

**REPORT OF THE AUDIT OF THE
FAYETTE COUNTY
SHERIFF**

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



**MIKE HARMON
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EXECUTIVE SUMMARY

AUDIT OF THE FAYETTE COUNTY SHERIFF

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

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

Financial Condition:

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

The Fayette County Sheriff had total receipts of \$8,850,577, which was a \$178,592 increase from the prior year. Except for reimbursed expenses in the amount of \$4,675,707, the sheriff paid 25% of receipts to the Lexington-Fayette Urban County Government in the amount of \$1,039,334. This was an increase of \$20,846 from the prior year. In addition, 75% fund operating disbursements decreased by \$1,148,669.

Lease Agreements:

The sheriff's office is committed to a lease agreement for property. The outstanding balance as of December 31, 2015 was \$139,320.

The sheriff's office is committed to a lease agreement for tower rental. The outstanding balance as of December 31, 2015 was \$35,967.

The sheriff's office is committed to a lease agreement for software. The outstanding balance as of December 31, 2015 was \$8,000.

Deposits:

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jim Gray, Mayor, Lexington-Fayette Urban County Government
Honorable Kathy H. Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Government Council

Independent Auditor's Report

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



The Honorable Jim Gray, Mayor, Lexington-Fayette Urban County Government
Honorable Kathy H. Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Government Council

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Fayette County Sheriff, as of December 31, 2015, or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2016 on our consideration of the Fayette County Sheriff’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control over financial reporting and compliance.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

November 10, 2016

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2015

Receipts

Federal Grants		\$ 152,660
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		124,348
State Fees for Services		510,964
State - HB 452 Funds		186,843
Circuit Court Clerk		29,052
County Clerk - Delinquent Taxes		54,145
Commission on Taxes		6,677,929
Fees Collected for Services:		
Auto Inspections	\$ 70,263	
Serving Papers	126,281	
Sheriff Sale Fees	198	
Carry Concealed Deadly Weapon Permits	<u>59,287</u>	256,029
Other:		
Add-On Fees	444,091	
HB 258	1,206	
Delinquent Tax Fees 75%	251,651	
NSF Fees	1,925	
CCDW Photo	11,466	
Copies of E-Warrants	1,468	
Jury Meals	3,114	
Miscellaneous	<u>141,572</u>	856,493
Interest Earned		<u>2,114</u>
Total Receipts		8,850,577

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

FAYETTE COUNTY
 KATHY H. WITT, SHERIFF
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
 For The Year Ended December 31, 2015
 (Continued)

Disbursements

Payments to State:		
Jury Meals	\$ 3,114	
		<u>3,114</u>
Total Disbursements		<u>\$ 3,114</u>
Net Receipts		<u>8,847,463</u>
Payments to State Treasurer:		
75% Operating Fund *	7,808,129	
25% County Fund	<u>1,039,334</u>	<u>8,847,463</u>
Balance Due at Completion of Audit		<u><u>\$ 0</u></u>

* Includes reimbursed expenses in the amount of \$4,675,707 for the audit period.
 See Note 1 of Notes to Financial Statements.

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
FUND BALANCES OF THE COUNTY SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2015

	75% Operating Fund	25% County Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
Fund Balance - January 1, 2015	\$	\$	\$
 <u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	7,808,129		7,808,129
Fees Paid to State - County Funds (25%)		1,039,334	1,039,334
	<u> </u>	<u> </u>	<u> </u>
Total Funds Available	7,808,129	1,039,334	8,847,463
 <u>Disbursements</u>			
Lexington-Fayette Urban County Government		1,039,334	1,039,334
Personal Services-			
Official's Statutory Maximum	112,307		112,307
Official's Training Incentive	3,941		3,941
Deputies' Salaries	3,888,854		3,888,854
Overtime Gross	283,143		283,143
Employee Benefits-			
Employer's Share Social Security	308,694		308,694
Employer's Share Retirement	1,030,080		1,030,080
Employer's Share Health Insurance	628,943		628,943
Employer's Share Life Insurance	8,597		8,597
Employer's Share Dental Insurance	72,213		72,213
Workers' Compensation	14,716		14,716
Contracted Services-			
Consulting	89,239		89,239
Supplies and Materials-			
Office Supplies	44,909		44,909
Other Charges-			
Insurance - Property and Casualty	9,589		9,589
Equipment Maintenance and Repairs	107,294		107,294
Dues and Subscriptions	5,027		5,027
Audit	17,515		17,515

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

FAYETTE COUNTY
 KATHY H. WITT, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2015
 (Continued)

	75%	25%	
	Operating	County	Totals
	Fund	Fund	
	_____	_____	
<u>Disbursements</u>			
Other Charges- (Continued)			
Analysis Fee - PTX	\$ 16,000	\$	\$ 16,000
Ammunition	8,990		8,990
Employee Assistance Pro	450		450
Imprest Cash	10,226		10,226
Postage	58,150		58,150
Radio Equipment	2,268		2,268
Tower Rental	9,581		9,581
Training/Travel	12,924		12,924
Recruiting	23,271		23,271
Telephone and Pager	48,768		48,768
Uniforms	24,636		24,636
Rent	44,790		44,790
Software	7,000		7,000
Utilities	5,369		5,369
Parking	33,040		33,040
Victims of Crime Act	17,663		17,663
Waste Management	1,530		1,530
Internet	1,586		1,586
Auto Expenses-			
Gasoline	87,250		87,250
Vehicle Equipment	12,077		12,077
Vehicle Maintenance and Repair	24,548		24,548
Capital Outlay-			
Body Armor	3,725		3,725
Investigate Mgt.	8,090		8,090
Printer and Scanner	5,481		5,481
Vehicle Equipment	9,615		9,615
	_____	_____	
Total Disbursements	7,102,089	1,039,334	8,141,423
	_____	_____	
Fund Balance - December 31, 2015	\$ 706,040	\$ 0	\$ 706,040
	_____	_____	

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

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

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

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

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the sheriff as determined by the audit.

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

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

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

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

C. Cash and Investments

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

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

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

The county official and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530, administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent for the first six months and 17.06 percent for the last six months.

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

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

The sheriff's contribution for calendar year 2013 was \$951,614, calendar year 2014 was \$958,904, and calendar year 2015 was \$1,030,080.

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.

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

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

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

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

Note 3. Deposits

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

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

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The Fayette County Sheriff 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 December 31, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Grants

A. Taking Action For A Safer Tomorrow Grant

The Fayette County Sheriff's office was awarded a Victims of Crime Grant, titled Taking Action For A Safer Tomorrow, for the period of October 1, 2014 through September 30, 2015. During 2015, grant funds in the amount of \$37,060 were received for reimbursement of grant related disbursements.

B. Taking Action For A Safer Tomorrow Grant

The Fayette County Sheriff's office was awarded a Victims of Crime Grant, titled Taking Action For A Safer Tomorrow, for the period of October 1, 2015 through September 30, 2016. During 2015, grant funds in the amount of \$11,504 were received for reimbursement of grant related disbursements.

C. Fayette County Domestic Violence Intake Center

The Fayette County Sheriff's office was awarded a Violence Against Women Act Grant, titled Amanda's Center for Local Resources: A Domestic Violence Intake Center, for the period of January 1, 2015 through December 31, 2015. During 2015, grant funds in the amount of \$104,095 were received for reimbursement of grant related disbursements.

Note 5. Lease Agreements

A. Property

On December 12, 2014, the sheriff renewed a four-year lease agreement for real property located at 1700 Fortune Court, Lexington, KY. This agreement requires monthly payments of \$3,990. As of December 31, 2015, the remaining balance of this agreement was \$139,320.

B. Radio Tower

On May 1, 2010, the sheriff entered into a five-year lease agreement for a radio tower, which ended on April 30, 2015. This agreement was extended for an additional five-year term for \$41,532. The terms of the renewed lease require a monthly payment of \$696, which is subject to a three percent annual increase. As of December 31, 2015, the ending balance of this agreement was \$35,967.

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

Note 5. Lease Agreements (Continued)

C. Software

On June 25, 2015, the sheriff entered into a lease agreement for property tax collection and reporting software. The agreement requires monthly payments of \$1,000 beginning September 1, 2015 and ending August 31, 2016, and is renewable annually. As of December 31, 2015, the remaining balance of this lease was \$8,000.

Note 6. Return of Fugitive Account

The sheriff maintains a separate bank account for expenses incurred during the return of fugitives. The sheriff's office incurs expenses for these trips and requests reimbursement from the state. The reimbursements are then deposited into this bank account at which time the expenses are paid. The beginning balance was \$0. There were receipts of \$90,438 and disbursements of \$64,809, leaving a \$25,629 balance as of December 31, 2015. This amount was turned over to the fee account as excess fees on June 14, 2016.

Note 7. Asset Forfeiture Account

The sheriff maintains a separate bank account for monies that are seized and forfeited to the sheriff's office by court order. The beginning balance was \$0. During 2015, receipts totaled \$1,843, with no disbursements, leaving a \$1,843 balance as of December 31, 2015.

Note 8. Sheriff's Sale Account

The sheriff maintains a separate bank account for receipts and disbursements related to sheriff sale items. The sheriff oversees these sales, which are court ordered. All receipts are used to pay the plaintiff in the case, along with advertising and legal fees incurred. The beginning balance as of January 1, 2015 was \$0. There were receipts of \$1,483 and disbursements of \$1,483, leaving a \$0 balance as of December 31, 2015.

Note 9. HB 258 Account

The sheriff maintains a separate bank account for receipts and disbursements related to HB 258 items. HB 258 was authorized by the 2004 General Assembly to provide a means whereby the necessary office expenses of a sheriff or clerk in counties with populations in excess of seventy thousand (70,000) shall include discretionary funds to cover additional expenses related to special training and travel related to homeland security emergencies, academy graduations, retirements, state and national sheriff conventions, and extraordinary office expenses in amounts authorized by the approving authority. The sheriff was authorized \$5,500 for 2015. The sheriff earned \$5 in interest in this account. The sheriff had authorized HB 258 disbursements of \$4,300 and the remaining \$1,205 was returned, leaving a \$0 balance as of December 31, 2015.

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



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jim Gray, Mayor, Lexington-Fayette Urban County Government
The Honorable Kathy H. Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Government Council

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts and Disbursements - Regulatory Basis of the Sheriff of Fayette County, Kentucky, the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2016. The Fayette County Sheriff's financial statements are prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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



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

Internal Control over Financial Reporting (Continued)

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Fayette County Sheriff's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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,

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

Mike Harmon
Auditor of Public Accounts

November 10, 2016

