

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

**For The Fiscal Year Ended
June 30, 2015**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT OF THE BRECKINRIDGE COUNTY FISCAL COURT

June 30, 2015

The Auditor of Public Accounts has completed the audit of the Breckinridge County Fiscal Court for fiscal year ended June 30, 2015.

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

Financial Condition:

The Breckinridge County Fiscal Court had total receipts of \$9,366,470 and disbursements of \$9,463,564 in fiscal year 2015. This resulted in a total ending fund balance of \$2,558,919, which is an increase of \$42,906 from the prior year.

Report Comments:

- 2015-001 The Breckinridge County Jail Lacks Adequate Segregation Of Duties Over The Accounting Functions
- 2015-002 Prisoner Reimbursements (Jail Fees) Were Not Submitted To Treasurer On A Monthly Basis
- 2015-003 The Fiscal Court Does Not Have Adequate Internal Controls Over Credit Card Transactions
- 2015-004 The Fiscal Court Did Not Have Adequate Policies and Procedures Over Leave Balances
- 2015-005 The Breckinridge County Jail Did Not Maintain Signed Commissary Receipts Or Make Daily Deposits
- 2015-006 Weak Internal Controls Over Pool Receipts Could Result In Missing Receipts
- 2015-007 The Breckinridge County Fiscal Court's Capital Asset Schedule Was Inaccurate
- 2015-008 The Breckinridge County Fiscal Court Did Not Make Daily Deposits For The Jail Fund
- 2015-009 The Fiscal Court Did Not Approve An Accurate Salary Schedule
- 2015-010 Employees Were Not Compensated For Actual Hours Worked
- 2015-011 The Breckinridge County Jail Collected \$10,243 Of Unidentified Receipts

Deposits:

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Maurice Lucas, Breckinridge County Judge/Executive
Members of the Breckinridge 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 Breckinridge County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Breckinridge 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 more fully in Note 1 of the financial statement, the financial statement is prepared by the Breckinridge 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 Breckinridge County Fiscal Court as of June 30, 2015, 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 Breckinridge County Fiscal Court as of June 30, 2015, 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 Breckinridge County Fiscal Court. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. The accompanying budgetary comparison schedules and capital asset schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the financial statement as a whole.

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Members of the Breckinridge County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2016 on our consideration of the Breckinridge 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 Breckinridge County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2015-001 The Breckinridge County Jail Lacks Adequate Segregation Of Duties Over The Accounting Functions
- 2015-002 Prisoner Reimbursements (Jail Fees) Were Not Submitted To Treasurer On A Monthly Basis
- 2015-003 The Fiscal Court Does Not Have Adequate Internal Controls Over Credit Card Transactions
- 2015-004 The Fiscal Court Did Not Have Adequate Policies and Procedures Over Leave Balances
- 2015-005 The Breckinridge County Jail Did Not Maintain Signed Commissary Receipts Or Make Daily Deposits
- 2015-006 Weak Internal Controls Over Pool Receipts Could Result In Missing Receipts
- 2015-007 The Breckinridge County Fiscal Court's Capital Asset Schedule Was Inaccurate
- 2015-008 The Breckinridge County Fiscal Court Did Not Make Daily Deposits For The Jail Fund
- 2015-009 The Fiscal Court Did Not Approve An Accurate Salary Schedule
- 2015-010 Employees Were Not Compensated For Actual Hours Worked
- 2015-011 The Breckinridge County Jail Collected \$10,243 Of Unidentified Receipts

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

June 28, 2016

BRECKINRIDGE COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Maurice Lucas	County Judge/Executive
James Henning	Magistrate
Leslie Gedling	Magistrate
Gary Greenwell	Magistrate
Willis Bosley	Magistrate
Sam Moore	Magistrate
Tim Milburn	Magistrate

Other Elected Officials:

Bradley Butler	County Attorney
Tara Shrewsberry	Jailer
Jill Irwin	County Clerk
Cindy Rhodes	Circuit Court Clerk
Todd Pate	Sheriff
Dana Bland	Property Valuation Administrator
Tim Bandy	Coroner

Appointed Personnel:

Sherrie Lawson	County Treasurer
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**BRECKINRIDGE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS**

For The Year Ended June 30, 2015

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

For The Year Ended June 30, 2015

	Budgeted Funds				
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	State Grants Fund
RECEIPTS					
Taxes	\$ 2,471,006	\$	\$	\$	\$
In Lieu Tax Payments	30,901				
Excess Fees	100,058				
Licenses and Permits	35,537				
Intergovernmental	602,088	2,661,337	1,863,224	147,019	
Charges for Services	16,535		134,414		
Miscellaneous	43,529	7,974	129,781		
Interest	2,114	394	798	208	
Total Receipts	<u>3,301,768</u>	<u>2,669,705</u>	<u>2,128,217</u>	<u>147,227</u>	
DISBURSEMENTS					
General Government	1,010,541				
Protection to Persons and Property	506,838		1,582,690	38,906	
General Health and Sanitation	180,479		99,199		
Social Services	13,467			26,823	
Recreation and Culture	82,760			26,495	
Roads		2,252,979			
Bus Services	135,177				
Debt Service	9,539		422,741		
Capital Projects	441,248	114,775			
Administration	1,012,857	154,954	251,226		
Total Disbursements	<u>3,392,906</u>	<u>2,522,708</u>	<u>2,355,856</u>	<u>92,224</u>	
Excess (Deficiency) of Receipts Over					
Disbursements Before Other					
Adjustments to Cash (Uses)	<u>(91,138)</u>	<u>146,997</u>	<u>(227,639)</u>	<u>55,003</u>	
Other Adjustments to Cash (Uses)					
Borrowed Money	140,000				
Transfers From Other Funds	184,000		249,892		
Transfers To Other Funds	(249,892)	(184,000)			
Total Other Adjustments to Cash (Uses)	<u>74,108</u>	<u>(184,000)</u>	<u>249,892</u>		
Net Change in Fund Balance	(17,030)	(37,003)	22,253	55,003	
Fund Balance - Beginning (Restated)	1,735,228	217,559	336,376	97,122	35,934
Fund Balance - Ending	<u>\$ 1,718,198</u>	<u>\$ 180,556</u>	<u>\$ 358,629</u>	<u>\$ 152,125</u>	<u>\$ 35,934</u>
Composition of Fund Balance					
Bank Balance	\$ 1,779,714	\$ 182,976	\$ 420,821	\$ 162,891	\$ 35,934
Less: Outstanding Checks	(61,516)	(2,420)	(62,192)	(10,766)	
Fund Balance - Ending	<u>\$ 1,718,198</u>	<u>\$ 180,556</u>	<u>\$ 358,629</u>	<u>\$ 152,125</u>	<u>\$ 35,934</u>

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

BRECKINRIDGE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

	<u>Unbudgeted Funds</u>		
	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 2,471,006
In Lieu Tax Payments			30,901
Excess Fees			100,058
Licenses and Permits			35,537
Intergovernmental	950,975		6,224,643
Charges for Services			150,949
Miscellaneous		168,572	349,856
Interest	6		3,520
Total Receipts	<u>950,981</u>	<u>168,572</u>	<u>9,366,470</u>
DISBURSEMENTS			
General Government			1,010,541
Protection to Persons and Property			2,128,434
General Health and Sanitation			279,678
Social Services			40,290
Recreation and Culture			109,255
Roads		148,895	2,401,874
Bus Services			135,177
Debt Service	948,975		1,381,255
Capital Projects			556,023
Administration	2,000		1,421,037
Total Disbursements	<u>950,975</u>	<u>148,895</u>	<u>9,463,564</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>6</u>	<u>19,677</u>	<u>(97,094)</u>
Other Adjustments to Cash (Uses)			
Borrowed Money			140,000
Transfers From Other Funds			433,892
Transfers To Other Funds			(433,892)
Total Other Adjustments to Cash (Uses)			<u>140,000</u>
Net Change in Fund Balance	6	19,677	42,906
Fund Balance - Beginning (Restated)	81,619	12,175	2,516,013
Fund Balance - Ending	<u>\$ 81,625</u>	<u>\$ 31,852</u>	<u>\$ 2,558,919</u>
Composition of Fund Balance			
Bank Balance	\$ 81,625	\$ 35,192	\$ 2,699,153
Less: Outstanding Checks		(3,340)	(140,234)
Ending Fund Balance	<u>\$ 81,625</u>	<u>\$ 31,852</u>	<u>\$ 2,558,919</u>

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

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TO THE FINANCIAL STATEMENT**

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BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

Breckinridge Health, Inc. would have been included in the reporting entity under accounting principles generally accepted in the United State of America (GAAP) as established by the Government Accounting Standards Board. However, under the regulatory basis they are no longer required components of the reporting entity. The audit of Breckinridge Health, Inc. can be obtained from the Breckinridge Fiscal Court, 208 S. Main Street, Hardinsburg, Kentucky, 40143.

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 Government 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.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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 licenses 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.

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 government, 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. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

State Grants 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.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The purpose of this fund is to account for debt service requirements of the First Mortgage Revenue Bonds, Series 2010, and the construction costs of the justice center. The Department for Local Government does not require the fiscal court to report or budget this fund.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. 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.

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 Government 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.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

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

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

E. Breckinridge County Elected Officials

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

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2015, 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 2015.

	General Fund	Road Fund	Total Transfers In
General Fund	\$	\$ 184,000	\$ 184,000
Jail Fund	249,892		249,892
Total Transfers Out	<u>\$ 249,892</u>	<u>\$ 184,000</u>	<u>\$ 433,892</u>

Reason for transfers:

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

Note 4. Agency Trust Fund

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

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2015 was \$28,855.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Receivable

The Breckinridge County Fiscal Court had entered into a financing obligation on the behalf of the Breckinridge County Central EMS, Inc. (Central EMS) for the purpose of providing funds for the financing of the construction of the EMS building. The Breckinridge County Fiscal Court has an agreement with Central EMS that states the Central EMS will make payments for this financing obligation. Future amounts due to the Breckinridge County Fiscal Court are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 15,000	\$ 5,355
2017	15,000	4,581
2018	15,000	3,807
2019	15,000	3,034
2020	15,000	2,258
2021-2022	35,000	2,084
Totals	<u>\$ 110,000</u>	<u>\$ 21,119</u>

Note 6. Long-term Debt

A. First Mortgage Revenue Bonds (Justice Center Project), Series 2010

On February 1, 2010, the Breckinridge County Public Properties Corporation issued \$13,155,000 of First Mortgage Revenue Bonds (Justice Center Project), Series 2010 for the purpose of acquiring, constructing, and equipping a new justice center. The bonds have a variable interest rate. The bonds will mature on February 1, 2031. The balance of the bonds at June 30, 2015 was \$11,100,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 535,000	\$ 415,475
2017	550,000	402,100
2018	565,000	385,600
2019	580,000	368,650
2020	600,000	351,250
2021-2025	3,325,000	1,430,800
2026-2030	4,035,000	726,150
2031	910,000	38,675
Totals	<u>\$ 11,100,000</u>	<u>\$ 4,118,700</u>

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Long-term Debt (Continued)

B. EMS Building

On June 18, 2002, the Breckinridge County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the sum of \$250,000 at a 4.38% effective interest rate. The financing obligation was used for the construction of the EMS building. The maturity date of the obligation is January 20, 2022. On August 12, 2002, the Breckinridge County Fiscal Court entered into an agreement with Breckinridge County Central EMS, Inc. The agreement states that Breckinridge County Central EMS, Inc. will make the payments for this lease. The balance of the obligation at June 30, 2015, was \$110,000. Annual debt service payments to maturity are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 15,000	\$ 5,355
2017	15,000	4,581
2018	15,000	3,807
2019	15,000	3,034
2020	15,000	2,258
2021-2022	35,000	2,084
Totals	<u>\$ 110,000</u>	<u>\$ 21,119</u>

C. Detention Facility

On February 26, 1998, the Breckinridge County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the sum of \$5,300,000 at a 5.64% interest rate. The financing obligation was for construction of the detention facility. On January 31, 2000, the fiscal court refinanced in the amount of \$5,500,000 at a 5.30% effective interest rate. The maturity date of the obligation is July 20, 2024. The balance of the obligation at June 30, 2015, was \$3,108,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 245,000	\$ 174,938
2017	258,000	159,351
2018	271,000	142,975
2019	285,000	125,754
2020	300,000	107,629
2021-2025	1,749,000	231,806
Totals	<u>\$ 3,108,000</u>	<u>\$ 942,453</u>

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Long-term Debt (Continued)

D. Emergency Services Building

On August 28, 2014, the Breckinridge County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the sum of \$140,000. Interest rates range from 3.00% to 3.50%. The financing obligation was for acquisition, construction, and equipping of an emergency service building. The balance of the obligation at June 30, 2015 was \$135,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 5,000	\$ 4,788
2017	5,000	4,625
2018	5,000	4,463
2019	5,000	4,300
2020	5,000	4,138
2021-2025	25,000	18,250
2026-2030	45,000	12,863
2031-2034	40,000	4,025
Totals	<u>\$ 135,000</u>	<u>\$ 57,452</u>

E. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 11,625,000	\$	\$ 525,000	\$ 11,100,000	\$ 535,000
Financing Obligations	3,466,000	140,000	253,000	3,353,000	265,000
Total Long-term Debt	<u>\$ 15,091,000</u>	<u>\$ 140,000</u>	<u>\$ 778,000</u>	<u>\$ 14,453,000</u>	<u>\$ 800,000</u>

Note 7. Commitments and Contingencies

The county is involved in multiple lawsuits that arose from the normal course of doing business, and 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.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 8. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to various entities 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 Breckinridge 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.

Note 9. 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 17.67 percent.

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

The county's contribution for FY 2013 was \$452,045, FY 2014 was \$460,013, and FY 2015 was \$436,426.

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.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 9. Employee Retirement System (Continued)

A. Plan Description (Continued)

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

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

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.

Kentucky Retirement Systems 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.

B. Net Pension Liability

As promulgated by GASB Statement No. 68 the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The total net pension liability for all employers participating in CERS was determined by an actuarial valuation as of June 30, 2014, measured as of the same date and is as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, Breckinridge County's proportionate share of the net pension liability as of June 30, 2015 is:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Non-Hazardous	\$ 3,932,000	\$ 3,475,000
Totals	<u>\$ 3,932,000</u>	<u>\$ 3,475,000</u>

The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kyret.ky.gov or can be obtained as described in the paragraph above.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 10. Deferred Compensation

In May 2002, the Breckinridge 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 permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

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

Note 11. Insurance

For the fiscal year ended June 30, 2015, Breckinridge County 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 a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 12. Related Party Transaction

The Breckinridge County Fiscal Court paid a total of \$6,675 to a construction company to replace windows in the courthouse. A magistrate's son owns this construction company.

Note 13. Prior Period Adjustments

	General Fund	Road Fund	Jail Fund
Ending Fund Balance Prior Year	\$ 1,734,981	\$ 217,547	\$ 336,322
Adjustment:			
Rounding		(2)	2
Miscellaneous Adjustment	(697)		
Prior Year Voided Checks	944	14	52
Beginning Fund Balance Restated	<u>\$ 1,735,228</u>	<u>\$ 217,559</u>	<u>\$ 336,376</u>

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

For The Year Ended June 30, 2015

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,975,700	\$ 1,975,700	\$ 2,471,006	\$ 495,306
In Lieu Tax Payments	9,000	9,000	30,901	21,901
Excess Fees	7,550	7,550	100,058	92,508
Licenses and Permits	24,000	24,000	35,537	11,537
Intergovernmental	1,746,143	1,764,352	602,088	(1,162,264)
Charges for Services	9,000	9,000	16,535	7,535
Miscellaneous	139,000	139,000	43,529	(95,471)
Interest			2,114	2,114
Total Receipts	<u>3,910,393</u>	<u>3,928,602</u>	<u>3,301,768</u>	<u>(626,834)</u>
DISBURSEMENTS				
General Government	1,098,640	1,112,193	1,010,541	101,652
Protection to Persons and Property	609,556	639,323	506,838	132,485
General Health and Sanitation	201,593	232,810	180,479	52,331
Social Services	31,950	15,586	13,467	2,119
Recreation and Culture	87,091	90,815	82,760	8,055
Bus Service	135,000	135,177	135,177	
Debt Service		12,211	9,539	2,672
Capital Projects	1,034,305	1,290,812	441,248	849,564
Administration	1,200,795	1,141,671	1,012,857	128,814
Total Disbursements	<u>4,398,930</u>	<u>4,670,598</u>	<u>3,392,906</u>	<u>1,277,692</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(488,537)</u>	<u>(741,996)</u>	<u>(91,138)</u>	<u>650,858</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	204,285	204,285	184,000	(20,285)
Transfers To Other Funds	(268,202)	(268,202)	(249,892)	18,310
Borrowed Money		136,248	140,000	3,752
Total Other Adjustments to Cash (Uses)	<u>(63,917)</u>	<u>72,331</u>	<u>74,108</u>	<u>1,777</u>
Net Change in Fund Balance	(552,454)	(669,665)	(17,030)	652,635
Fund Balance Beginning (Restated)	<u>552,454</u>	<u>669,665</u>	<u>1,735,228</u>	<u>1,065,563</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,718,198</u>	<u>\$ 1,718,198</u>

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,672,166	\$ 2,672,166	\$ 2,661,337	\$ (10,829)
Miscellaneous	302,000	302,000	7,974	(294,026)
Interest			394	394
Total Receipts	<u>2,974,166</u>	<u>2,974,166</u>	<u>2,669,705</u>	<u>(304,461)</u>
DISBURSEMENTS				
Roads	2,469,942	2,492,534	2,252,979	239,555
Capital Projects	150,000	275,059	114,775	160,284
Administration	242,439	219,847	154,954	64,893
Total Disbursements	<u>2,862,381</u>	<u>2,987,440</u>	<u>2,522,708</u>	<u>464,732</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>111,785</u>	<u>(13,274)</u>	<u>146,997</u>	<u>160,271</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(204,285)</u>	<u>(204,285)</u>	<u>(184,000)</u>	<u>20,285</u>
Total Other Adjustments to Cash (Uses)	<u>(204,285)</u>	<u>(204,285)</u>	<u>(184,000)</u>	<u>20,285</u>
Net Change in Fund Balance	(92,500)	(217,559)	(37,003)	180,556
Fund Balance - Beginning (Restated)	<u>92,500</u>	<u>217,559</u>	<u>217,559</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 180,556</u>	<u>\$ 180,556</u>

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,764,500	\$ 1,764,500	\$ 1,863,224	\$ 98,724
Charges for Services	85,000	85,000	134,414	49,414
Miscellaneous	48,500	48,500	129,781	81,281
Interest			798	798
Total Receipts	<u>1,898,000</u>	<u>1,898,000</u>	<u>2,128,217</u>	<u>230,217</u>
DISBURSEMENTS				
Protection to Persons and Property	1,528,236	1,589,580	1,582,690	6,890
General Health and Sanitation	117,894	100,079	99,199	880
Debt Services	422,741	422,741	422,741	
Administration	298,361	254,832	251,226	3,606
Total Disbursements	<u>2,367,232</u>	<u>2,367,232</u>	<u>2,355,856</u>	<u>11,376</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(469,232)</u>	<u>(469,232)</u>	<u>(227,639)</u>	<u>241,593</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>268,202</u>	<u>268,202</u>	<u>249,892</u>	<u>(18,310)</u>
Total Other Adjustments to Cash (Uses)	<u>268,202</u>	<u>268,202</u>	<u>249,892</u>	<u>(18,310)</u>
Net Change in Fund Balance	(201,030)	(201,030)	22,253	223,283
Fund Balance Beginning (Restated)	<u>201,030</u>	<u>201,030</u>	<u>336,376</u>	<u>135,346</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 358,629</u>	<u>\$ 358,629</u>

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 70,000	\$ 70,000	\$ 147,019	\$ 77,019
Interest			208	208
Total Receipts	<u>70,000</u>	<u>70,000</u>	<u>147,227</u>	<u>77,227</u>
DISBURSEMENTS				
General Government	1,500	1,000		1,000
Protection to Persons and Property	30,000	44,146	38,906	5,240
Social Services	33,200	32,965	26,823	6,142
Recreation and Culture	32,500	26,500	26,495	5
Administration	6,300	18,889		18,889
Total Disbursements	<u>103,500</u>	<u>123,500</u>	<u>92,224</u>	<u>31,276</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(33,500)</u>	<u>(53,500)</u>	<u>55,003</u>	<u>108,503</u>
Net Change in Fund Balance	(33,500)	(53,500)	55,003	108,503
Fund Balance Beginning	<u>33,500</u>	<u>53,500</u>	<u>97,122</u>	<u>43,622</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 152,125</u>	<u>\$ 152,125</u>

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	STATE GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 35,934	\$ 35,934	\$	\$ (35,934)
Total Receipts	<u>35,934</u>	<u>35,934</u>		<u>(35,934)</u>
DISBURSEMENTS				
Protection to Persons and Property	35,934	35,934		35,934
Total Disbursements	<u>35,934</u>	<u>35,934</u>		<u>35,934</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
Net Change in Fund Balance				
Fund Balance - Beginning			35,934	35,934
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 35,934</u>	<u>\$ 35,934</u>

BRECKINRIDGE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

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.

BRECKINRIDGE COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015

BRECKINRIDGE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,858,235	\$ 84,311	\$	\$ 1,942,546
Construction In Progress	151,658	366,231		517,889
Buildings and Building Improvement	21,570,365	156,350		21,726,715
Machinery and Equipment	2,601,632	236,447		2,838,079
Vehicles	1,117,454	58,600	45,393	1,130,661
Vehicles - Jail Commissary	11,300	10,000		21,300
Infrastructure	5,086,077	712,232		5,798,309
Total Capital Assets	<u>\$ 32,396,721</u>	<u>\$ 1,624,171</u>	<u>\$ 45,393</u>	<u>\$ 33,975,499</u>

BRECKINRIDGE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2015

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 and Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	5-15
Infrastructure	\$ 20,000	10-50

**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***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Maurice Lucas, Breckinridge County Judge/Executive
Members of the Breckinridge 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 Breckinridge County Fiscal Court for the fiscal year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Breckinridge County Fiscal Court's financial statement and have issued our report thereon dated June 28, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses 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 comments and recommendations as items 2015-001 and 2015-002 to be material weaknesses.



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

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying comments and recommendations as items 2015-003, 2015-004, 2015-005, and 2015-006 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Breckinridge 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 comments and recommendations as items 2015-005, 2015-006, 2015-07, 2015-008, 2015-009, 2015-010, and 2015-011.

County Judge/Executive's and Jailer's Responses to Findings

The Breckinridge County Judge/Executive's and Jailer's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The county judge/executive's and jailer'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

June 28, 2016

**BRECKINRIDGE COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2015

BRECKINRIDGE COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2015

FINANCIAL STATEMENT FINDINGS:

2015-001 The Breckinridge County Jail Lacks Adequate Segregation Of Duties Over The Accounting Functions

A lack of segregation of duties existed over the following accounting functions: receipts and processing, record-keeping, report preparation, and reconciliations for the Breckinridge County Jail. However, starting in January 2015, when the new jailer took office, duties over some of the above accounting functions were segregated. Prior to January 2015, the jailer's bookkeeper prepared and deposited the receipts, prepared and signed checks, posted to the ledger, prepared reports, and performed the bank reconciliations. Subsequent to January 2015, duties such as the preparation of receipts, preparation of checks, and signing of checks were completed by other employees of the jail. A lack of segregation of duties could result in undetected misappropriation of assets and inaccurate financial reporting.

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

To adequately protect employees in the normal course of performing their assigned functions and to protect the fiscal court against inaccurate financial reporting, we recommend the jail continue working to separate the duties in preparing and depositing receipts, preparing and signing checks, recording transactions, preparing reports, and reconciling bank accounts. If, due to staffing limitations, any of these duties cannot be segregated, strong oversight should be provided over the employee responsible. The employee providing the oversight should document this oversight.

Judge/Executive Maurice Lucas' Response: Duties of the accounting functions are being segregated and completed by other employees of the Jail.

Jailer Tara Shrewsberry's Response: As stated by auditors, the Breckinridge County Detention Center has performed segregation of duties since January 2015. The Jailer does reconciliations and prepares and deposits receipts, and the Jailer and Major of Operations both sign checks in order to demonstrate segregation of duties. The Breckinridge County Detention Center understands the importance of segregated duties, and is making every effort to see that it is maintained.

**BRECKINRIDGE COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2015
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-002 Prisoner Reimbursements (Jail Fees) Were Not Submitted To Treasurer On A Monthly Basis

The Breckinridge County Jail did not turn over prisoner reimbursements (jail fees) to the county treasurer on a monthly basis. For the fiscal year ending June 30, 2015, the county received payment for prisoner reimbursements (jail fees) four times. Auditors did note, however, that this was corrected in the fiscal year ending June 30, 2016. According to the jail bookkeeper and county treasurer, the delay of payments was due to issues the jail bookkeeper had with the jail's accounting software. The jail bookkeeper stated that these issues have since been corrected. When prisoner reimbursements are not being submitted to the treasurer along with appropriate supporting documents on a monthly basis, the treasurer is unable to ensure that the correct amount is being collected and paid to the fiscal court. Good internal controls dictate that prisoner reimbursements (jail fees) be submitted with supporting documentation to the county treasurer on at least a monthly basis to ensure that correct amounts are being collected and paid to the fiscal court. We recommend the Breckinridge County Jail submit prisoner reimbursements (jail fees) to the county treasurer on a monthly basis.

Judge/Executive Maurice Lucas' Response: The prisoner reimbursements (Jail Fees) along with the appropriate supporting documentation are being turned over in a timely manner.

Jailer Tara Shrewsberry's Response: As the auditors stated, the Breckinridge County Detention Center's Bookkeeper began taking prisoner reimbursements to the County Treasurer during the fiscal year ending June, 2016.

2015-003 The Fiscal Court Does Not Have Adequate Internal Controls Over Credit Card Transactions

The Breckinridge County Fiscal Court does not have adequate internal controls over credit card transactions. The following credit card transaction deficiencies were noted:

- Thirteen credit card transactions did not have adequate supporting documentations (itemized invoices)
- Four hotel bills paid via credit card transactions included state tax payments even though the county should not be paying these taxes.

All credit card transactions that did not have itemized invoices were for meals purchased by various fiscal court employees. These employees failed to obtain itemized invoices for these purchases. By failing to maintain adequate documentation, the fiscal court is increasing their risk of paying invoices for goods or services that are unallowable or that were not provided to the county.

Good internal controls dictate that adequate supporting documentation be maintained for all disbursements and credit card transactions. All vendor invoices and receipts should be maintained including any additional supporting documentation and agreed to the corresponding purchase order and reports. We recommend the county develop internal procedures to ensure that credit card transactions are properly supported.

Judge/Executive Maurice Lucas' Response: Employees, who request authorization to use the credit card, are required to submit all supporting documentation to the account payable clerk in order to process the disbursements in a timely manner. Also, the County will develop internal procedures to ensure that employees understand the importance of maintaining and turning in all supporting invoices and receipts.

BRECKINRIDGE COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-004 The Fiscal Court Did Not Have Adequate Policies and Procedures Over Leave Balances

Breckinridge County Fiscal Court did not have a set written policy for how leave balances were to be maintained. According to the county treasurer, dispatch, jail, and clerk and sheriff offices should be maintaining their own leave balances, while other departments of the fiscal court have leave balances maintained by the payroll clerk. However, dispatch did not maintain any balances until 2016 because dispatch employees had the understanding that leave balances were maintained by the payroll clerk. There was also a specific situation in which an employee retired in 2013. Upon retirement, that employee told the two dispatchers who worked with her that she would donate her remaining time to them. The two dispatch employees have included this donation in their leave balances; however, there is no record of the donation of the leave time actually occurring. Starting in 2016, the TAC coordinator maintains leave balances for dispatch employees.

According to the county treasurer, it has always been her understanding that dispatch, jail, and the clerk and sheriff offices maintained their own employees' leave balances since this was the practice since she took the position. Due to the fact that dispatch employees' leave balances were not being maintained, the true leave balances of the dispatch employees are unknown at the time of audit. Good internal controls dictate that the fiscal court have sufficient written policies and procedures and that all policies and procedures set forth in the administrative code are followed by all employees. We recommend the Breckinridge County Fiscal Court update policies and procedures to set a written policy which addresses how leave balances should be maintained and ensure that all county employees are made aware of this policy.

Judge/Executive Maurice Lucas' Response: The Breckinridge County Fiscal Court will update policies and procedures and include a set written policy for how leave balances are to be maintained. Donated leave is addressed in the current policy and approved by the Judge/Executive.

2015-005 The Breckinridge County Jail Did Not Maintain Signed Commissary Receipts Or Make Daily Deposits

The Breckinridge County Jail did not maintain any signed commissary receipts or make daily deposits to the commissary and inmate accounts. Auditors tested receipts collected October 5, 2014 through October 11, 2014. For the week tested, auditors noted that commissary receipts were not deposited into the commissary account and that there were only four deposits made into the inmate account out of the seven days tested. Receipts for the inmate account were not batched over the weekend and the receipts collected on Wednesday were batched and deposited with the receipts collected on Thursday. Commissary receipts were deposited into the commissary account from the inmate account at the end of the month.

The jail bookkeeper explained that when an inmate purchases commissary items, the money is credited to their inmate account in Jail Tracker instantly. Since the jail is operating on a cash free system, the money is already in the bank in the inmate account; therefore, the bookkeeper felt that it did not need to be transferred daily since there was no cash on hand. All inmate account receipts collected over the weekend go into a safe and are batched as one deposit since the office staff is not in the office over the weekend. The bookkeeper also stated that signed commissary receipts were not maintained due to time constraints that occur on the days commissary is sold.

BRECKINRIDGE COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-005 The Breckinridge County Jail Did Not Maintain Signed Commissary Receipts Or Make Daily Deposits (Continued)

By not making daily deposits, the jail is creating the opportunity for the undetected misappropriation of assets and inaccurate financial reporting. Not maintaining signed commissary receipts can also create the opportunity for the inmate account balances to be misappropriated. Pursuant to KRS 68.210, the State Local Finance Officer shall prescribe minimum accounting standards. Those standards include performing daily check-out procedures and making daily deposits intact to a federally insured banking institution. Good internal controls also dictate that the jail maintain signed copies of the commissary receipts in order to reduce the opportunity for inmate account balances to be misappropriated. We recommend the Breckinridge County Jail maintain signed commissary receipts and make daily deposits for all receipts collected.

Jailer Tara Shrewsberry's Response: The Breckinridge County Detention Center will maintain signed commissary receipts, beginning July 1, 2016. The commissary clerk will print duplicate receipts, one for prisoner, and the other signed copy will be for the Detention Center's records.

2015-006 Weak Internal Controls Over Pool Receipts Could Result In Missing Receipts

The pool sign-in sheet for July 6, 2014 included an additional \$81 of receipts than what was turned into the judge's secretary for that day, and there were not any receipts issued for this \$81. The judge's secretary did not know why this discrepancy occurred. Also, receipts are not being properly marked as to whether "cash" or "check" was received, nor is there anyone accounting for the sequential order of receipts to ensure they have been properly accounted for or voided. The pool gate employees have to make change from daily receipts; therefore, checks received may not be batched on the actual day they were collected. Deposits are not made daily: receipts for July 6, 2014 to July 21, 2014 were not deposited until July 22, 2014; receipts for June 7, 2015 to June 17, 2015 were not deposited until June 17, 2015; and receipts for June 17, 2015 to June 18, 2015 were not deposited until July 10, 2015.

These deficiencies over pool receipts occurred because of the fiscal court's lack of internal controls and oversight. By failing to maintain sufficient internal controls over pool receipts or making daily deposits, the opportunity for theft of funds or fraudulent recording is increased. Strong internal controls over pool receipts are necessary to ensure accurate financial reporting and to protect assets from misappropriation. Additionally, KRS 68.210 gives the State Local Finance Officer the authority to prescribe minimum accounting standards. Those standards include performing daily check-out procedures and making daily deposits intact to a federally insured banking institution.

We recommend the fiscal court develop internal procedures to ensure that pool receipts are being properly accounted for and deposits are made intact daily. Also, the fiscal court should establish a change fund at the pool.

Judge/Executive Maurice Lucas' Response: The Fiscal Court will develop internal procedures to ensure that pool receipts are being properly accounted for and deposits are made intact daily. The Fiscal Court will establish a change fund at the pool.

BRECKINRIDGE COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-007 The Breckinridge County Fiscal Court's Capital Asset Schedule Was Inaccurate

The Breckinridge County Fiscal Court had various transactions that were not included on the county's capital asset schedule and various items that were added that should not have been included on the asset schedule. Auditors adjusted the county's capital asset schedule by a net amount of \$1,892,423. Adjustments were made to land and land improvements for \$84,311, construction in progress for \$366,231, building and building improvements for \$62,140, machinery and equipment for \$48,005, vehicles for \$(4,895), and infrastructure for \$1,336,631. Auditors had to make adjustments by adding items that had not been included either to the beginning balance or additions, as well as remove items that were added that did not meet the capital asset threshold or did not belong to the county.

The county employee who prepares the county's capital asset schedule does not have sufficient experience in this area, resulting in the inaccurate reporting of the county's capital asset schedule. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. According to the Department for Local Government (DLG) *County Budget Preparation And State Local Finance Officer Policy Manual*, capital asset records are necessary for proper asset valuation, adequate and accurate insurance coverage, internal control, and long range planning for property placement. We recommend the fiscal court maintain up-to-date capital asset records and ensure that these records are accurate.

Judge/Executive Maurice Lucas' Response: The County employee who prepares the County's capital asset schedule will maintain up to date capital asset records regularly.

2015-008 The Breckinridge County Fiscal Court Did Not Make Daily Deposits For The Jail Fund

Jail fund deposits were not prepared and made on a daily basis. There was only one deposit made for May 2015; two deposits for the following months: September 2014, November 2014, December 2014, and March 2015; and three deposits for January 2015. Six of these deposits exceeded \$120,769. The county treasurer explained that the jail does not always turn over their fees to her timely and then she sometimes will hold deposits. Not properly depositing monies received by the office in a timely manner could result in a loss of receipts or misplaced monies. Additionally, the practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset the most susceptible to possible theft. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government's *County Budget Preparation And State Local Finance Officer Policy Manual* requires that deposits be made daily and intact. We recommend the fiscal court deposit receipts daily and intact as required by the *County Budget Preparation And State Local Finance Officer Policy Manual*.

Judge/Executive Maurice Lucas' Response: Deposits received by the office will be made in a timely manner.

2015-009 The Fiscal Court Did Not Approve An Accurate Salary Schedule

The Breckinridge County Fiscal Court approved a salary schedule for the fiscal year ending June 30, 2015; however, the salary schedule approved by the fiscal court did not include accurate pay rates for employees. The fiscal court approved the salary schedule as well as a percentage increase for various employees during the same fiscal court meeting. The salary schedule approved by the fiscal court did not show the pay raises given to the employees and auditors could not determine from the minutes which employees should receive the pay raise. An updated schedule was not presented to the fiscal court. The fiscal court thought that by approving the schedule and pay raise they were in compliance with KRS 64.530 and were not aware that an updated and accurate schedule needed to be approved. Since accurate pay rates were not properly approved by the fiscal court, employees could inadvertently be paid incorrectly.

BRECKINRIDGE COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-009 The Fiscal Court Did Not Approve An Accurate Salary Schedule (Continued)

KRS 64.530(1) states, in part, that “[e]xcept as provided in subsections (5) and (6) of this section, the fiscal court of each county shall fix the reasonable compensation of every county officer and employee except the officers named in KRS 64.535 and the county attorney and jailer.” We recommend the fiscal court comply with KRS 64.530 by approving an accurate salary schedule and documenting the approved salary schedule in the fiscal court order book.

Judge/Executive Maurice Lucas’ Response: The Fiscal Court will approve a list of each employee, by job position, along with his/her pay at the beginning of each year and document the list in the Fiscal Court Order Book along with the budget.

2015-010 Employees Were Not Compensated For Actual Hours Worked

The county treasurer, finance officer, EMA director, road supervisor, SAP director, jail bookkeeper and jail maintenance supervisor were being treated as exempt employees prior to September 2015. As of September 2015, this issue was corrected for all employees mentioned above except for the SAP director and jail bookkeeper. It was the county judge/executive’s understanding that these individuals met the requirements by the U.S. Department of Labor Wage and Hour Division to be considered salaried employees. By treating these individuals as exempt they were not being compensated at time and a half for hours worked over 40 hours per work week. KRS 337.285(1) states: “[n]o employer shall employ any of his employees for a work week longer than forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at a rate not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed.” The Fair Labor Standards Act (FLSA) also requires that all covered, non-exempt employees be paid overtime pay at a rate of not less than one and one-half times an employee’s regular rate of pay after 40 hours of work in one work week. We recommend the fiscal court compensate all employees in accordance with KRS 337.285(1).

Judge/Executive Maurice Lucas’ Response: The Fiscal Court does compensate all employees in accordance with KRS 337.285(1).

2015-011 The Breckinridge County Jail Collected \$10,243 Of Unidentified Receipts

In the fiscal year ending June 30, 2015, the Breckinridge County Jail collected and paid \$10,243 unidentified receipts over to the fiscal court when turning over jail fees. When trying to balance the inmate account, the jail bookkeeper would have additional receipts that were not included on her “Fees Collected Report” or “Inmates Payable Report.” Since the bookkeeper was unsure what the receipts included, she turned them over to the county treasurer along with the jail fees. If the jail bookkeeper turns over receipts that are unidentified, she could pay money to the fiscal court that actually belonged to an inmate. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government *County Budget Preparation And State Local Finance Officer Policy Manual* requires that officials maintain complete and accurate records. We recommend the Breckinridge County Jail determine what these receipts are for and maintain complete and accurate records of all receipts collected.

Jailer Tara Shrewsberry’s Response: The Breckinridge County Detention Center will provide a breakdown of fees collected and paid each month to ensure that they provide an accurate reflection of each report.

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

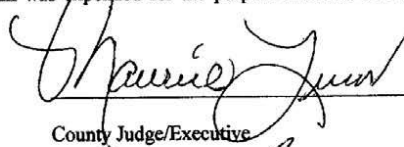
BRECKINRIDGE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2015**

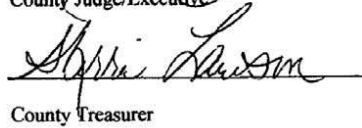
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

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

A handwritten signature in cursive script, appearing to read "Maurice J. Smith", written over a horizontal line.

County Judge/Executive

A handwritten signature in cursive script, appearing to read "Missi L. Smith", written over a horizontal line.

County Treasurer

