

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

**For The Year Ended
December 31, 2017**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Linda Gorton, Mayor, Lexington-Fayette Urban County Government
The Honorable Kathy Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County 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, 2017, 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 and budget laws. 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.

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AN EQUAL OPPORTUNITY EMPLOYER M / F / D



The Honorable Linda Gorton, Mayor, Lexington-Fayette Urban County Government
The Honorable Kathy Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County 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, 2017, 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 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 Fayette County Sheriff’s operating fund and county fund with the state treasurer for the year ended December 31, 2017, 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 30, 2018, 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, 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 30, 2018

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

For The Year Ended December 31, 2017

Receipts

Federal Grants		\$ 209,840
State - HB 452 Funds		176,490
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		186,389
State Fees for Services		538,221
Circuit Court Clerk		56,434
County Clerk - Delinquent Taxes		60,410
Commission on Taxes		7,320,195
Fees Collected for Services:		
Auto Inspections	\$ 78,301	
Serving Papers	127,835	
Carry Concealed Deadly Weapon Permits	57,793	
Sheriff Sale Fees	42	263,971
Other:		
Add-On Fees	427,912	
HB 258	546	
Delinquent Tax Fees 75%	174,059	
NSF Fees	2,608	
Copies of E-Files	3,255	
Out of County E-Files	7,910	
CCDW Photos	6,755	
Jury Meals	1,837	
Miscellaneous	83,971	708,853
Interest Earned		2,548
Total Receipts		9,523,351

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

FAYETTE COUNTY
 KATHY WITT, SHERIFF
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
 For The Year Ended December 31, 2017
 (Continued)

Disbursements

Payments to State:

Jury Meals	<u>\$ 1,837</u>	
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Total Disbursements		<u>\$ 1,837</u>
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Net Receipts		9,521,514
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Payments to State Treasurer:

75% Operating Fund *	8,392,584	
25% County Fund	<u>1,128,930</u>	<u>9,521,514</u>

Balance Due at Completion of Audit		<u>\$ 0</u>
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* Includes reimbursed expenses in the amount of \$4,997,508 for the audit period.
 See Note 1 of Notes to Financial Statements.

FAYETTE COUNTY
KATHY 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, 2017

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2017	\$ 1,086,635	\$ 0	\$ 1,086,635
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	8,392,584		8,392,584
Fees Paid to State - County Funds (25%)		1,128,930	1,128,930
Total Funds Available	<u>9,479,219</u>	<u>1,128,930</u>	<u>10,608,149</u>
<u>Disbursements</u>			
Lexington-Fayette Urban County Government		1,128,930	1,128,930
Personal Services-			
Official's Statutory Maximum	115,473		115,473
Official's Training Incentive	4,052		4,052
Deputies' Salaries	3,870,366		3,870,366
Overtime Gross	199,108		199,108
Employee Benefits-			
Employer's Share Social Security	318,818		318,818
Employer's Share Retirement	1,006,416		1,006,416
Employer's Share Health Insurance	782,146		782,146
Employer's Share Life Insurance	10,047		10,047
Employer's Share Dental Insurance	79,243		79,243
Workers' Compensation	32,670		32,670
Contracted Services-			
Consulting	41,107		41,107
Supplies and Materials-			
Office Supplies	65,439		65,439
Other Charges-			
Insurance -Property and Casualty	295,686		295,686
Equipment Maintenance and Repairs	128,341		128,341
Dues and Subscriptions	900		900
Audit	16,587		16,587

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

FAYETTE COUNTY
 KATHY 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, 2017
 (Continued)

	75%	25%	
	Operating	County	Totals
	Fund	Fund	
<u>Disbursements</u> (Continued)			
Other Charges: (Continued)			
Analysis Fee -PTX	\$ 19,000	\$	\$ 19,000
Ammunitions	10,279		10,279
Employee Assistance Program	169		169
Imprest Cash	9,107		9,107
Postage	50,165		50,165
Radio Equipment	13,300		13,300
Tower Rental	15,531		15,531
Training/Travel	32,952		32,952
Recruiting	29,993		29,993
Telephone and Pager	51,982		51,982
Uniforms	73,840		73,840
Rent	48,780		48,780
Investigate Mgmt	20,722		20,722
Utilities	5,408		5,408
Parking	37,055		37,055
K-9 Equipment	4,986		4,986
Victims of Crime Act	52,908		52,908
Waste Management	2,220		2,220
Wellness Program	15,072		15,072
Internet	3,694		3,694
Auto Expenses-			
Gasoline	82,331		82,331
Maintenance and Repairs	53,071		53,071
Vehicle Equipment	33,099		33,099
Capital Outlay-			
Body Armor	1,515		1,515
Printer and Scanner	1,095		1,095
Eventide Nexlog Recorder	19,999		19,999
Vehicle Equipment	17,222		17,222

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

FAYETTE COUNTY
 KATHY 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, 2017
 (Continued)

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
<u>Disbursements</u> (Continued)			
Capital Outlay: (Continued)			
Toughbook 31	\$ 19,380	\$	\$ 19,380
Cellular Phone Equipment	4,800		4,800
Vehicles	267,596		267,596
ATF Bunker	4,469		4,469
	<u> </u>	<u> </u>	<u> </u>
Total Disbursements	<u>7,987,391</u>	<u>1,128,930</u>	<u>9,116,321</u>
Fund Balance - December 31, 2017	<u>\$ 1,491,828</u>	<u>\$ 0</u>	<u>\$ 1,491,828</u>

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

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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.

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

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 2017 services
- Reimbursements for 2017 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 2017

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, 2017
(Continued)

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

The county official and employees have elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is 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.

The sheriff's contribution for calendar year 2015 was \$1,030,080, calendar year 2016 was \$1,015,971, and calendar year 2017 was \$1,006,416.

Nonhazardous

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 be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

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 accounts. Nonhazardous covered employees contribute five percent 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 nonhazardous member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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.

The county's contribution rate for nonhazardous employees was 18.68 percent for the first six months and 19.18 percent for the last six months.

Hazardous

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.

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.

FAYETTE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2017
 (Continued)

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

Members in the plan contribute a set percentage of their salary each month to their own account. Hazardous members contribute eight percent 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 hazardous member's account is credited with a seven and one half percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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.

The county's contribution rate for hazardous employees was 31.06 percent for the first six months and 31.55 percent for the last six months.

Health Insurance Coverage

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, the 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.

FAYETTE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2017
 (Continued)

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

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

Note 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.

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, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Grants

A. Taking Action For A Safer Tomorrow

The Fayette County Sheriff's office was awarded a Victims of Crime grant, titled Taking Action For A Safer Tomorrow, for the period October 1, 2016 through September 30, 2017. During 2017, grant funds in the amount of \$81,292 were received for the reimbursement of grant related disbursements.

B. Taking Action For A Safer Tomorrow

The Fayette County Sheriff's office was awarded a Victims of Crime grant, titled Taking Action For A Safer Tomorrow, for the period October 1, 2017 through September 30, 2018. During 2017, grant funds in the amount of \$24,453 were received for the reimbursement of grant related disbursements.

C. Amanda's Center for Local Resources: A 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 January 1, 2017 through December 31, 2017. During 2017, grant funds in the amount of \$104,095 were received for the reimbursement of grant related disbursements.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017
(Continued)

Note 5. Lease Agreements

A. Property

On December 12, 2014, the sheriff renewed a four-year lease agreement with Fortune Business Centre, LLC, for real property located at 1700 Fortune Center Court, Lexington, KY. This agreement requires monthly payments of \$3,990. The beginning balance on January 1, 2017, was \$91,440. Payments of \$47,880 were made during the year, leaving an ending balance of \$43,560 as of December 31, 2017.

B. Radio Tower

On May 1, 2015, the sheriff renewed a five-year lease agreement with Vertical Bridge (formerly known as iHeart radio) for a radio tower. This agreement requires monthly payments of \$716 for the first four months, then \$738 for the remaining eight months, which is subject to a 3 percent annual increase each May. The beginning balance on January 1, 2017, was \$27,454. Payments of \$8,769 were made during the year, leaving an ending balance of \$18,685 as of December 31, 2017.

C. Software

On June 25, 2015, the sheriff entered into a lease agreement with Computer Aid International for Property Tax and Franchise Tax Collection and Reporting Software. This agreement requires monthly payments of \$1,000 beginning on September 1 and ending August 31, and is renewable annually. The beginning balance on January 1, 2017, was \$8,000. Payments of \$8,000 were made during the year, leaving a \$0 ending balance. On September 1, 2017, this lease was renewed for \$12,000. Additional payments during the year of \$4,000 were made, leaving an ending balance of \$8,000 as of December 31, 2017.

D. Antenna

On July 16, 2016, the sheriff entered into a lease agreement with Lexington Financial Center, LLC for placement of an antenna on the roof of the Lexington Financial Center. The lease agreement is for 29 months, ending on December 31, 2018. The agreement requires monthly payments of \$750, with partial months being prorated. The beginning balance as of January 1, 2017, was \$18,000. Payments of \$9,000 were made during the year, leaving an ending balance of \$9,000 as of December 31, 2017.

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 and the expenses are paid. The beginning balance on January 1, 2017, was \$24,359. There were receipts of \$138,843 and disbursements of \$145,702 leaving a balance of \$17,500 as of December 31, 2017. This amount was returned to the sheriff's fee account as excess fees on September 13, 2018.

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 as of January 1, 2017, was \$1,848. During 2017, there were receipts of \$2,112 and disbursements of \$316, leaving an ending balance of \$3,644 as of December 31, 2017.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017
(Continued)

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, 2017, was \$0. There were receipts of \$1,852 and disbursements of \$1,852, leaving an ending balance of \$0 as of December 31, 2017.

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 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 amount authorized by the approving authority. The sheriff was authorized for \$5,500 for 2017. The sheriff earned \$16 in interest in this account. The sheriff had authorized HB 258 disbursements of \$4,970 and the remaining \$546 was returned, leaving a \$0 balance as of December 31, 2017.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Linda Gorton, Mayor, Lexington-Fayette Urban County Government
The Honorable Kathy Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County 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, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2018. 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.

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



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)

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 Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

November 30, 2018