We have issued an unmodified opinion, based on our audit of the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Jessamine County Fiscal Court. In accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we have issued an unmodified opinion on the compliance requirements that are applicable to Jessamine County Fiscal Court's major federal program: Community Facilities Loans and Grants (CFDA #10.766).

#### **Financial Condition:**

The Jessamine County Fiscal Court had total receipts of \$19,675,926 and disbursements of \$20,324,693 in fiscal year 2016. This resulted in a total ending fund balance of \$5,437,745, which is an increase of \$785,333 from the prior year.

#### **Findings:**

- 2016-001 The Jessamine County Fiscal Court Did Not Prepare The Schedule Of Expenditures Of Federal Awards
- 2016-002 The Jessamine County Fiscal Court Did Not Properly Account For Debt Payments Made By Another Entity On Behalf Of The Fiscal Court And Exceeded The County's Approved Budget
- 2016-003 The Jessamine County Fiscal Court Did Not Prepare Purchase Orders
- 2016-004 The Jessamine County Fiscal Court Did Not Have Sufficient Support For Ambulance Receipts
- 2016-005 The Jessamine County Jailer Lacks Internal Controls Over Receipts

#### **Deposits:**

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

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

To the People of Kentucky  
Honorable Matthew G. Bevin, Governor  
William M. Landrum III, Secretary  
Finance and Administration Cabinet  
Honorable David K. West, Jessamine County Judge/Executive  
Members of the Jessamine 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 Jessamine County Fiscal Court, for the year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Jessamine 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.

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



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### **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 Jessamine 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 Jessamine County Fiscal Court as of June 30, 2016, or changes in financial position or cash flows thereof for the year then ended.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Jessamine 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.

### **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 Jessamine County Fiscal Court. The Budgetary Comparison Schedules, Capital Asset Schedule, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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, Capital Asset Schedule, and Schedule of Expenditures of Federal Awards 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, Capital Asset Schedule, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statement as a whole.



To the People of Kentucky  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2017, on our consideration of the Jessamine 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 Jessamine 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 Questioned Costs included herein, which discusses the following report findings:

- 2016-001 The Jessamine County Fiscal Court Did Not Prepare The Schedule Of Expenditures Of Federal Awards
- 2016-002 The Jessamine County Fiscal Court Did Not Properly Account For Debt Payments Made By Another Entity On Behalf Of The Fiscal Court And Exceeded The County's Approved Budget
- 2016-003 The Jessamine County Fiscal Court Did Not Prepare Purchase Orders
- 2016-004 The Jessamine County Fiscal Court Did Not Have Sufficient Support For Ambulance Receipts
- 2016-005 The Jessamine County Jailer Lacks Internal Controls Over Receipts

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

July 7, 2017

JESSAMINE COUNTY OFFICIALS

For The Year Ended June 30, 2016

**Fiscal Court Members:**

David K. West	County Judge/Executive
Terry Meckstroth	Magistrate
Gary Morgan	Magistrate
April Rose Prather	Magistrate
Justin Ray	Magistrate
Tim Vaughan	Magistrate
Burch Hager	Magistrate

**Other Elected Officials:**

Brian Goettl	County Attorney
Jon Sallee	Jailer
Johnny Collier	County Clerk
Doug Fain	Circuit Court Clerk
Kevin Corman	Sheriff
Brad Freeman	Property Valuation Administrator
Michael Hughes	Coroner

**Appointed Personnel:**

Tami East	County Treasurer
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**JESSAMINE COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCES - REGULATORY BASIS**

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

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

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

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
<b>RECEIPTS</b>			
Taxes	\$ 10,919,088	\$	\$
Excess Fees	905,562		
Licenses and Permits	210,049		
Intergovernmental	751,160	1,287,689	681,812
Charges for Services	369,854		44,649
Miscellaneous	1,213,947	81,757	79,644
Interest	5,239	1,078	48
Total Receipts	<u>14,374,899</u>	<u>1,370,524</u>	<u>806,153</u>
<b>DISBURSEMENTS</b>			
General Government	3,674,629		
Protection to Persons and Property	364,442		2,059,278
General Health and Sanitation	1,315,462		
Social Services	186,626		
Recreation and Culture	747,291		
Roads		1,056,503	
Other Transportation Facilities and Services	130,655		
Debt Service	1,055,348		
Capital Projects	775,063	7,354	
Administration	4,380,992	87,166	285,735
Total Disbursements	<u>12,630,508</u>	<u>1,151,023</u>	<u>2,345,013</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,744,391</u>	<u>219,501</u>	<u>(1,538,860)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Bond Proceeds	699,100		
Loan Proceeds	685,000		
Lease Proceeds	50,000		
Transfers From Other Funds	805,000	805,000	1,515,000
Transfers To Other Funds	(3,460,000)	(805,000)	
Total Other Adjustments to Cash (Uses)	<u>(1,220,900)</u>		<u>1,515,000</u>
Net Change in Fund Balance	523,491	219,501	(23,860)
Fund Balance - Beginning (Restated)	3,841,010	552,828	49,495
Fund Balance - Ending	<u>\$ 4,364,501</u>	<u>\$ 772,329</u>	<u>\$ 25,635</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 1,530,128	\$ 772,329	\$ 35,158
Plus: Deposits In Transit			
Less: Outstanding Checks	(66,646)		(9,523)
Certificates of Deposit	<u>2,901,019</u>		
Fund Balance - Ending	<u>\$ 4,364,501</u>	<u>\$ 772,329</u>	<u>\$ 25,635</u>

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

**JESSAMINE 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>
<b>Local Government</b>				
<b>Economic Assistance Fund</b>	<b>Emergency Services Fund</b>	<b>Jail Commissary Fund</b>	<b>Total Funds</b>	<b>Health Insurance Fund</b>
\$	\$ 412,144	\$	\$ 11,331,232	\$
			905,562	
			210,049	
183,126	284,949		3,188,736	
	2,081,666		2,496,169	
8,475	6,651	147,059	1,537,533	2,320,149
169	111		6,645	
<u>191,770</u>	<u>2,785,521</u>	<u>147,059</u>	<u>19,675,926</u>	<u>2,320,149</u>
62,500			3,737,129	1,896,196
70,000	3,098,843		5,592,563	
			1,315,462	
			186,626	
39,585		147,948	934,824	
			1,056,503	
			130,655	
			1,055,348	
			782,417	
	779,273		5,533,166	423,953
<u>172,085</u>	<u>3,878,116</u>	<u>147,948</u>	<u>20,324,693</u>	<u>2,320,149</u>
19,685	(1,092,595)	(889)	(648,767)	
			699,100	
			685,000	
			50,000	
50,000	1,090,000		4,265,000	
			(4,265,000)	
<u>50,000</u>	<u>1,090,000</u>		<u>1,434,100</u>	
69,685	(2,595)	(889)	785,333	
61,842	78,993	68,244	4,652,412	
<u>\$ 131,527</u>	<u>\$ 76,398</u>	<u>\$ 67,355</u>	<u>\$ 5,437,745</u>	<u>\$ 0</u>
\$ 131,527	\$ 77,146	\$ 70,293	\$ 2,616,581	\$ 105,243
	(748)	(2,938)	(79,855)	168,008
			2,901,019	(273,251)
<u>\$ 131,527</u>	<u>\$ 76,398</u>	<u>\$ 67,355</u>	<u>\$ 5,437,745</u>	<u>\$ 0</u>

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

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**JESSAMINE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2016**

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

**A. Reporting Entity**

The financial statement of Jessamine County includes all budgeted and unbudgeted funds under the control of the Jessamine 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.

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

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

**C. Basis of Presentation (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.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Emergency Services Fund - The primary purpose of this fund is to account for receipts for the county's ambulance runs and funds received from the state for emergency services.

**Unbudgeted Fund**

The fiscal court reports the following unbudgeted fund:

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**

Health Insurance Fund - This fund is used to account for the self-funded health insurance activity of the Jessamine County Fiscal Court.

**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.

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.



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

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

**E. Jessamine County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Jessamine 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 Jessamine 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.

**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 fiscal court 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.

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

**Note 2. Deposits (Continued)**

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the 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	Total Transfers In
General Fund	\$	\$ 805,000	\$ 805,000
Road Fund	805,000		805,000
Jail Fund	1,515,000		1,515,000
LGEA Fund	50,000		50,000
Emergency Services Fund	1,090,000		1,090,000
Total Transfers Out	<u>\$ 3,460,000</u>	<u>\$ 805,000</u>	<u>\$ 4,265,000</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 Funds**

Agency 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 inmates. The balance in the jail inmate fund as of June 30, 2016, was \$37,235.

**Note 5. Short-term Debt**

On July 17, 2015, the Jessamine County Fiscal Court obtained a short-term loan as interim financing for the purchase of land for the expansion of the Camp Nelson Civil War Heritage Park. The county then obtained a loan from the United States Department of Agriculture (USDA) using the proceeds from general obligation bonds to repay the short-term bank loan. (See Note 6G).

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

**Note 5. Short-term Debt (Continued)**

**Changes In Short-term Debt**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
USDA Loan	\$	\$ 685,000	\$ 685,000	\$	\$
Total Short-term Debt	<u>\$</u>	<u>\$ 685,000</u>	<u>\$ 685,000</u>	<u>\$</u>	<u>\$</u>

**Note 6. Long-term Debt**

**A. Courthouse Annex**

On July 3, 1997, the Jessamine County Fiscal Court entered into a 20 year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$1,700,000 at an assumed interest rate of 4.91 percent for the construction of the courthouse annex. Payments of interest and fees are due monthly with an annual principal payment due on January 20.

The Jessamine County Fiscal Court entered into a sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), in which AOC sublets the courthouse annex. Under the agreement, AOC agreed to offset the County's commitment through payment of a use allowance for operating and maintaining the project. Interest earned on this account reduces the net amount due from the county. The outstanding principal balance of as June 30, 2016, is \$131,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 131,000	\$ 4,537
Totals	<u>\$ 131,000</u>	<u>\$ 4,537</u>

**B. Cassity Governmental Building #1**

On November 27, 2007, the Jessamine County Fiscal Court entered into a 20 year lease with the Kentucky Association of Counties Leasing Trust Program in the amount of \$500,000 at an assumed interest rate of 4.63 percent for the construction and renovation of a county administrative building. Payments of interest and fees are due monthly with an annual principal payment due on July 20. The outstanding principal balance as of June 30, 2016 is \$355,000. Future principal and interest payments are:

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

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

**B. Cassity Governmental Building #1 (Continued)**

Fiscal Year Ending June 30	Principal	Interest
2017	\$ 25,000	\$ 15,378
2018	25,000	14,247
2019	25,000	13,115
2020	25,000	11,985
2021	25,000	10,853
2022-2026	160,000	33,358
2027-2028	70,000	2,228
Totals	<u>\$ 355,000</u>	<u>\$ 101,164</u>

**C. Cassity Governmental Building #2**

On May 5, 2008, the Jessamine County Fiscal Court entered into another 20 year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$1,000,000 at an assumed interest rate of 4.53 percent to cover additional costs of the construction and renovation of the county administrative building. Payments of interest and fees are due monthly with an annual principal payment due on September 20. The outstanding principal balance as of June 30, 2016, is \$695,000. Future principal and interest payments are:

Fiscal Year Ending June 30	Principal	Interest
2017	\$ 45,000	\$ 29,502
2018	50,000	27,362
2019	50,000	25,165
2020	50,000	22,973
2021	55,000	20,612
2022-2026	305,000	64,321
2027-2028	140,000	5,202
Totals	<u>\$ 695,000</u>	<u>\$ 195,137</u>

**D. Energy Conservation**

On March 22, 2011, the Jessamine County Fiscal Court entered into a ten year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$599,788 at an assumed interest rate of 4.25 percent to finance the acquisition, construction, installation, and equipping of energy savings projects including new windows and HVAC systems. Principal and interest payments are due monthly. The outstanding principal balance as of June 30, 2016, is \$284,900. Future principal and interest payments are:

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

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

**D. Energy Conservation (Continued)**

Fiscal Year Ending June 30	Principal	Interest
2017	\$ 59,979	\$ 12,138
2018	59,979	9,310
2019	59,979	6,483
2020	59,979	3,663
2021	44,984	886
Totals	<u>\$ 284,900</u>	<u>\$ 32,480</u>

**E. Land #1**

On February 9, 2015, the Jessamine County Fiscal Court entered into a five year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$228,225 at a fixed interest rate of 3.25 percent to finance the acquisition of land related to the jail. Principal and interest payments are due monthly. The outstanding balance as of June 30, 2016, is \$171,108. Future principal and interest payments are:

Fiscal Year Ending June 30	Principal	Interest
2017	\$ 44,665	\$ 4,900
2018	46,138	3,426
2019	47,661	1,904
2020	32,644	399
Totals	<u>\$ 171,108</u>	<u>\$ 10,629</u>

**F. Land #2**

On June 23, 2015, the Jessamine County Fiscal Court entered into another five year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$50,000 at a fixed interest rate of 3.25 percent to finance the acquisition of land related to jail. Principal and interest payments are due monthly. The outstanding balance as of June 30, 2016, is \$40,620. Future principal and interest payments are:

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

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

**F. Land #2 (Continued)**

Fiscal Year Ending June 30	Principal	Interest
2017	\$ 9,675	\$ 1,177
2018	9,994	858
2019	10,324	528
2020	10,627	187
Totals	<u>\$ 40,620</u>	<u>\$ 2,750</u>

**G. General Obligation Bonds - Series 2016**

On June 16, 2016, the Jessamine County Fiscal Court issued \$699,100 of General Obligation Bonds, Series 2016. The bond issue was required by the USDA to collateralize the USDA loan (See Note 5). Proceeds from the bond will be used for the purpose of financing (a) the acquisition and development of Camp Nelson and used for a public purpose located within the geographical boundaries of the county; (b) payment in full of the outstanding balance of interim financing incurred by the county to initially finance the acquisition of Camp Nelson; (c) payment of accrued interest, if any; and (d) payment of the cost of issuance with respect to the issuance of the bonds. Interest on the outstanding principal amount shall be payable on January 1 and July 1, commencing January 1, 2017. Interest only shall be paid for the first two years from the date of the original issue. Thereafter, the bond shall mature as to principal on January 1, 2019, and each January 1 thereafter through and including January 1, 2056. The outstanding principal balance as of June 30, 2016, is \$699,100. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Interest
2017	\$	\$ 10,299
2018		20,099
2019	10,390	20,099
2020	10,689	19,800
2021	10,943	19,547
2022-2026	59,849	92,597
2027-2031	68,965	83,482
2032-2036	79,469	72,978
2037-2041	91,543	60,904
2042-2046	105,527	46,920
2047-2051	121,601	30,846
2052-2056	140,124	12,323
Totals	<u>\$ 699,100</u>	<u>\$ 489,894</u>

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

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

**H. 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
General Obligation Bonds	\$	\$ 699,100	\$	\$ 699,100	\$
Financing Obligations	1,930,225	50,000	302,597	1,677,628	315,319
Total Long-term Debt	<u>\$ 1,930,225</u>	<u>\$ 749,100</u>	<u>\$ 302,597</u>	<u>\$ 2,376,728</u>	<u>\$ 315,319</u>

**Note 7. Commitments and Contingencies**

The county is involved in a lawsuit that arose from the normal course of doing business. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

**Note 8. Employee Retirement System**

**A. Plan Description**

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 and 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.

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 32.95 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) 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

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

**Note 8. Employee Retirement System (Continued)**

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 county's contribution for FY 2014 was \$1,899,266, FY 2015 was \$1,795,357, and FY 2016 was \$1,800,235.

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 credit.

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:

<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.

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 10 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.



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

**Note 8. Employee Retirement System (Continued)**

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 9. Deferred Compensation**

The Jessamine 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 the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 10. Health Reimbursement Account/Flexible Spending Account**

The Jessamine County Fiscal Court established a flexible spending account to provide employees an additional health benefit. The county contracted with a third-party administrator to administer the plan. The plan provides \$2,400 per employee. Employees may also contribute additional pre-tax funds through payroll deduction. In September 2015, the Jessamine County Fiscal Court switched from a flexible spending account to a health reimbursement account. The amount contributed per employee remained \$2,400.

**Note 11. Health Insurance Fund**

Jessamine County Fiscal Court participates in a self-funded insurance plan. The county has contracted with a third-party administrator to administer the plan. The county maintains one insurance plan with various levels of coverage (i.e., single, family, etc.). The plan covers all county employees. The fiscal court elected to purchase a stop-loss policy to cover losses from individual and aggregate claims once the county reaches the individual and aggregate attachment points. Employees are required to assume liability claims in excess of maximum lifetime reimbursements established by the insurance company.

**Note 12. Insurance**

For the fiscal year ended June 30, 2016, the Jessamine 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.

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

**Note 13. Conduit Debt**

From time to time, the county has issued bonds to provide financial assistance to industries in Jessamine County for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Jessamine County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2016, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

**Note 14. Prior Period Adjustments**

The beginning balance of the general fund was restated to include the balance of the AOC escrow fund that was reported as a separate fund in the prior year. It was incorporated in with the general fund and increased the balance of the general fund by \$62,253. There was also an increase of \$385 for prior year voided checks, for a total restatement of \$62,638. In addition, the beginning balance of the health insurance fund was restated for a total reduction of \$81 due to errors noted in the prior year. Finally, the emergency services fund was restated for a total increase of \$1,119.

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

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

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

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

	<b>GENERAL FUND</b>			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Taxes	\$ 9,432,130	\$ 9,432,130	\$ 10,919,088	\$ 1,486,958
Excess Fees	887,308	887,308	905,562	18,254
Licenses and Permits	140,000	140,000	210,049	70,049
Intergovernmental	582,525	582,525	751,160	168,635
Charges for Services	240,000	240,000	369,854	129,854
Miscellaneous	914,309	1,592,244	1,213,947	(378,297)
Interest	2,300	2,300	5,239	2,939
Total Receipts	<u>12,198,572</u>	<u>12,876,507</u>	<u>14,374,899</u>	<u>1,498,392</u>
<b>DISBURSEMENTS</b>				
General Government	3,976,943	3,912,214	3,674,629	237,585
Protection to Persons and Property	326,221	447,255	364,442	82,813
General Health and Sanitation	1,187,757	1,365,967	1,315,462	50,505
Social Services	184,355	187,355	186,626	729
Recreation and Culture	788,854	800,492	747,291	53,201
Other Transportation Facilities and Services	159,604	159,604	130,655	28,949
Debt Service	217,657	952,577	1,055,348	(102,771)
Capital Projects	103,000	775,263	775,063	200
Administration	5,557,648	5,278,347	4,380,992	897,355
Total Disbursements	<u>12,502,039</u>	<u>13,879,074</u>	<u>12,630,508</u>	<u>1,248,566</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(303,467)</u>	<u>(1,002,567)</u>	<u>1,744,391</u>	<u>2,746,958</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			805,000	805,000
Transfers To Other Funds	(3,185,000)	(3,185,000)	(3,460,000)	(275,000)
Bond Proceeds			699,100	699,100
Loan Proceeds		699,100	685,000	(14,100)
Lease Proceeds			50,000	50,000
Total Other Adjustments to Cash (Uses)	<u>(3,185,000)</u>	<u>(2,485,900)</u>	<u>(1,220,900)</u>	<u>530,000</u>
Net Change in Fund Balance	(3,488,467)	(3,488,467)	523,491	4,011,958
Fund Balance - Beginning (Restated)	<u>3,488,467</u>	<u>3,488,467</u>	<u>3,841,010</u>	<u>352,543</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,364,501</u>	<u>\$ 4,364,501</u>

**JESSAMINE 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	\$ 1,040,598	\$ 1,305,093	\$ 1,287,689	\$ (17,404)
Miscellaneous	500	81,763	81,757	(6)
Interest	100	100	1,078	978
Total Receipts	<u>1,041,198</u>	<u>1,386,956</u>	<u>1,370,524</u>	<u>(16,432)</u>
<b>DISBURSEMENTS</b>				
Roads	857,321	1,735,350	1,056,503	678,847
Capital Projects	72,000	52,000	7,354	44,646
Administration	152,434	152,434	87,166	65,268
Total Disbursements	<u>1,081,755</u>	<u>1,939,784</u>	<u>1,151,023</u>	<u>788,761</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(40,557)</u>	<u>(552,828)</u>	<u>219,501</u>	<u>772,329</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			805,000	805,000
Transfers To Other Funds			<u>(805,000)</u>	<u>(805,000)</u>
Total Other Adjustments to Cash (Uses)				<u>805,000</u>
Net Change in Fund Balance	(40,557)	(552,828)	219,501	772,329
Fund Balance - Beginning	<u>40,557</u>	<u>552,828</u>	<u>552,828</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 772,329</u>	<u>\$ 772,329</u>

**JESSAMINE 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	\$ 632,006	\$ 632,006	\$ 681,812	\$ 49,806
Charges for Services	39,400	39,400	44,649	5,249
Miscellaneous	25,000	25,000	79,644	54,644
Interest	50	50	48	(2)
Total Receipts	<u>696,456</u>	<u>696,456</u>	<u>806,153</u>	<u>109,697</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	2,184,308	2,184,308	2,059,278	125,030
Administration	337,163	337,163	285,735	51,428
Total Disbursements	<u>2,521,471</u>	<u>2,521,471</u>	<u>2,345,013</u>	<u>176,458</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,825,015)</u>	<u>(1,825,015)</u>	<u>(1,538,860)</u>	<u>286,155</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>1,775,000</u>	<u>1,775,000</u>	<u>1,515,000</u>	<u>(260,000)</u>
Total Other Adjustments to Cash (Uses)	<u>1,775,000</u>	<u>1,775,000</u>	<u>1,515,000</u>	<u>(260,000)</u>
Net Change in Fund Balance	(50,015)	(50,015)	(23,860)	26,155
Fund Balance - Beginning	<u>50,015</u>	<u>50,015</u>	<u>49,495</u>	<u>(520)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,635</u>	<u>\$ 25,635</u>

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

	<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 125,000	\$ 125,000	\$ 183,126	\$ 58,126
Miscellaneous	8,475	8,475	8,475	
Interest	50	50	169	119
Total Receipts	<u>133,525</u>	<u>133,525</u>	<u>191,770</u>	<u>58,245</u>
<b>DISBURSEMENTS</b>				
General Government	62,500	62,500	62,500	
Protection to Persons and Property		70,000	70,000	
Recreation and Culture	72,525	39,585	39,585	
Roads	33,500			
Administration		23,281		23,281
Total Disbursements	<u>168,525</u>	<u>195,366</u>	<u>172,085</u>	<u>23,281</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(35,000)</u>	<u>(61,841)</u>	<u>19,685</u>	<u>81,526</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			50,000	50,000
Total Other Adjustments to Cash (Uses)			<u>50,000</u>	<u>50,000</u>
Net Change in Fund Balance	(35,000)	(61,841)	69,685	131,526
Fund Balance - Beginning	<u>35,000</u>	<u>61,841</u>	<u>61,842</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 131,527</u>	<u>\$ 131,527</u>



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

	<b>EMERGENCY SERVICES FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 375,000	\$ 375,000	\$ 412,144	\$ 37,144
Intergovernmental	175,000	273,182	284,949	11,767
Charges for Services	2,065,000	2,065,000	2,081,666	16,666
Miscellaneous			6,651	6,651
Interest	200	200	111	(89)
Total Receipts	<u>2,615,200</u>	<u>2,713,382</u>	<u>2,785,521</u>	<u>72,139</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	3,220,731	3,325,263	3,098,843	226,420
Administration	884,070	877,720	779,273	98,447
Total Disbursements	<u>4,104,801</u>	<u>4,202,983</u>	<u>3,878,116</u>	<u>324,867</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,489,601)</u>	<u>(1,489,601)</u>	<u>(1,092,595)</u>	<u>397,006</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,410,000	1,410,000	1,090,000	(320,000)
Total Other Adjustments to Cash (Uses)	<u>1,410,000</u>	<u>1,410,000</u>	<u>1,090,000</u>	<u>(320,000)</u>
Net Change in Fund Balance	(79,601)	(79,601)	(2,595)	77,006
Fund Balance - Beginning (Restated)	<u>79,601</u>	<u>79,601</u>	<u>78,993</u>	<u>(608)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 76,398</u>	<u>\$ 76,398</u>

**JESSAMINE 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. Excess of Disbursements Over Appropriations**

General fund debt service exceeded budgeted appropriations by \$102,771.

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

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**JESSAMINE 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 (*Restated)	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 3,773,731	\$ 728,874	\$	\$ 4,502,605
Construction In Progress		26,950		26,950
Buildings and Building Improvements	19,090,508	16,875		19,107,383
Other Equipment*	3,984,193	289,158	38,567	4,234,784
Vehicles and Equipment	2,803,635	173,482	80,663	2,896,454
Vehicles and Equipment - Jail*	86,649	30,848	14,200	103,297
Infrastructure	52,613,435	638,322		53,251,757
 Total Capital Assets	 \$ 82,352,151	 \$ 1,904,509	 \$ 133,430	 \$ 84,123,230

**JESSAMINE 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	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

**Note 2. Prior Period Adjustments**

Other equipment was decreased by \$26,122 and vehicles and equipment - jail was increased by \$29,100 due to errors in the prior year.

**JESSAMINE COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

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**JESSAMINE COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<b><u>U. S. Department of Agriculture</u></b>				
<i>Direct Program</i>				
Community Facilities Loans and Grants	10.766		\$	\$ 699,100
<b>Total U.S. Department of Agriculture</b>				<b>699,100</b>
<b><u>U. S. Department of Homeland Security</u></b>				
<i>Passed-Through Kentucky Department of Military Affairs</i>				
Chemical Stockpile Emergency Preparedness Program	97.040	PO2 095 16000047101	\$	\$ 250,470
<i>Passed-Through Kentucky Department of Homeland Security</i>				
Homeland Security Grant Program	97.067	PO2 094 16000027272		3,637
<i>Direct Program</i>				
Assistance to Firefighters Grant	97.044			98,182
<b>Total U.S. Department of Homeland Security</b>				<b>352,289</b>
Total Expenditures of Federal Awards			\$ 0	\$1,051,389

**JESSAMINE COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended June 30, 2016**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Jessamine County, Kentucky under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Jessamine County Fiscal Court, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Jessamine County Fiscal Court.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported 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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3. Indirect Cost Rate**

The Jessamine County Fiscal Court has not adopted an indirect cost rate.

**Note 4. USDA Loan**

The USDA loan balance outstanding at June 30, 2016, is \$699,100.

**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 David K. West, Jessamine County Judge/Executive  
Members of the Jessamine 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 Jessamine County Fiscal Court for the fiscal year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Jessamine County Fiscal Court's financial statement and have issued our report thereon dated July 7, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Jessamine 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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Jessamine County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Jessamine County Fiscal Court's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 Questioned Costs as item 2016-001 to be a material weakness.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003, 2016-004, and 2016-005 to be significant deficiencies.



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)

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Jessamine 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 Questioned Costs as items 2016-001, 2016-002, and 2016-003.

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

Jessamine County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. The county judge/executive'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

July 7, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH UNIFORM GUIDANCE**

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

The Honorable David K. West, Jessamine County Judge/Executive  
Members of the Jessamine County Fiscal Court

Report On Compliance For Each Major Federal Program  
And Report On Internal Control Over Compliance  
In Accordance With Uniform Guidance

Independent Auditor's Report

**Report on Compliance for Each Major Federal Program**

We have audited the Jessamine County Fiscal Court's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Jessamine County Fiscal Court's major federal programs for the year ended June 30, 2016. The Jessamine County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Jessamine County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Jessamine County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Jessamine County Fiscal Court's compliance.



Report On Compliance For Each Major Federal Program  
And Report On Internal Control Over Compliance  
In Accordance With Uniform Guidance  
(Continued)

### **Opinion on Each Major Federal Program**

In our opinion, the Jessamine County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to above that is required to be reported in accordance with Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

The Jessamine County Fiscal Court's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Jessamine County Fiscal Court's response was not subject to the auditing procedures applied in the audit of compliance and accordingly we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the Jessamine County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Jessamine County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Jessamine County Fiscal Court's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 that we consider to be a material weakness.

Report On Compliance For Each Major Federal Program  
And Report On Internal Control Over Compliance  
In Accordance With Uniform Guidance  
(Continued)

**Report on Internal Control over Compliance (Continued)**

Jessamine County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Jessamine County's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts

July 7, 2017

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**JESSAMINE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

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**JESSAMINE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

**Section I: Summary of Auditor's Results**

*Financial Statements*

Type of report auditor issued: Adverse on GAAP and Unmodified on Regulatory Basis.

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

*Federal Awards*

Internal control over major programs:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs: <i>Unmodified</i>		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**JESSAMINE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

**Section II: Financial Statement Findings**

2016-001 The Jessamine County Fiscal Court Did Not Prepare The Schedule Of Expenditures Of Federal Awards

---

During fiscal year 2016, the county had \$1,051,389 in federal expenditures. The county did not prepare a Schedule of Expenditures of Federal Awards (SEFA) for fiscal year 2016 until requested by auditors. The provided schedule failed to include one federal program, Community Facilities Loans and Grants with expenditures of \$699,100, which along with the other federal expenditures, caused the county to meet the Single Audit requirement threshold of \$750,000.

The fiscal court did not have adequate procedures in place to ensure the preparation of the SEFA in a timely manner or to ensure that all federal expenditures were accurately reported. The failure to properly prepare the SEFA could cause the county to potentially miss obtaining a required Single Audit.

The county met the threshold of federal expenditures of \$750,000 which would necessitate a Single Audit. As stated in 2 CFR 200.510(b), “[t]he auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statement which must include the total Federal awards expended[.]” Furthermore, good internal controls dictate that records be maintained to document expenditures of federal awards and those expended federal award amounts be reported on the SEFA.

We recommend the fiscal court improve controls over financial statement reporting to ensure that the SEFA is prepared timely and is reported accurately.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: The SEFA was prepared for auditors upon their arrival as stated. When asked about the \$699,100, the field auditor replied she did not believe it to be a Federal grant to be included on the SEFA because it was a loan through the USDA. Upon further investigation with the audit supervisor several weeks into the audit, the field auditors deemed it necessary to be included on the SEFA after all.*

**Auditor Reply:** As stated in the Management Representation Letter, signed by both the county judge/executive and county treasurer, it is management’s responsibility to understand and comply with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, And Audit Requirements for Federal Awards* (Uniform Guidance). Management is responsible for the preparation and presentation of the SEFA in accordance with Uniform Guidance. Management is also responsible for identifying federal expenditures made during the audit period for all awards provided by federal agencies including, but not limited to loans and loan guarantees. Furthermore, the Department for Local Government (DLG) requires the SEFA to be submitted within 30 days after the end of the fiscal year, regardless of the amount. The fiscal court’s fiscal year end was June 30, 2016. The SEFA was provided to auditors in March 2017; however, it was not submitted to DLG at any point.

2016-002 The Jessamine County Fiscal Court Did Not Properly Account For Debt Payments Made By Another Entity On-Behalf Of The Fiscal Court And Exceeded The County’s Approved Budget

---

The Jessamine County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties (KACo) for their courthouse annex. The Administrative Office of the Courts (AOC) pays part of the lease payment for space in the annex. These receipts and disbursements were not included in the fiscal court’s budget submitted to the Department for Local Government (DLG) or on the county’s financial statements.



**JESSAMINE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2016-002 The Jessamine County Fiscal Court Did Not Properly Account For Debt Payments Made By Another Entity On-Behalf Of The Fiscal Court And Exceeded The County's Approved Budget  
 (Continued)

---

The treasurer failed to include this information in the county's budget and financial statements because the Jessamine County Fiscal Court does not physically receive or distribute the funds and was not aware of DLG's requirements. By not including this information, the financial statements and notes are not providing a complete overview of the county's debt. In addition, the county's claims exceeded budgeted appropriations by \$102,771 due to this amount being left off.

According to DLG, these funds should be budgeted in the county's annual budget and included in the financial statements. Furthermore, KRS 68.275(1), states "[c]laims against the county that are within the amount of line items of the county budget and arise pursuant to contracts duly authorized by the fiscal court shall be paid by the county judge/executive by a warrant drawn on the county and co-signed by the county treasurer."

We recommend the fiscal court include all debt obligations in the county's annual budget and ensure the receipt and disbursement of funds from AOC are properly reflected in the financial statements.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The AOC agreement with KaCo has been in place since 1997, and was recently paid off in this Fiscal Year. The one and only payment we make annually is reported on our annual debt summary. The only debt we incur is accounted for in our budget so I am unclear as to how we exceeded budget appropriations on this debt issuance. This has never been recorded any differently since the issuance in 1997.*

**Auditor Reply:** The one payment included in the debt summary referred to by the official's response is a payment included in the liabilities section of the quarterly report. The payment is not budgeted and paid/recorded in the expenditure section of the ledgers nor the quarterly report as required by DLG. The payments were being made by AOC, on behalf of the county, but the debt is the responsibility of the county. As a result, audit adjustments were made to include the transactions on the county's financials to properly reflect the transaction. These adjustments were discussed with the county judge/executive and county treasurer, who both signed to document their understanding and agreement with the adjustments.

2016-003 The Jessamine County Fiscal Court Did Not Prepare Purchase Orders

---

During testing of disbursements, auditors noted 76 of 125 tested invoices were paid without a purchase order being prepared. The invoices were for items such as utilities, phone allotments for county employees, repair services, travel expense reimbursements, and miscellaneous supplies. These invoices were noted in the general, road, jail, LGEA, and EMS funds.

Although policies were in place requiring the issuance of purchase orders, the fiscal court did not ensure that all departments adhered to established policies. As a result of the county not following their policies, funds were encumbered without ensuring that budget appropriation was available.

**JESSAMINE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2016-003 The Jessamine County Fiscal Court Did Not Prepare Purchase Orders (Continued)

KRS 68.210 requires the State Local Finance Officer to create a system of uniform accounts for all counties and county officials. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for handling public funds, including required purchasing procedures for counties. These requirements prescribe that "purchases shall not be made without approval by the judge/executive (or designee) and/or department head" and "purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made."

Furthermore, per DLG's policy manual, purchase order systems are required for fiscal courts and purchase orders should be issued for all goods and services utilized by the fiscal court. In addition, DLG issued a memorandum on August 4, 2016, in which it "highly recommends" implementation of issuing purchase orders for payroll and utilities. This allows for fiscal court to ensure that sufficient budget allocation is available for all expenses and provides a better representation of financial status by reflecting more accurate encumbrances.

We recommend the Jessamine County Fiscal Court ensure that purchase orders are obtained prior to all purchases.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Preparing Purchase Orders for payroll and utilities has never been done since our purchase order system was instituted. This was new to me as well since both of those items are a pre-approved expenditure. Jessamine County never received the memo that was to "clear up misconception" about this matter in August 2016 from the Department of Local Government. When I discussed this with DLG they agreed there are communication flaws in sending memos to the Treasurer's Association and them having them forwarded to each Treasurer. I understand this memo was to serve as a reminder, but we have never received a comment for this in the past. I am currently researching how we can possibly create purchase orders for payroll and utilities without hiring additional staff as this is extremely burdensome. The purchase orders for training, repairs and etcetera will be obtained in the future with the supervisors facing the realization that if they do not obtain these purchase orders for each item they will lose purchasing privileges.*

Auditor Reply: As a point of clarification, the exceptions necessitating this finding included expenditures for which purchase orders are required by the DLG policy manual, including repairs, supplies, training, and travel costs. DLG recommends, but does not require, the use of purchase orders for recurring expenditures such as payroll and utilities.

2016-004 The Jessamine County Fiscal Court Did Not Have Sufficient Support For Ambulance Receipts

The fiscal court does not have adequate support for posted ambulance billing receipts. The receipts were posted using bank statements to obtain direct deposit information. There was no process in place to verify that the amounts deposited agreed to any billing reports. The cause of this weakness appears to be the result of staff not recognizing the need for adequate support.

Failure to adequately support receipts can lead to improper receipts being accepted and posted to the ledger. The county would not know if they have received proper payment for services rendered.

**JESSAMINE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2016-004 The Jessamine County Fiscal Court Did Not Have Sufficient Support For Ambulance Receipts  
 (Continued)

---

Good internal controls require substantiation for receipts. Receipts should be posted to the ledger using source documentation to support the amount received. The bank statement is not support for the receipt, it is evidence of deposit to the account.

We recommend the fiscal court implement procedures to verify the accuracy of deposits made for ambulance receipts. We further recommend the fiscal court post receipts to the ledger using source documentation instead of bank statements.

Views of Responsible Official and Planned Corrective Action:

*Count Judge/Executive's Response: Our ambulance billing service now sends a monthly ACH report directly to the County Treasurer. The report is reconciled to the monthly bank statement in order to discount any discrepancies.*

2016-005 The Jessamine County Jailer Lacks Internal Controls Over Receipts

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The Jessamine County Jail's inmate funds are deposited into the bank account held by their vendor. The majority of funds deposited into this account are deposited by employees of the vendor that administers the kiosk that receives funds for inmates. However, jail staff are responsible for depositing money orders received by mail into this account, but did not complete daily check-out sheet for these deposits. Auditors noted on the August 2015 bank reconciliation of this account, seven outstanding deposits from 2013, 2014, and 2015 totaling \$2,941. Jail staff did not know why the deposits were outstanding or what the receipts were for.

Internal controls were not in place to ensure that the vendor bank account reconciliation is accurate or that daily check-outs are completed for manual deposits. As a result, the reconciliation and cash balances may not be accurate.

According to the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, "[a] monthly cash reconciliation shall be maintained" and "[d]aily deposits are required. At the end of each business day, the jailer or assigned personnel should separate individual receipts into categories listed on the check-out sheet. The total of each category should be entered on the appropriate space provided. The amount deposited line should equal the amount of money on hand at the end of each day less start-up cash. A maximum of fifty dollars shall be used for start-up for the next business day. All daily detail (deposit form, cash receipts, etc.) should be attached to the form. If the total daily deposit is correct, post to the Jail Commissary Fund Receipts Journal."

The jailer should regularly reconcile the vendor bank account to receipt reports, to ensure that all inmate funds received are deposited into the vendor bank account and inmate accounts are credited. Additionally, the jailer should determine if outstanding deposits are true outstanding deposits. The jailer should prepare daily check-out sheets for manual deposits.

**JESSAMINE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2016-005 The Jessamine County Jailer Lacks Internal Controls Over Receipts (Continued)

---

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The County Treasurer has no access to or control over the Jail Commissary Account at the Detention Center.*

*Jailer's Response: Even though we do not collect money on a daily basis, because of the kiosk machines in place, we will start keeping more accurate check out sheets. We will also work closer with [vendor] to reconcile outstanding checks and deposits.*

**Section III: Federal Award Findings And Questioned Costs**

2016-001 The Jessamine County Fiscal Court Did Not Prepare The Schedule Of Expenditures Of Federal Awards

---

Federal Program: CFDA 10.766 Community Facilities Loans and Grants  
 Federal Department: U.S. Department of Agriculture  
 Passed-Through Agency: N/A  
 Compliance Area: Reporting  
 Questioned Costs: \$0

See comment in Section II.

**Section IV: Summary Schedule of Prior Audit Findings**

None.

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**JESSAMINE COUNTY FISCAL COURT**

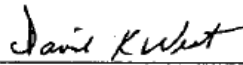
**For The Fiscal Year Ended  
June 30, 2016**

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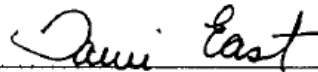
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
JESSAMINE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

The Jessamine County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program or *Local Government Economic Assistance and Development Program* was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer