

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

June 30, 2015

The Auditor of Public Accounts was engaged to audit the financial activities of the Jackson County Fiscal Court for fiscal year ended June 30, 2015 and we have issued a disclaimer of opinion on the financial activities of the Jackson County Fiscal Court.

Audit evidence indicates abuse and intentional override of internal controls by an employee that had a material effect on the financial statement. The Jackson County Fiscal Court had serious weaknesses in the design and operation of its internal control procedures and failed to establish appropriate management oversight of the county's financial activities. The absence of internal control and management oversight created an environment in which funds were misappropriated and financial records were manipulated. Based on these conditions, we determined the risk for fraud to be too high and we were unable to apply other procedures to mitigate this fraud risk. The significance of these issues prevents us from placing reliance on financial activities contained in the Jackson County Fiscal Court's Fourth Quarter Financial Report and from expressing an opinion on the Fourth Quarter Report of the Jackson County Fiscal Court.

The Auditor of Public Accounts was also engaged to audit the compliance of the Jackson County Fiscal Court with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2015. The Jackson County Fiscal Court did not comply with federal compliance requirements regarding CFDA #97.040. Due to the unreliability of the underlying financial records, auditors were unable to express, and we do not express, an opinion on the compliance requirements described in the U.S. OMB Circular A-133 *Compliance Supplement*.

Report Comments:

- 2015-001 The Jackson County Fiscal Court Lacks Adequate Segregation Of Duties And Internal Controls Over The Overall Environment Of The County
- 2015-002 The Jackson County Fiscal Court Failed To Properly Adopt Budget Amendments
- 2015-003 The Jackson County Fiscal Court Expended More Money Than Was Available, Resulting In A Deficit
- 2015-004 The Jackson County Fiscal Court's Expenditures Exceeded Budgeted Appropriations In The General, LGEA, and CSEPP/EM Funds
- 2015-005 The Jackson County Judge/Executive's Office Collected Rent for the Former County Judge/Executive
- 2015-006 The Jackson County Fiscal Court Failed To Establish Internal Controls Over Payroll, Resulting In Numerous Instances Of Non-Compliance
- 2015-007 The Former Jackson County Treasurer Improperly Received 26 Additional Payroll Checks Totaling \$46,173 That Went Undetected By County Officials
- 2015-008 The Jackson County Fiscal Court Did Not Set And Approve Salaries For All County Employees
- 2015-009 The Jackson County Fiscal Court Magistrates Received A Lump Sum Expense Allowance Without Proof Of Working Committees
- 2015-010 The Jackson County Fiscal Court Did Not Properly Calculate Occupational Taxes On All Employee Wages
- 2015-011 The Jackson County Fiscal Court Erroneously Withheld Retirement On Part-Time Employee Wages
- 2015-012 The Jackson County Fiscal Court Did Not Accurately Withhold Health Insurance Premiums From All Employee Wages And Paid For Two Former Employees
- 2015-013 The Jackson County Fiscal Court Incurred Penalties And Interest Due To Not Paying Invoices Timely
- 2015-014 The Jackson County Fiscal Court Did Not Pay Withholdings Timely Resulting In Outstanding Liabilities For Federal And State Withholdings

EXECUTIVE SUMMARY
AUDIT OF THE
JACKSON COUNTY FISCAL COURT
June 30, 2015
(Continued)

Report Comments: (continued)

- 2015-015 The Jackson County Fiscal Court Did Not Perform Accurate Bank Reconciliations
- 2015-016 The Jackson County Fiscal Court Did Not Include All County Funds On The Fourth Quarter Financial Report
- 2015-017 The Jackson County Fiscal Court Transfer Of Road Funds Exceeded The Allowable Amount
- 2015-018 The Jackson County Fiscal Court Did Not Approve Cash Transfers Between Funds In Advance
- 2015-019 The Jackson County Fiscal Court Did Not Maintain Accurate Capital Asset Records Or Properly Insure Assets
- 2015-020 The Jackson County Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund
- 2015-021 The Jackson County Fiscal Court Lacks Adequate Internal Controls Over Disbursements
- 2015-022 The Jackson County Treasurer's Office Supplies Appropriation Account Contained Numerous Inappropriate Postings
- 2015-023 The Jackson County Fiscal Court Did Not Maintain A List Of Encumbrances And Unpaid Obligations
- 2015-024 The Jackson County Fiscal Court Lacks Internal Controls Over Occupational Taxes
- 2015-025 The Jackson County Fiscal Court Lacks Internal Controls Over Transfer Station Receipts And Deposits
- 2015-026 The Jackson County Jailer Lacks Adequate Internal Controls Over The Overall Environment Of The Jail
- 2015-027 The Jackson County Jailer Did Not Present A Jail Commissary Financial Statement To The Treasurer For Fiscal Year Ending June 30, 2015
- 2015-028 The Jackson County Detention Center Employees Were Allowed To Purchase Food From Detention Center Vendors At Discounted Rates
- 2015-029 The Jackson County Fiscal Court Lacked Controls Over The Collection Of Detention Center Receipts
- 2015-030 The Jackson County Jailer Did Not Present An Updated Jail Fee Schedule To The Jackson County Fiscal Court
- 2015-031 The Jackson County Jailer Did Not Properly Calculate Vendor Discounts On Sales Tax Returns And Did Not Make Payments Timely
- 2015-032 The Jackson County Fiscal Court Did Not Prepare A Schedule Of Expenditures Of Federal Awards (SEFA)
- 2015-033 The Jackson County Fiscal Court Commingled Chemical Stockpile Emergency Preparedness Program Funds With Jackson County's General Fund And Unsupported Checks Were Issued To The Former Jackson County Treasurer
- 2015-034 The Jackson County Fiscal Court Failed To Implement Adequate Internal Controls Over Chemical Stockpile Emergency Preparedness Program (CSEPP) Grant Funds
- 2015-035 The Jackson County Fiscal Court Made Inappropriate Postings In The Chemical Stockpile Emergency Preparedness Program (CSEPP) Expense Account

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CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM



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 Shane Gabbard, Jackson County Judge/Executive
Members of the Jackson County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We were engaged to audit the financial activity contained in the Fourth Quarter Financial Report of the Jackson County Fiscal Court, as of and for the year ended June 30, 2015.

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. 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. Because of issues described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Audit evidence indicates abuse and intentional override of internal controls by an employee that had a material effect on the financial statement. The Jackson County Fiscal Court had serious weaknesses in the design and operation of its internal control procedures and failed to establish appropriate management oversight of the county's financial activities. The absence of internal control and management oversight created an environment in which funds were misappropriated and financial records were manipulated. Based on these conditions, we determined the risk for fraud to be too high and we were unable to apply other procedures to mitigate this fraud risk. The significance of these issues prevents us from placing reliance on financial activities contained in the Jackson County Fiscal Court's Fourth Quarter Financial Report and from expressing an opinion on the financial statement of the Jackson County Fiscal Court.



To the People of Kentucky
 Honorable Matthew G. Bevin, Governor
 William M. Landrum III, Secretary
 Finance and Administration Cabinet
 Honorable Shane Gabbard, Jackson County Judge/Executive
 Members of the Jackson County Fiscal Court

Disclaimer of Opinion

Because of the significance of the issues described in the Basis for Disclaimer of Opinion paragraph we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statement.

Emphasis of Matter

Jackson County has estimated deficit fund balances in its general, jail, LGEA, forest fire, and transfer funds totaling \$372,967. This deficit is based upon available records and could be larger as a result of unknown items and penalties and interest due to regulatory agencies. The deficit balances are the cumulative result of interfund payables created when restricted funds were transferred and used for general expenditures of the county. Management does not have a plan to ensure the restricted funds are transferred back to the appropriate funds. Our opinion is not modified with respect to this matter.

Other Matters

We were engaged for the purpose of forming an opinion on the financial activity in the Fourth Quarter Financial Report of the Jackson County Fiscal Court. The Schedule of Expenditures of Federal Awards (SEFA) is normally presented for purposes of additional analysis and is not a required part of the financial statement. However, the county failed to prepare a SEFA which is required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Because of the significance of matters above related to our inability to rely on underlying financial records, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2017, on our consideration of the Jackson 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 Jackson County Fiscal Court's internal control over financial reporting and compliance.

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

- 2015-001 The Jackson County Fiscal Court Lacks Adequate Segregation Of Duties And Internal Controls Over The Overall Environment Of The County
- 2015-002 The Jackson County Fiscal Court Failed To Properly Adopt Budget Amendments
- 2015-003 The Jackson County Fiscal Court Expended More Money Than Was Available, Resulting In A Deficit
- 2015-004 The Jackson County Fiscal Court's Expenditures Exceeded Budgeted Appropriations In The General, LGEA, and CSEPP/EM Funds
- 2015-005 The Jackson County Judge/Executive's Office Collected Rent for the Former County Judge/Executive

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 Finance and Administration Cabinet
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 Members of the Jackson County Fiscal Court

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

- 2015-006 The Jackson County Fiscal Court Failed To Establish Internal Controls Over Payroll, Resulting In Numerous Instances Of Non-Compliance
- 2015-007 The Former Jackson County Treasurer Improperly Received 26 Additional Payroll Checks Totaling \$46,173 That Went Undetected By County Officials
- 2015-008 The Jackson County Fiscal Court Did Not Set And Approve Salaries For All County Employees
- 2015-009 The Jackson County Fiscal Court Magistrates Received A Lump Sum Expense Allowance Without Proof Of Working Committees
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- 2015-012 The Jackson County Fiscal Court Did Not Accurately Withhold Health Insurance Premiums From All Employee Wages And Paid For Two Former Employees
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- 2015-014 The Jackson County Fiscal Court Did Not Pay Withholdings Timely Resulting In Outstanding Liabilities For Federal And State Withholdings
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Other Reporting Required by *Government Auditing Standards* (Continued)

- 2015-033 The Jackson County Fiscal Court Commingled Chemical Stockpile Emergency Preparedness Program Funds With Jackson County's General Fund And Unsupported Checks Were Issued To The Former Jackson County Treasurer
- 2015-034 The Jackson County Fiscal Court Failed To Implement Adequate Internal Controls Over Chemical Stockpile Emergency Preparedness Program (CSEPP) Grant Funds
- 2015-035 The Jackson County Fiscal Court Made Inappropriate Postings In The Chemical Stockpile Emergency Preparedness Program (CSEPP) Expense Account

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

May 19, 2017

JACKSON COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Barry Shane Gabbard	County Judge/Executive
Danny Todd	Magistrate
Dale Vaughn	Magistrate
Garvin Baker	Magistrate

Other Elected Officials:

George T. Hays	County Attorney
Bill Dunn	Jailer
Donald Moore	County Clerk
Doris Ward	Circuit Court Clerk
Paul Hays	Sheriff
Paul Rose	Property Valuation Administrator
Melvin Lakes	Coroner

Appointed Personnel:

Beth Sallee	County Treasurer
Shay Hacker	Chief Financial Officer

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JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT

For The Year Ended June 30, 2015

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT

For The Year Ended June 30, 2015

Jackson County Fiscal Court
Financial Statement
Fiscal Year 2014-2015
As Of: June 30, 2015

SECTION I

SUMMARY

	General	Road	Jail	L.G.E.A.	Fed. Grants	CSEPP/EM	Forest Fire	Transfer	Cnty Police	Total
Total Receipts To-Date	3,911,822.88	1,647,718.20	1,239,506.62	149,979.91	339,497.62	2,329.00	2,673.14	351,107.37	192,609.77	7,837,244.51
Total Claims Paid To-Date	3,909,792.67	1,633,157.75	1,484,480.20	149,187.77	339,497.08	1,829.00	7.00	349,653.19	192,609.77	8,060,214.43
Cash Balance	2,030.21	14,560.45	-244,973.58	792.14	.54	500.00	2,666.14	1,454.18	0.00	-222,969.92
Total Encumbrances										
Unencumbered Cash Balance	2,030.21	14,560.45	-244,973.58	792.14	.54	500.00	2,666.14	1,454.18	0.00	-222,969.92

RECONCILIATION

	General	Road	Jail	L.G.E.A.	Fed. Grants	CSEPP/EM	Forest Fire	Transfer	Cnty Police	Total
Bank Balance	205,451.66	23,460.45	926.35	792.14	8,000.54	500.00	2,666.14	15,693.03		257,490.31
Deposits in Transit +			11,951.54					2,590.70		14,542.24
Outstanding Checks -	204,175.24	8,900.00	258,045.31		8,000.00			16,829.55		495,950.10
Other Investments +	419.17		193.84							613.01
Cash Balance =	1,695.59	14,560.45	-244,973.58	792.14	.54	500.00	2,666.14	1,454.18		-223,304.54

TO THE BEST OF MY KNOWLEDGE, THE INFORMATION CONTAINED HEREIN IS ACCURATE AND COMPLETE.

BETH SALLEE, County Treasurer

Date

SHANE GABBARD, Judge/Executive

Date

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2015
(Continued)

Jackson County Fiscal Court					SECTION II			
Revenue Condition Report								
<i>As Of: 06/30/2015</i>								
<i>Period From: 07/01/2014 To: 06/30/2015</i>								
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July	%Rcvd	Anticipated FY Revenues
General Fund								
01-4101-	REAL PROPERTY TAX	185,000.00	8,000.00	193,000.00	203,980.22	203,980.22	105.7%	(10,980.22)
01-4102-	PERSONAL PROPERTY TAX	1,000.00		1,000.00	363.95	363.95	36.4%	636.05
01-4103-	MOTOR VEHICLE PROPERTY TAX	60,000.00		60,000.00	65,769.76	65,769.76	109.6%	(5,769.76)
01-4104-	DELINQUENT PROPERTY TAX	16,000.00		16,000.00	11,902.33	11,902.33	74.4%	4,097.67
01-4107-	UNMIDED MINERALS TAX	250.00		250.00				250.00
01-4120-	OTHER AD VALOREM TAX	5,000.00		5,000.00	6,022.61	6,022.61	120.5%	(1,022.61)
01-4121-	ADVERTISING COST	800.00		800.00				800.00
01-4130-	BANK FRANCHISE TAX	24,000.00		24,000.00	24,656.63	24,656.63	102.7%	(656.63)
01-4134-	OCCUPATIONAL LICENSE FEE TAX	1,175,000.00		1,175,000.00	1,019,000.00	1,019,000.00	86.7%	156,000.00
01-4135-	DEED TAX	12,000.00		12,000.00	12,007.04	12,007.04	100.1%	(7.04)
01-4137-	INSURANCE LICENSE FEE	490,000.00		460,000.00	499,415.78	499,415.78	108.6%	(39,415.78)
01-4140-	TELEPHONE 911 FEE	175,200.00		175,200.00	170,867.48	170,867.48	97.5%	4,332.52
01-4210-	IN LIEU PAYMENT	43,000.00		43,000.00	24,303.00	24,303.00	56.5%	18,697.00
01-4302-	EXCESS FEES - CLERK	27,500.00	16,000.00	43,500.00	43,682.57	43,682.57	100.4%	(182.57)
01-4510-	STATE GRANTS	152,000.00	70,000.00	222,000.00	319,534.28	319,534.28	143.9%	(97,534.28)
01-4520-	ELECTION EXPENSE REIMBURSEMENT	5,432.00		5,432.00	5,572.00	5,572.00	102.6%	(140.00)
01-4521-	BOARD OF ASSESSMENT	200.00		200.00				200.00
01-4522-	LEGAL PROCESS TAX	75.00		75.00	61.00	61.00	81.3%	14.00
01-4526-	STRIPE MINE	3,000.00		3,000.00				3,000.00
01-4532-	AOC SPACE RENTAL	349,500.00		349,500.00	290,149.00	290,149.00	83.0%	59,351.00
01-4543-	MISC PAYMENTS	1,000.00	22,500.00	23,500.00	85,292.52	85,292.52	362.9%	(61,792.52)
01-4549-	COUNTY SHERIFF FEES	165,000.00		165,000.00	96,223.97	96,223.97	58.3%	68,776.03
01-4562-	WIRELESS 911 FEE	96,000.00		96,000.00	99,802.92	99,802.92	104.0%	(3,802.92)
01-4602-	HB 413 and COURT FACILITY FEES	26,000.00		26,000.00	15,194.09	15,194.09	58.4%	10,805.91
01-4699-	DOG FEES-CHARGES FOR OTHER SERVICES	200.00		200.00	231.00	231.00	115.5%	(31.00)
01-4701-	VENDING MACHINE COMMISSION	700.00		700.00	665.88	665.88	95.1%	34.12
01-4727-	REIMBURSEMENT	1,000.00	3,900.00	4,900.00	6,388.92	6,388.92	130.4%	(1,488.92)

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2015
(Continued)

Jackson County Fiscal Court								SECTION II
Revenue Condition Report								
<i>As Of: 06/30/2015</i>								
<i>Period From: 07/01/2014 To: 06/30/2015</i>								
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July	%Rcvd	Anticipated FY Revenues
01-4733-	INSURANCE REFUNDS	5,000.00		5,000.00	749.94	749.94	15.0%	4,250.06
01-4801-	INTEREST	100.00		100.00	96.16	96.16	96.2%	3.84
	TOTAL REVENUES GENERAL FUND	2,989,957.00	120,400.00	3,110,357.00	3,001,933.05	3,001,933.05	96.5%	108,423.95
01-4901-	SURPLUS FROM PRIOR YEAR	2,000.00		2,000.00		(89,384.38)		91,384.38
01-4909-	TRANSFERS TO OTHER FUNDS	(984,802.22)	50,010.00	(944,792.22)	(1,063,366.39)	(1,063,366.39)		118,574.17
01-4910-	TRANSFER IN	404,785.00	1,369,640.00	1,774,425.00	2,062,640.60	2,062,640.60	116.2%	(288,215.60)
	TOTAL RECEIPTS GENERAL FUND	2,401,939.78	1,540,050.00	3,941,989.78	4,001,207.26	3,911,822.88	99.2%	30,166.90

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2015
(Continued)

Jackson County Fiscal Court							SECTION II
Revenue Condition Report							
<i>As Of: 06/30/2015</i>							
<i>Period From: 07/01/2014 To: 06/30/2015</i>							
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July %Rcvd	Anticipated FY Revenues
Road Fund							
02-4205-	NATIONAL FOREST RECEIPTS	220,000.00		220,000.00	15,214.82	15,214.82 6.9%	204,785.18
02-4514-	FLEX FUNDS-TRANSPORTATION CABINET	279,870.00		279,870.00	288,575.00	288,575.00 103.1%	(8,705.00)
02-4516-	TRUCK LICENSE REFUND	204,285.00		204,285.00	197,273.32	197,273.32 96.6%	7,011.68
02-4517-	DRIVER'S LICENSE REFUND	1,500.00		1,500.00			1,500.00
02-4518-	COUNTY ROAD AID	1,299,309.00	200,000.00	1,499,309.00	1,727,592.05	1,727,592.05 115.2%	(228,283.05)
02-4798-	OTHER RECEIPTS	1,000.00		1,000.00			1,000.00
02-4801-	INTEREST EARNED	180.00		180.00	215.08	215.08 119.5%	(35.08)
	TOTAL REVENUES ROAD FUND	2,006,144.00	200,000.00	2,206,144.00	2,228,870.27	2,228,870.27 101.0%	(22,726.27)
02-4901-	SURPLUS	5,000.00		5,000.00		1,132.93 22.7%	3,867.07
02-4909-	TRANSFERS TO OTHER FUNDS	(204,285.00)		(204,285.00)	(878,285.00)	(878,285.00)	674,000.00
02-4910-	TRANSFERS FROM OTHER FUNDS				296,000.00	296,000.00 NAN	(296,000.00)
	TOTAL RECEIPTS ROAD FUND	1,806,859.00	200,000.00	2,006,859.00	1,646,585.27	1,647,718.20 82.1%	359,140.80

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2015
(Continued)

Jackson County Fiscal Court							SECTION II	
Revenue Condition Report								
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Period From: 07/01/2014 To: 06/30/2015								
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July	%Rcvd	Anticipated FY Revenues
Jail Fund								
03-4514-	TRANSPORTATION CABINET AGREEMENT	66,720.00		66,720.00	116,899.05	116,899.05	175.2%	(50,179.05)
03-4533-	STATE/JAIL ALLOTMENT	53,900.00		53,900.00	50,888.54	50,888.54	94.4%	3,011.46
03-4535-	COURT COST COLLECTION, CIRCUIT CLERK	1,800.00		1,800.00	1,104.41	1,104.41	61.4%	695.59
03-4536-	INTERCOUNTY JAIL CONTRACTS	90,000.00	5,000.00	95,000.00	204,472.00	204,472.00	215.2%	(109,472.00)
03-4537-	STATE PRISONERS	544,800.00		544,800.00	501,001.24	501,001.24	92.0%	43,798.76
03-4538-	DUI FEES	1,300.00		1,300.00	887.98	887.98	68.3%	412.02
03-4543-	MISCELLANEOUS	1,500.00		1,500.00	4,191.78	4,191.78	279.5%	(2,691.78)
03-4551-	TELEPHONE REIMBURSEMENTS	16,000.00		16,000.00	15,047.41	15,047.41	94.0%	952.59
03-4569-	LOCAL CORRECTIONS ASSISTANCE	30,400.00		30,400.00	31,190.56	31,190.56	102.6%	(790.56)
03-4633-	BOOKING FEES	28,000.00		28,000.00	27,197.85	27,197.85	97.1%	802.15
03-4634-	REIMBURSEMENT FROM JAIL	11,000.00		11,000.00	20,049.65	20,049.65	182.3%	(9,049.65)
03-4701-	Vending Machine Commission-Jail				86.80	86.80		(86.80)
03-4801-	INTEREST EARNED	20.00		20.00	13.66	13.66	68.3%	6.34
TOTAL REVENUES JAIL FUND		845,440.00	5,000.00	850,440.00	973,030.93	973,030.93	114.4%	(122,590.93)
03-4901-	SURPLUS FROM PRIOR YEARS	100.00		100.00		(218,324.31)		218,424.31
03-4909-	TRANSFERS TO OTHER FUNDS							
03-4910-	TRANSFERS FROM OTHER FUNDS	669,429.08		669,429.08	484,800.00	484,800.00	72.4%	184,629.08
TOTAL RECEIPTS JAIL FUND		1,514,969.08	5,000.00	1,519,969.08	1,457,830.93	1,239,506.62	81.5%	280,462.46

**JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2015
(Continued)**

Jackson County Fiscal Court							SECTION II	
Revenue Condition Report								
As Of: 06/30/2015								
Period From: 07/01/2014 To: 06/30/2015								
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July	%Rcvd	Anticipated FY Revenues
L.G.E.A. Fund								
04-4528-	LGEA-COAL IMPACT	67,178.00	25,614.36	92,792.36	92,792.36	92,792.36	100.0%	
04-4529-	MINERALS SEVERANCE TAX	15,093.00	39,884.23	54,977.23	54,977.23	54,977.23	100.0%	(0.00)
04-4801-	INTEREST	15.00		15.00	16.35	16.35	109.0%	(1.35)
	TOTAL REVENUES LOCAL GOVERNMENT ECONOMIC ASSI	82,286.00	65,498.59	147,784.59	147,785.94	147,785.94	100.0%	(1.35)
04-4901-	SURPLUS FROM PRIOR YEAR	100.00		100.00		193.97	194.0%	(93.97)
04-4909-	TRANSFERS TO OTHER FUNDS							
04-4910-	TRANSFERS FROM OTHER FUNDS		2,000.00	2,000.00	2,000.00	2,000.00	100.0%	
	TOTAL RECEIPTS LOCAL GOVERNMENT ECONOMIC ASSIS	82,386.00	67,498.59	149,884.59	149,785.94	149,979.91	100.1%	(95.32)

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2015
(Continued)

Jackson County Fiscal Court								SECTION II
<i>Revenue Condition Report</i>								
As Of: 06/30/2015								
Period From: 07/01/2014 To: 06/30/2015								
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July	%Rcvd	Anticipated FY Revenues
Fed. Grants Fund								
07-4504-	CDBG	500,000.00		500,000.00	305,247.00	305,247.00	61.0%	194,753.00
07-4506-	KIA	100,000.00		100,000.00				100,000.00
07-4510-	State Grants		7,370.58	7,370.58	8,585.46	8,586.46	116.5%	(1,215.88)
TOTAL REVENUES FEDERAL GRANTS FUND		600,000.00	7,370.58	607,370.58	313,833.46	313,833.46	51.7%	293,537.12
07-4901-	PRIOR YEAR SURPLUS					2,664.16	NAN	(2,664.16)
07-4910-	Transfers In		23,000.00	23,000.00	23,000.00	23,000.00	100.0%	
TOTAL RECEIPTS FEDERAL GRANTS FUND		600,000.00	30,370.58	630,370.58	336,833.46	339,497.62	53.9%	290,872.96

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2015
(Continued)

Jackson County Fiscal Court SECTION II Revenue Condition Report <i>As Of: 06/30/2015</i> <i>Period From: 07/01/2014 To: 06/30/2015</i>							
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July	Anticipated FY Revenues
CSEPP/EM Fund							
08-4542-	CSEPP/EM GRANT	200,500.00		200,500.00	1,184,152.17	1,184,152.17	(983,652.17)
	TOTAL REVENUES DISASTER EMERGENCY SERVICES FUN	200,500.00		200,500.00	1,184,152.17	1,184,152.17	(983,652.17)
08-4901-	PRIOR YR CARRYOVER					703.43	(703.43)
08-4909-	TRANSFER TO GENERAL FUND	(200,500.00)		(200,500.00)	(1,184,355.60)	(1,184,355.60)	983,855.60
08-4910-	TRANSFER IN		1,829.00	1,829.00	1,829.00	1,829.00	
	TOTAL RECEIPTS DISASTER EMERGENCY SERVICES FUNI	0.00	1,829.00	1,829.00	1,825.57	2,329.00	(500.00)

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2015
(Continued)

Jackson County Fiscal Court							SECTION II	
Revenue Condition Report								
<i>As Of: 06/30/2015</i>								
<i>Period From: 07/01/2014 To: 06/30/2015</i>								
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July	%Rcvd	Anticipated FY Revenues
Forest Fire Fund								
12-4101-	REAL PROPERTY	2,500.00		2,500.00	2,522.05	2,522.05	100.9%	(22.05)
12-4801-	INTEREST				1.87	1.87		(1.87)
	TOTAL REVENUES FOREST FIRE PROTECTION FUND	2,500.00		2,500.00	2,523.92	2,523.92	101.0%	(23.92)
12-4901-	PRIOR YR CARRYOVER		25.00	25.00		149.22	596.9%	(124.22)
	TOTAL RECEIPTS FOREST FIRE PROTECTION FUND	2,525.00		2,525.00	2,523.92	2,673.14	105.9%	(148.14)

**JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2015
(Continued)**

Jackson County Fiscal Court							SECTION II	
Revenue Condition Report								
<i>As Of: 06/30/2015</i>								
<i>Period From: 07/01/2014 To: 06/30/2015</i>								
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July	%Rcvd	Anticipated FY Revenues
Transfer Fund								
15-4510-	STATE GRANTS	33,000.00		33,000.00	37,349.45	37,349.45	113.2%	(4,349.45)
15-4603-	TIPPING FEE	270,000.00		270,000.00	245,008.33	245,008.33	90.7%	24,991.67
15-4801-	INTEREST	20.00		20.00	9.71	9.71	48.5%	10.29
	TOTAL REVENUES TRANSFER STATION	303,020.00		303,020.00	282,367.49	282,367.49	93.2%	20,652.51
15-4901-	PRIOR YR. CARRYOVER	500.00		500.00		739.88	148.0%	(239.88)
15-4910-	TRANSFER FROM OTHER FUNDS	75,674.93		75,674.93	68,000.00	68,000.00	89.9%	7,674.93
	TOTAL RECEIPTS TRANSFER STATION	379,194.93		379,194.93	350,367.49	351,107.37	92.6%	28,087.56

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2015
(Continued)

Jackson County Fiscal Court								SECTION II
Revenue Condition Report								
<i>As Of: 06/30/2015</i>								
<i>Period From: 07/01/2014 To: 06/30/2015</i>								
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July	%Rcvd	Anticipated FY Revenues
Cnty Police Fund								
18-4506-	COURT SECURITY REIMBURSEMENT	109,200.00		109,200.00	66,423.72	66,423.72	60.8%	42,776.28
18-4539-	POLICE KLEFPF	12,399.84		12,399.84	7,308.08	7,308.08	58.9%	5,091.78
18-4756-	COUNTY POLICE FEES	12,000.00		12,000.00	4,397.00	4,397.00	36.6%	7,603.00
	TOTAL REVENUES COUNTY POLICE FUND	133,599.84		133,599.84	78,128.80	78,128.80	58.5%	55,471.04
18-4901-	SURPLUS, PRIOR YEAR	500.00		500.00		(73,256.42)		73,756.42
18-4910-	TRANSFERS IN FROM OTHER ACCOUNT	249,698.21		249,698.21	187,737.39	187,737.39	75.2%	61,980.82
	TOTAL RECEIPTS COUNTY POLICE FUND	383,798.05		383,798.05	265,866.19	192,609.77	50.2%	191,188.28
	GRAND TOTAL RECEIPTS FOR ALL FUNDS	7,171,671.84	1,844,748.17	9,016,420.01	8,212,626.03	7,837,244.51	86.9%	1,179,175.50

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2015
(Continued)

Jackson County Fiscal Court

Liabilities Journal

All Funds

Period From: 07/01/2014 To: 06/30/2015

Issue	Date	Description	Prin. Account	Prin. Amount	Prin. Balance	Interest Account	Int. Amount	Int. Balance	Issue Total	Issue Balance
1	12/01/2011	Jackson County Detention Cent	01-7700-602-	3,870,000.00	3,540,416.65	01-7700-606-	3,158,105.84	2,376,652.69	7,028,105.84	5,917,069.34
2	06/01/2012	Jackson Co Detention Center	01-7700-602-	400,000.00	280,000.00	01-7700-606-	94,910.06	46,365.58	494,910.06	326,365.58
3	02/01/2013	Jackson County Fiscal Court	01-7700-602-	500,000.00	263,333.35	01-7700-606-	49,095.42	27,078.17	549,095.42	290,411.52
3 Issues Listed				4,770,000.00	4,083,750.00		3,302,111.32	2,450,096.44	8,072,111.32	6,533,846.44

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2015
(Continued)

Jackson County Fiscal Court							SECTION IV			
Appropriation Condition Report										
As Of: 06/30/2015										
Period From: 07/01/2014 To: 06/30/2015										
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD	%Used	Free Balance	
01-5001-101	COUNTY JUDGE/EXEC SALARY	82,130.59			82,130.59	80,113.41	80,113.41	97.5%	2,017.18	
01-5001-165	COUNTY JUDGE EXEC SECRETARY	30,439.12	327.00		30,766.12	30,765.90	30,765.90	100.0%	.22	
01-5001-212	COUNTY JUDGE EXEC TRAINING FRINGE BEN	3,909.72		(3,909.72)						
01-5001-399	OTHER FEES	247.34	2,672.00	13,909.72	16,829.06	16,828.92	16,828.92	100.0%	.14	
01-5001-445	OFFICE SUPPLIES	12,000.00	2,600.00	(2,000.00)	12,600.00	12,578.62	12,578.62	99.8%	21.38	
01-5001-551	MEMBERSHIPS	2,000.00	500.00	2,050.00	4,550.00	4,538.94	4,538.94	99.8%	11.06	
01-5001-576	TRAVEL COUNTY JUDGE EXECUTIVE	3,000.00	4,475.00	5,000.00	12,475.00	12,474.78	12,474.78	100.0%	.22	
01-5005-101	COUNTY ATTORNEY SALARY	9,772.26			9,772.26	9,772.08	9,772.08	100.0%	.18	
01-5005-105	COUNTY ATTORNEY ASSISTANT SALARY	8,662.91			8,662.91	8,662.80	8,662.80	100.0%	.11	
01-5010-212	CLERKS TRAINING FRINGE BENEFITS	3,909.72		31.28	3,941.00	3,941.00	3,941.00	100.0%		
01-5010-388	TAX BILLS PREPARATIONS	12,000.00	2,235.00	950.00	15,185.00	15,184.75	15,184.75	100.0%	.25	
01-5010-398	REAL ESTATE CONVEYANCES	100.00			100.00				100.00	
01-5015-101	SHERIFF SALARY	82,130.59		(38,531.28)	43,599.31	42,569.47	42,569.47	97.6%	1,029.84	
01-5015-103	SHERIFF DEPUTIES	21,107.09	15,000.00	6,000.00	42,107.09	41,430.61	41,430.61	98.4%	676.48	
01-5015-212	SHERIFF TRAINING FRINGE BENEFITS	3,909.72			3,909.72	3,909.72	3,909.72	100.0%		
01-5015-429	SHERIFF FUEL	6,500.00		(1,400.00)	5,100.00	5,036.54	5,036.54	98.8%	63.46	
01-5015-445	SHERIFF SUPPLIES	6,000.00		4,500.00	10,500.00	10,351.34	10,351.34	98.6%	148.66	
01-5020-101	CORONER	8,251.10			8,251.10	8,251.08	8,251.08	100.0%	.02	
01-5020-103	DEPUTIES OF CORONER	8,251.10			8,251.10	8,250.96	8,250.96	100.0%	.14	
01-5020-446	CORONER MATERIALS AND SUPPLIES	2,200.00			2,200.00	2,175.69	2,175.69	98.9%	24.31	
01-5025-101	CO. COMMISSIONERS SALARIES	96,934.39			96,934.39	96,934.32	96,934.32	100.0%	.07	
01-5025-167	FISCAL COURT CLERK SALARY	1,500.00			1,500.00	1,500.00	1,500.00	100.0%		
01-5030-367	P.V.A. STATUTORY CONTRIBUTION	13,261.00			13,261.00	13,261.00	13,261.00	100.0%		
01-5035-191	BOARD OF ASSESSMENT APPEALS	1,000.00			1,000.00	800.00	800.00	80.0%	200.00	
01-5040-102	COUNTY TREASURER - SALARY	45,439.79	10.00		45,449.79	45,449.76	45,449.76	100.0%	.03	
01-5040-106	COUNTY TREASURER STAFF	36,055.00	10.00		36,065.00	36,063.06	36,063.06	100.0%	1.94	
01-5040-445	CO. TREASURER, OFFICE SUPPLIES	25,000.00	19,600.00		44,600.00	43,586.93	43,586.93	97.7%	1,013.07	
01-5045-104	FINANCE OFFICER	7,329.70			7,329.70	7,011.12	7,011.12	95.7%	318.58	

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2015
(Continued)

Jackson County Fiscal Court								SECTION IV
Appropriation Condition Report								
As Of: 06/30/2015								
Period From: 07/01/2014 To: 06/30/2015								
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD %Used	Free Balance
01-5047-107	TAX ADMINISTRATOR	29,384.51	7.00		29,391.51	29,391.12	29,391.12 100.0%	.39
01-5047-445	OFFICE MATERIALS & SUPPLIES	4,000.00	3,000.00		7,000.00	5,934.00	5,934.00 84.8%	1,066.00
01-5060-101	LAW LIBRARIAN - SALARY	600.00		(600.00)				
01-5065-192	ELECTION OFFICERS SALARIES/MILEAGE	12,000.00	4,500.00		16,500.00	16,442.61	15,442.61 99.7%	57.39
01-5065-193	ELECTION COMMISSIONERS SALARIES	4,400.00	4,100.00		8,500.00	8,500.00	8,500.00 100.0%	
01-5065-302	ELECTION ADVERTISING	1,000.00	1,510.00		2,510.00	2,510.00	2,510.00 100.0%	
01-5065-364	SETTING VOTING MACHINES	9,000.00	14,000.00	10,000.00	33,000.00	32,900.32	32,900.32 99.7%	99.68
01-5075-553	CVADD MEMBERSHIP	3,609.00			3,609.00	3,609.00	3,609.00 100.0%	
01-5078-348	COMMUNITY PROGRAM SUPPORT		6,100.00		6,100.00	6,100.00	6,100.00 100.0%	
01-5080-175	JANITORIAL SERVICES SALARY	24,385.90			24,365.90	24,065.76	24,065.76 98.8%	300.14
01-5080-411	CUSTODIAL SUPPLIES	5,000.00			5,000.00	4,500.12	4,500.12 90.0%	499.88
01-5080-571	COURTHOUSE RENEWALS & REPAIRS	10,000.00	61,000.00	6,000.00	77,000.00	76,388.18	76,388.18 99.2%	611.82
01-5080-578	COURTHOUSE UTILITIES	65,000.00	17,000.00	6,000.00	88,000.00	87,245.26	87,245.26 99.1%	754.74
01-5085-185	JUDICIAL CENTER SALARIES	144,444.17	26,000.00	10,000.00	180,444.17	180,265.34	180,265.34 99.9%	178.83
01-5085-411	JUDICIAL CENTER CUSTODIAL SUPPLIES	17,000.00			17,000.00	14,656.69	14,656.69 86.2%	2,343.31
01-5085-571	JUDICIAL CENTER RENEWALS & REPAIRS	25,000.00	4,500.00		29,500.00	29,492.11	29,492.11 100.0%	7.89
01-5085-578	JUDICIAL CENTER UTILITIES	85,000.00			85,000.00	74,406.04	74,406.04 87.5%	10,593.96
01-5110-101	CONSTABLES	12,000.00	1,800.00		13,800.00	13,723.25	13,723.25 99.4%	76.75
01-5135-107	EM DIRECTOR	46,872.95	3,300.00		50,172.95	50,156.17	50,156.17 100.0%	16.78
01-5135-159	DISPATCHERS	93,769.44	15,000.00		108,769.44	108,197.29	108,197.29 99.5%	572.15
01-5135-703	CSEPP EXPENSE	100,000.00	493,000.00		593,000.00	592,124.89	592,124.89 99.9%	875.11
01-5135-742	CSEPP-EOC Building Project		385,000.00		385,000.00	384,893.85	384,893.85 100.0%	106.15
01-5140-303	AMBULANCE SERVICES	10,000.00			10,000.00	10,000.00	10,000.00 100.0%	
01-5145-107	911 DIRECTOR	38,406.00			38,406.00	37,965.05	37,965.05 98.9%	440.95
01-5145-322	EM COUNTY SHARE	3,000.00		(3,000.00)				
01-5145-420	911 DISPATCHING SUPPLIES AND SERVICE	80,000.00	13,000.00	(22,000.00)	71,000.00	70,665.15	70,665.15 99.5%	334.85
01-5205-102	DOG WARDEN	4,800.00			4,800.00	4,800.00	4,800.00 100.0%	
01-5205-384	SPAY AND NEUTER	2,000.00			2,000.00	1,368.00	1,368.00 68.4%	632.00
01-5205-403	DOG CONTROL SUPPLIES AND FEES	8,000.00	1,300.00	(400.00)	8,900.00	8,880.53	8,880.53 99.8%	19.47

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2015
(Continued)

Jackson County Fiscal Court										SECTION IV
Appropriation Condition Report										
As Of: 06/30/2015										
Period From: 07/01/2014 To: 06/30/2015										
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD	%Used	Free Balance	
01-5401-105	PARKS ASSISTANT	14,400.00	600.00		15,000.00	14,902.90	14,902.90	99.4%	97.10	
01-5401-107	PARKS DIRECTOR	21,600.00	5,400.00		27,000.00	26,915.85	26,915.85	99.7%	84.15	
01-5401-467	PARKS AND RECREATION	7,500.00	18,000.00	3,000.00	28,500.00	28,411.02	28,411.02	99.7%	88.98	
01-5420-548	TOURISM	5,000.00			5,000.00	1,316.41	1,316.41	26.3%	3,683.59	
01-7700-602	PRINCIPLE ON LEASE	232,083.35			232,083.35	232,083.35	232,083.35	100.0%		
01-7700-606	INTEREST ON LEASE	187,653.28	104.00		187,757.28	187,757.25	187,757.25	100.0%	.03	
01-8011-566	STATE GRANTS	140,000.00	210,000.00	2,400.00	352,400.00	351,797.94	351,797.94	99.8%	602.06	
01-9100-302	GENERAL SERVICE ADVERTISING	6,000.00	3,900.00	2,000.00	11,900.00	11,853.20	11,853.20	99.6%	46.80	
01-9100-307	STATE AUDITING SERVICES	40,000.00	46,000.00	(7,000.00)	79,000.00	78,633.23	78,633.23	99.5%	366.77	
01-9100-503	BANK CHARGES	245.00			245.00	64.00	64.00	26.1%	181.00	
01-9100-521	INSURANCE	92,831.00	3,700.00		96,531.00	96,474.97	96,474.97	99.9%	56.03	
01-9100-531	BONDS INSURANCE	4,000.00	13,400.00		17,400.00	17,373.49	17,373.49	99.8%	26.51	
01-9100-555	KACO DUES	800.00			800.00	800.00	800.00	100.0%		
01-9400-201	Social Security									
01-9400-202	RETIREMENT, CO. MATCH	156,251.08	81,000.00		237,251.08	236,060.18	236,060.18	99.5%	1,190.90	
01-9400-205	EMPLOYEE HEALTH INSURANCE	23,040.00	46,500.00	7,000.00	76,540.00	77,452.77	77,452.77	101.2%	(912.77)	
01-9400-206	UNEMPLOYMENT COMPENSATION INSURANCE	28,000.00			28,000.00	26,683.02	26,683.02	95.3%	1,316.98	
01-9400-209	WORKMAN'S COMPENSATION	58,021.00	5,300.00		63,321.00	63,259.20	63,259.20	99.9%	61.80	
01-9400-211	MEDICARE MATCH	12,821.96	4,600.00		17,421.96	17,330.36	17,330.36	99.5%	91.60	
TOTAL GENERAL FUND		2,401,939.78	1,540,050.00		3,941,989.78	3,909,792.67	3,909,792.67	99.2%	32,197.11	
02-5025-210	MAGISTRATE EXPENSE	10,800.00			10,800.00	10,800.00	10,800.00	100.0%		
02-6100-481	UNIFORMS									
02-6103-102	ROAD SUPERVISOR SALARY	33,600.00		14,000.00	47,600.00	47,214.44	47,214.44	99.2%	385.56	
02-6103-578	UTILITIES	10,000.00			10,000.00	6,194.27	6,194.27	61.9%	3,805.73	
02-6105-143	ROAD WORKERS SALARIES	344,452.08		(16,000.00)	328,452.08	308,325.74	308,325.74	93.9%	20,126.34	
02-6105-147	MECHANIC SALARY	29,648.31		2,000.00	31,648.31	31,007.32	31,007.32	98.0%	640.99	
02-6105-310	CONTRACTED CONSTRUCTION OF BRIDGES	80,000.00	200,000.00	131,000.00	411,000.00	410,947.00	410,947.00	100.0%	53.00	
02-6105-336	EQUIPMENT MAINTENANCE	35,759.33			35,759.33	14,640.22	14,640.22	40.9%	21,119.11	

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2015
(Continued)

Jackson County Fiscal Court							SECTION IV		
Appropriation Condition Report									
As Of: 06/30/2015									
Period From: 07/01/2014 To: 06/30/2015									
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD	%Used	Free Balance
02-6105-405	ASPHALT PATCHING	499,870.00			499,870.00	350,726.44	350,726.44	70.2%	149,143.56
02-6105-447	ROAD MATERIALS	420,000.00		(131,000.00)	289,000.00	231,518.08	231,518.08	80.1%	57,481.92
02-9100-521	INSURANCE	80,000.00			80,000.00	80,000.00	80,000.00	100.0%	
02-9400-201	Social Security								
02-9400-202	RETIREMENT, COUNTY MATCH	75,716.02			75,716.02	70,211.75	70,211.75	92.7%	5,504.27
02-9400-205	EMPLOYEE HEALTH INSURANCE	28,800.00			28,800.00	16,867.56	16,867.56	58.6%	11,932.44
02-9400-208	UNEMPLOYMENT	12,000.00			12,000.00	12,000.00	12,000.00	100.0%	
02-9400-209	WORKERS' COMPENSATION	30,000.00			30,000.00	30,000.00	30,000.00	100.0%	
02-9400-211	MEDICARE TAX	6,213.26			6,213.26	5,097.52	5,097.52	82.0%	1,115.74
02-9500-902	SCHOOL DIST TIMBER SALES	110,000.00			110,000.00	7,607.41	7,607.41	6.9%	102,392.59
	TOTAL ROAD FUND	1,806,859.00	200,000.00		2,006,859.00	1,633,157.75	1,633,157.75	81.4%	373,701.25
03-5101-101	JAILERS SALARY	82,129.26		2,000.00	84,129.26	83,906.73	83,906.73	99.7%	222.53
03-5101-103	JAIL PERSONNEL SALARIES	567,104.70		26,000.00	593,104.70	592,461.48	592,461.48	99.9%	643.22
03-5101-173	COOKS	44,473.08			44,473.08	44,280.30	44,280.30	99.6%	192.78
03-5101-179	PART TIME HELP	65,000.00		(10,000.00)	55,000.00	54,935.64	54,935.64	99.9%	64.36
03-5101-212	JAILERS TRAINING FRINGE BEN	3,909.72			3,909.72	3,909.72	3,909.72	100.0%	
03-5101-343	CONTRACTUAL MEDICAL SERVICES	136,000.00		(10,000.00)	126,000.00	125,027.32	125,027.32	99.2%	972.68
03-5101-366	TRASH	1,200.00			1,200.00	1,000.00	1,000.00	83.3%	200.00
03-5101-398	CONTRACTED SERVICES	75,000.00		1,000.00	76,000.00	75,553.00	75,553.00	99.4%	447.00
03-5101-399	MISCELLANEOUS CONTRACTUAL SERVICES	1,800.00	5,000.00		6,800.00	5,362.00	5,362.00	78.9%	1,438.00
03-5101-406	BUILDING MAINTENANCE SUPPLIES	5,000.00		11,500.00	16,500.00	16,247.49	16,247.49	98.5%	252.51
03-5101-411	CUSTODIAL SUPPLIES	12,000.00			12,000.00	10,381.52	10,381.52	86.5%	1,618.48
03-5101-417	SUPPLIES	22,000.00		(9,000.00)	13,000.00	12,241.20	12,241.20	94.2%	758.80
03-5101-425	FOOD	180,000.00			180,000.00	171,451.68	171,451.68	95.3%	8,548.32
03-5101-437	LINENS	2,000.00			2,000.00	46.80	46.80	2.3%	1,953.20
03-5101-443	JAIL MOTOR VEHICLE PARTS	12,000.00		(2,000.00)	10,000.00	8,390.67	8,390.67	83.9%	1,609.33
03-5101-445	OFFICE SUPPLIES	5,000.00			5,000.00	4,358.79	4,358.79	87.2%	641.21
03-5101-481	STAFF UNIFORMS	8,000.00		(4,000.00)	4,000.00	3,789.26	3,789.26	94.7%	210.74

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2015
(Continued)

Jackson County Fiscal Court								SECTION IV
Appropriation Condition Report								
As Of: 06/30/2015								
Period From: 07/01/2014 To: 06/30/2015								
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD %Used	Free Balance
03-5101-551	MEMBERSHIPS	500.00		550.00	1,050.00	1,050.00	100.0%	
03-5101-569	REG. CONF. & TRAINING	2,500.00		1,000.00	3,500.00	3,136.01	89.6%	363.99
03-5101-573	TELEPHONE	10,000.00		1,000.00	11,000.00	10,669.53	97.0%	330.47
03-5101-578	UTILITIES	70,000.00		(8,000.00)	62,000.00	57,901.17	93.4%	4,098.83
03-5101-581	WATER & SEWER	20,000.00		1,000.00	21,000.00	20,992.78	100.0%	7.22
03-5102-314	JUVENILE, CONTRACTS WITH OTHER COUNTIES	500.00		(50.00)	450.00			450.00
03-9100-525	INSURANCE, BUILDINGS	1,500.00			1,500.00	1,500.00	100.0%	
03-9100-531	BONDS	1,500.00			1,500.00			1,500.00
03-9200-999	RESERVE FOR TRANSFER	1,000.00		(1,000.00)				
03-9400-201	Social Security							
03-9400-202	RETIREMENT, COUNTY SHARE	134,754.38		3,000.00	137,754.38	137,737.65	100.0%	16.73
03-9400-205	HEALTH INSURANCE	23,040.00		(3,000.00)	20,040.00	11,760.00	58.7%	8,280.00
03-9400-208	UNEMPLOYMENT	1,000.00			1,000.00	1,000.00	100.0%	
03-9400-209	WORKERS COMPENSATION	15,000.00			15,000.00	15,000.00	100.0%	
03-9400-211	MEDICARE MATCH	11,057.94			11,057.94	10,389.46	94.0%	668.48
TOTAL JAIL FUND		1,514,969.08	5,000.00		1,519,969.08	1,484,480.20	97.7%	35,488.88
04-5120-348	FIRE DEPARTMENTS		6,000.00	6,000.00	12,000.00	12,000.00	100.0%	
04-5175-903	MANDATED PROGRAM SUPPORT	1,000.00		(315.00)	685.00	42.00	6.1%	643.00
04-6105-143	ROAD WORKERS	42,223.68	1,595.00	15.00	43,833.68	43,829.83	100.0%	3.85
04-6105-447	COAL HAUL ROADS	25,329.16	59,903.59		85,232.75	85,231.24	100.0%	1.51
04-9400-201	Social Security							
04-9400-202	RETIREMENT	7,460.92		60.00	7,520.92	7,515.13	99.9%	5.79
04-9400-205	HEALTH INSURANCE	5,760.00		(5,760.00)				
04-9400-211	MEDICARE MATCH	612.24			612.24	569.57	93.0%	42.67
TOTAL L.G.E.A. FUND		82,386.00	67,498.59		149,884.59	149,187.77	99.5%	696.82
07-5025-566	REIMBURSEMENT OF KLEPPF		7,370.58		7,370.58	7,308.08	99.2%	62.50
07-5220-579	KIA WATER LINES	100,000.00		(13,269.00)	86,731.00			86,731.00

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2015
(Continued)

Jackson County Fiscal Court									
Appropriation Condition Report									
<i>As Of: 06/30/2015</i>									
<i>Period From: 07/01/2014 To: 06/30/2015</i>									
SECTION IV									
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD	%Used	Free Balance
07-8001-548	CDBG PHOENIX PROJECT	500,000.00			500,000.00	295,920.00	295,920.00	59.2%	204,080.00
07-8001-742	CDBG HOUSING PROJECT		23,000.00	13,269.00	36,269.00	36,269.00	36,269.00	100.0%	
	TOTAL FED. GRANTS FUND	600,000.00	30,370.58		630,370.58	339,497.08	339,497.08	53.9%	290,873.50
08-5135-599	CSEPP		1,829.00		1,829.00	1,829.00	1,829.00	100.0%	
	TOTAL CSEPP/EM FUND	0.00	1,829.00		1,829.00	1,829.00	1,829.00	100.0%	
12-5150-802	FORESTRY PAYMENTS	2,525.00			2,525.00	7.00	7.00	0.3%	2,518.00
	TOTAL FOREST FIRE FUND	2,525.00			2,525.00	7.00	7.00	0.3%	2,518.00
15-5210-161	SALARIES	114,919.76			114,919.76	104,116.29	104,116.29	90.6%	10,803.47
15-5210-366	TIPPING FEE	160,000.00			160,000.00	154,016.32	154,016.32	96.3%	5,983.68
15-5210-399	TRANSPORTATION COST	3,000.00		3,000.00	6,000.00	5,728.53	5,728.53	95.5%	271.47
15-5211-446	MATERIAL & SUPPLIES	35,000.00		(3,000.00)	32,000.00	29,331.82	29,331.82	91.7%	2,668.18
15-5212-185	TRASH CONTROL	8,010.83		.01	8,010.84	8,010.84	8,010.84	100.0%	0.00
15-5212-468	LITTER ABATEMENT CLEANUP	29,000.00			29,000.00	25,679.59	25,679.59	88.6%	3,320.41
15-9400-201	Social Security								
15-9400-202	MATCH RETIREMENT	21,721.84			21,721.84	18,764.78	18,764.78	86.4%	2,957.06
15-9400-205	INSURANCE	5,760.00			5,760.00	2,520.00	2,520.00	43.8%	3,240.00
15-9400-211	MATCH MEDICARE	1,782.50		(.01)	1,782.49	1,485.02	1,485.02	83.3%	297.47
	TOTAL TRANSFER FUND	379,194.93			379,194.93	349,653.19	349,653.19	92.2%	29,541.74
18-5105-108	COUNTY POLICE SALARIES	117,866.95			117,866.95	58,494.46	58,494.46	49.6%	59,372.49
18-5105-365	COURT SECURITY SALARIES	152,883.60			152,883.60	74,535.89	74,535.89	48.8%	78,347.71
18-5105-429	FUEL	24,000.00			24,000.00	13,239.01	13,239.01	55.2%	10,760.99
18-5105-443	VEHICLE MAINTENANCE AND REPAIRS	6,000.00		40.00	6,040.00	6,033.29	6,033.29	99.9%	6.71
18-5105-445	OFFICE SUPPLIES	2,000.00		548.53	2,548.53	2,548.53	2,548.53	100.0%	
18-5105-481	UNIFORMS	1,500.00		(244.95)	1,255.05	1,255.05	1,255.05	100.0%	0.00
18-5105-574	TRAINING AND TRAVEL	1,500.00			1,500.00				1,500.00

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2015
(Continued)

Jackson County Fiscal Court										SECTION IV
Appropriation Condition Report										
<i>As Of: 06/30/2015</i>										
<i>Period From: 07/01/2014 To: 06/30/2015</i>										
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD	%Used	Free Balance	
18-5105-578	UTILITIES	9,000.00			9,000.00	4,573.68	4,573.68	50.8%	4,426.32	
18-9400-201	Social Security									
18-9400-202	MATCH RETIREMENT	47,841.62			47,841.62	23,506.42	23,506.42	49.1%	24,335.20	
18-9400-205	MATCH HEALTH INSURANCE	17,280.00			17,280.00	6,720.00	6,720.00	38.9%	10,560.00	
18-9400-211	MATCH MEDICARE	3,925.88		(343.58)	3,582.30	1,703.44	1,703.44	47.6%	1,878.86	
TOTAL CNTY POLICE FUND		383,798.05			383,798.05	192,609.77	192,609.77	50.2%	191,188.28	
GRAND TOTAL ALL FUNDS		7,171,671.84	1,844,748.17		9,016,420.01	8,060,214.43	8,060,214.43	89.4%	956,205.58	

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**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 Shane Gabbard, Jackson County Judge/Executive
Members of the Jackson 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 were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial activity contained in the Fourth Quarter Financial Report of Jackson County, Kentucky, as of and for the year ended June 30, 2015, and have issued our report thereon dated May 19, 2017. Our report disclaims an opinion on the Fourth Quarter Financial Report of the Jackson County Fiscal Court because abuse and intentional override of internal controls by an employee occurred that had a material effect on the financial statement.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statement, we considered the Jackson 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 Jackson County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Jackson County Fiscal Court's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001, 2015-006, 2015-007, 2015-012, 2015-015, 2015-020, 2015-021, 2015-024, 2015-025, 2015-026, 2015-029, 2015-030, 2015-031, 2015-032, 2015-033, 2015-034, and 2015-035 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)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Fourth Quarter Financial Report of the Jackson County Fiscal Court is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002, 2015-003, 2015-004, 2015-005, 2015-007, 2015-008, 2015-009, 2015-010, 2015-011, 2015-013, 2015-014, 2015-015, 2015-016, 2015-017, 2015-018, 2015-019, 2015-020, 2015-021, 2015-022, 2015-023, 2015-027, 2015-028, 2015-029, 2015-032, 2015-033, 2015-034, and 2015-035.

County Judge/Executive's Responses to Findings

The Jackson County Judge/Executive's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The County Judge/Executive's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

May 19, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Shane Gabbard, Jackson County Judge/Executive
Members of the Jackson County Fiscal Court

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We were engaged to audit the Jackson County Fiscal Court's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Jackson County Fiscal Court's major federal programs for the year ended June 30, 2015. The Jackson County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Jackson County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We were engaged to conduct an audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Jackson County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. Our audit does not provide a legal determination of the Jackson County Fiscal Court's compliance.

Basis for Disclaimer of Opinion on CFDA #97.040

As described in the accompanying Schedule of Findings and Questioned Costs, the Jackson County Fiscal Court did not comply with requirements regarding CFDA #97.040 as described in finding numbers 2015-032, 2015-033, 2015-034, and 2015-035. Compliance with such requirements is necessary, in our opinion, for the Jackson County Fiscal Court to comply with the requirements of that program.



Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133
(Continued)

Disclaimer of Opinion on CFDA #97.040

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the compliance requirements referred to above that could have a direct and material effect on the Jackson County Fiscal Court's major federal program for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Jackson County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Jackson County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Jackson County Fiscal Court's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-032, 2015-033, 2015-034, and 2015-035 to be material weaknesses.

County Judge/Executive's Responses to Findings

The Jackson County Judge/Executive's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The County Judge/Executive's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133
(Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

May 19, 2017

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

For The Year Ended June 30, 2015

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2015

Section I: Summary of Auditor's Results

Type of auditor's report issued: Disclaimer of Opinion

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Type of auditor's report issued on compliance for major programs: Disclaimer of Opinion

Internal control over major programs:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any audit findings disclosed that are required to be reported in accordance with <u>U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, Section .510(a)</u> ?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of major programs:

CFDA Numbers and Name of Federal Program or Cluster

CFDA #97.040 - Chemical Stockpile Emergency Preparedness Program
--

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$300,000	
Is the auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit

2015-001 The Jackson County Fiscal Court Lacks Adequate Segregation Of Duties And Internal Controls Over The Overall Environment Of The County

The Jackson County Fiscal Court lacks adequate segregation of duties over revenues, disbursements, cash (specifically bank reconciliations), and payroll. The former Jackson County Treasurer was responsible for recording receipts and disbursements in the ledgers, preparing bank reconciliations, and for preparing the county's payroll. Additionally, the former Jackson County Treasurer prepared monthly, quarterly, and annual financial reports on behalf of the Jackson County Fiscal Court. The Jackson County Fiscal Court failed to establish adequate management oversight to ensure proper recording of receipts and disbursements; complete and accurate bank reconciliations; and timely, accurate preparation of the Jackson County Fiscal Court's payroll.

The Jackson County Fiscal Court failed to adequately segregate the duties involved in recording revenues and disbursements, preparing monthly bank reconciliations, and preparing the Jackson County Fiscal Court's payroll. Management also failed to provide adequate oversight regarding the former Jackson County Treasurer's preparation of financial reports.

The lack of adequate segregation of duties, coupled with a lack of adequate management oversight, provides an environment in which an individual could manipulate financial records and misappropriate or misdirect county funds.

The segregation of duties over various accounting functions such as recording receipts and disbursements; preparing bank reconciliations; preparing payroll; and preparing monthly, quarterly, and annual financial reports is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Appropriate management oversight should be provided to ensure the completion of accurate, timely financial reports.

We recommend the Jackson County Fiscal Court segregate the duties involved in recording receipts and disbursements, preparing bank reconciliations, preparing payroll, and preparing monthly, quarterly, and annual financial reports where possible. If this is not feasible due to a limited budget, appropriate management oversight should be established.

County Judge/Executive's Response: Revenues and disbursements are now reviewed by all employees in the County Treasurer and Judge Executive's office. All employees monitor bank records, a printed ledger is kept as well.

2015-002 The Jackson County Fiscal Court Failed To Properly Adopt Budget Amendments

The Jackson County Fiscal Court approved two emergency budget amendments during the fiscal year ending June 30, 2015. The Jackson County Fiscal Court failed to declare an emergency for one of the amendments and failed to present either of the amendments to the State Local Finance Officer.

The former Jackson County Treasurer presented the amendments to the Jackson County Fiscal Court for approval and Jackson County Fiscal Court appears to have been unaware of the requirements for properly adopting emergency budget amendments. After the Jackson County Fiscal Court voted to approve the emergency budget amendments, the former Jackson County Treasurer did not present the amendments to the State Local Finance Officer.

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

2015-002 The Jackson County Fiscal Court Failed To Properly Adopt Budget Amendments (Continued)

A significant portion of the Jackson County Fiscal Court's expenditures appear to have been made without sufficient appropriations to do so.

KRS 67.078(2) states "[a] majority of the fiscal court may declare an emergency to exist by naming and describing the emergency, and thereafter may adopt a county ordinance to address that emergency. . . [.]". Regarding budget amendments, KRS 68.280 states "[t]he amendment shall be submitted to the state local finance officer subject to the same provisions as the original budget."

We recommend the Jackson County Fiscal Court follow required protocol for adopting budget amendments. If an emergency budget amendment is to be adopted, the Jackson County Fiscal Court must first declare an emergency and describe the nature of the emergency. We further recommend the Jackson County Fiscal Court present all budget amendments to the State Local Finance Officer.

County Judge/Executive's Response: Budget amendments are now done according to the budget manual instructions.

2015-003 The Jackson County Fiscal Court Expended More Money Than Was Available, Resulting In A Deficit

Including discrepancies discovered during audit work, the county's total cash balance should have been reported as a deficit of approximately \$372,967. This number cannot be verified, however, an estimate was determined based on the following known adjustments:

Total Fund deficit per Fourth Quarter Financial Report	\$(222,970)
Unreported certificate of deposit (Finding 2015-016)	5,003
Approximate outstanding checks not reported (Finding 2015-015)	(155,000)
Estimated deficit	<u>\$(372,967)</u>

There are nine funds included on the fourth quarter financial report. The Jail Fund, included in the total fund deficit above, reported a deficit of \$244,974. Total receipts for all of the county's funds included on the Fourth Quarter Financial Report were \$7,837,245, while budgeted expenditures for the fiscal year totaled \$8,060,215. Budgeted expenditures exceeded total receipts by \$222,970 for the fiscal year.

Even without the adjustments discovered above during audit work, the county overspent its budget according to its own reported financial statement. The Jackson County Fiscal Court failed to adequately monitor the budget to ensure the county maintained expenditures within available revenues.

Expending more money than is available could result in the Jackson County Fiscal Court not being able to meet monthly obligations, thereby jeopardizing daily operations of the county.

KRS 68.110(1) states "[t]he fiscal court shall not in any year expend any money in excess of the amount annually levied and collected for that year or levied, collected or appropriated for any special purpose."

We recommend the Jackson County Fiscal Court closely monitor the annual budget and maintain expenditures within the county's available revenues.

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

2015-003 The Jackson County Fiscal Court Expended More Money Than Was Available, Resulting In A Deficit (Continued)

County Judge/Executive's Response: There have been significant cuts made to lower the costs of the County.

2015-004 The Jackson County Fiscal Court's Expenditures Exceeded Budgeted Appropriations In The General, LGEA, and CSEPP/EM Funds

Expenditures exceeded budgeted appropriations in the Jackson County Fiscal Court's General, LGEA, and CSEPP/EM Funds during fiscal year ending June 30, 2015. Fiscal courts are required to maintain expenditures within budgeted appropriations in all operating funds.

The Jackson County Fiscal Court failed to properly monitor budgeted expenditures of the county's operating funds.

Based on auditors' computations, a significant portion of expenditures of the Jackson County Fiscal Court's General (\$1,507,852), LGEA (\$66,802), and CSEPP/EM (\$1,829) Funds were made without sufficient budget appropriation.

KRS 68.300 states "[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim. The county treasurer shall be liable on his official bond for the amount of any county warrant willfully or negligently signed or countersigned by him in excess of the budget fund out of which the warrant is payable."

We recommend the Jackson County Fiscal Court maintain expenditures within budget appropriations as required by statute.

County Judge/Executive's Response: There have been significant cuts made to lower the costs of the County.

2015-005 The Jackson County Judge/Executive's Office Collected Rent For The Former County Judge/Executive

The former Jackson County Judge/Executive owns rental property in McKee, KY. Personnel in the Jackson County Judge/Executive's office collected rent payments on behalf of the former Jackson County Judge/Executive. Auditors witnessed the collection of rent payments on two separate occasions from individuals renting property from the former Jackson County Judge/Executive.

The Jackson County Judge/Executive failed to recognize the collection of rent for the former Jackson County Judge/Executive was contrary to the Jackson County Ethics Code.

County personnel are not using their time efficiently by performing tasks not required of the fiscal court.

**JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)**

Section II: Findings - Financial Statement Audit (Continued)

2015-005 The Jackson County Judge/Executive's Office Collected Rent For The Former County Judge/Executive (Continued)

The Jackson County Fiscal Court's Code of Ethics includes the following with regard to the use of county property, equipment, and personnel: "No officer or employee of the county shall use or permit the use of any county time, funds, personnel, equipment, or other personnel or real property for the private use of any person, unless: 1) The use is specifically authorized by a stated county policy. 2) The use is available to the general public, and then only to the extent and upon the terms that such use is available to the general public."

We recommend Jackson County Judge/Executive's office personnel discontinue the practice of collecting rent payments on behalf of the former Jackson County Judge/Executive. This matter will be referred to the Cumberland Valley Regional Board of Ethics.

County Judge/Executive's Response: Judge's Office staff was unaware that the rent that was being collected for the prior Judge was unallowable. Judge's Office is no longer collecting rent for the prior Judge.

2015-006 The Jackson County Fiscal Court Failed To Establish Internal Controls Over Payroll, Resulting In Numerous Issues Of Non-Compliance

The Jackson County Fiscal Court did not establish procedures that required monthly reconciliation of the payroll account and did not adhere to the county's policy or applicable laws and regulations. The lack of internal controls over payroll resulted in the following issues:

- Two employees were not paid overtime for hours worked (KRS 337.285)
- Withholdings did not always agree to the authorizations and some items authorized were not being withheld (internal control)
- Personnel files did not have I-9 forms as required for all employees (8 CFR 274a.2)
- Two employees did not have timesheets for the period tested (KRS 337.320)
- One employee did not maintain a timesheet (KRS 337.320)
- Eight timesheets for four employees tested were not signed by the employee's supervisor (internal control)
- Occupational tax withholdings for six employees were inaccurate due to pre-tax insurance being excluded from the occupational tax calculation (Occupational License Tax Ordinance)
- Checks were being issued before the end of the pay period and released prior to the check date (OAG 79-448)
- Employees were allowed to accrue vacation time in excess allowable amounts (County personnel policy Section 3.44 Vacation H.)
- Leave time for two of the 18 employees tested was not properly charged (County personnel policy Section 3.44 Vacation H.)
- Department heads for the jail and dispatch maintained compensatory leave balances that did not effectively report time earned and used
- Holidays were not charged based on the county's policy (County personnel policy Section 3.43 Holiday)
- Timesheets do not include the actual hours worked, as they reflect 8 hours claimed for the hours the courthouse is open, but do not reflect any lunch periods (KRS 337.355)
- All employees were being paid as salaried employees regardless of hours worked and job responsibility (803 KAR 1:070)

**JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)**

Section II: Findings - Financial Statement Audit (Continued)

2015-006 The Jackson County Fiscal Court Failed To Establish Internal Controls Over Payroll, Resulting In Numerous Issues Of Non-Compliance (Continued)

- Deferred compensation payments were properly withheld but not always made timely

Weak internal controls have allowed issues with the payroll process to go unnoticed. The lack of controls over payroll has allowed employees to be both overpaid and underpaid. Additionally, sufficient supporting documentation for payroll has not been maintained, and numerous issues of non-compliance with the Jackson County Administrative Code and Kentucky Revised Statutes were noted.

KRS 337.285 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 week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed.”

The US Citizenship and Immigration Services handbook, *M-274* states “[y]ou must complete Form I-9 each time you hire any person to perform labor or services in the United States in return for wages or other remuneration. Employers must retain an employee’s completed Form I-9 for as long as the individual works for the employer. Once the individual’s employment has terminated, the employer must determine how long after termination the Form I-9 must be retained, which is either three years after the date of hire, or one year after the date employment is terminated, whichever is later.”

KRS 337.320(1) requires that every employer keep a record of: “(a) The amount paid each pay period of each employee; (b) The hours worked each day and each week by each employee; and (c) Such other information as the commissioner requires.”

Timesheets should be kept for payroll verification, as a record of leave time used, and to document employees are working at least the minimum number of hours to be eligible for full-time benefits such as retirement and health insurance.

The Jackson County Fiscal Court’s occupational license tax ordinance defines compensation as including “wages, salaries, commissions,” and “any amounts contributed by an employee to any welfare benefit, fringe benefit or other benefit plan made by salary reduction. . .including but not limited to Section 125.”

OAG 79-448 states that Section 3 of the Kentucky Constitution “is unequivocal on the point that public emolument to any person must be based on the consideration of public services. By the strongest implication this means ‘public services actually rendered.’ It does not mean ‘public services to be rendered.’”

The Jackson County Fiscal Court’s personnel policy, Section 3.43 states “[t]he last day of December has been declared as a paid holiday at the regular rate of pay for all County employees.”

The Jackson County Fiscal Court’s personnel policy, Section 3.44 G. states “[v]acation may be accumulated to 10 days. All vacation accumulated beyond 10 days will not be granted to the employee.” Section 3.44 H. states “[t]he County Treasurer shall keep complete records of vacation leave. An employee fraudulently obtaining vacation leave or a department head falsely certifying vacation leave allowance may be suspended or dismissed.”

**JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)**

Section II: Findings - Financial Statement Audit (Continued)

2015-006 The Jackson County Fiscal Court Failed To Establish Internal Controls Over Payroll, Resulting In Numerous Issues Of Non-Compliance (Continued)

KRS 337.355 requires that “[e]mployers, except those subject to the Federal Railway Labor Act, shall grant their employees a reasonable period for lunch, and such time shall be as close to the middle of the employee's scheduled work shift as possible. In no case shall an employee be required to take a lunch period sooner than three (3) hours after his work shift commences, nor more than five (5) hours from the time his work shift commences.”

803 KAR 1:070 Section 3(3) defines an executive, administrative, supervisory, or professional employee as one whose primary duty includes the “exercise of discretion and independent judgment with respect to matters of significance.” The exercise of discretion and independent judgment shall involve the comparison and the evaluation of possible courses of conduct, and acting or making a decision after the various possibilities have been considered. The term ‘matters of significance’ refers to the level of importance or consequence of the work performed.” In determining whether the employee exercises discretion and independent judgment, factors to consider include “whether the employee has authority to commit the employer in matters that have significant financial impact; whether the employee has authority to waive or deviate from established policies and procedures without prior approval; [and] whether the employee has authority to negotiate and bind the company on significant matters[.]”

803 KAR 1:070 Section 10 defines an employee paid on a “salary basis” as one who regularly receives a predetermined amount of compensation each pay period on a weekly, or less frequent, basis. The predetermined amount cannot be reduced because of variations in the quality or quantity of the employee’s work. Subject to some exceptions, an exempt employee must receive the full salary for any week in which the employee performs any work, regardless of the number of days or hours worked. In addition, to qualify for exemption, employees generally must be paid at not less than \$455 per week on a salary basis. If the employer makes deductions from an employee’s predetermined salary, i.e., because of the operating requirements of the business, that employee is not paid on a “salary basis.”

We recommend the Jackson County Fiscal Court implement internal controls over payroll by requiring procedures, such as the following:

- Monthly reconciliation of the payroll account, a review of the monthly reconciliation, and documentation of this review. (Documentation could be accomplished by initialing the bank reconciliations).
- Comparison of timesheets to actual payroll records to prevent over and underpayment of employee wages.
- Review of the Jackson County Treasurer’s report of leave balances and a comparison to supporting documentation by an independent person on a regular basis (Documentation could be accomplished by initialing the leave reports).

We also recommend payroll checks be released only after the completion of work weeks. Additionally, we recommend the Jackson County Fiscal Court comply with KRS 337.320(1) by requiring timesheets or timecards be maintained for all employees. These should be signed by the employees and then reviewed and signed by the employees’ immediate supervisors.

**JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)**

Section II: Findings - Financial Statement Audit (Continued)

2015-006 The Jackson County Fiscal Court Failed To Establish Internal Controls Over Payroll, Resulting In Numerous Issues Of Non-Compliance (Continued)

We also recommend that signed authorizations for withholdings be up to date and maintained in the employee personnel files and that the county comply with the Jackson County Administrative Personnel Policy regarding employees' lunch periods, compensatory time, and leave time. These records are to be maintained by the Jackson County Treasurer. The Jackson County Fiscal Court should also file an I-9 form on all new employees as required by U.S. Citizenship and Immigration Services. We also recommend that employee timesheets reflect actual hours worked and reflect times in/out for lunch in order to comply with KRS 337.355. Furthermore, we recommend the Jackson County Fiscal Court obtain a legal opinion from the Jackson County Attorney as to whether county employees considered salaried qualify as such under labor laws.

County Judge/Executive's Response: Payroll is now reviewed by the Judge Executive and finance officer. Employees are now paid on an hourly basis instead of salary. Bank reconciliations for the payroll account are done monthly. Employee files are being updated with proper documents.

2015-007 The Former Jackson County Treasurer Improperly Received 26 Additional Payroll Checks Totaling \$46,173 That Went Undetected By County Officials

The former Jackson County Treasurer received 24 regular bi-monthly payroll checks which totaled \$45,450 and improperly issued an additional 26 payroll checks to herself which totaled \$46,173 for a total of 50 payroll checks during fiscal year 2015, totaling \$91,623 in wages.

Lack of segregation of duties and weak internal controls over payroll allowed the inaccurate reporting and overpayments to occur.

The former Jackson County Treasurer was overpaid a total of \$46,173 from the payroll account while allowing legitimate county liabilities to go unpaid, resulting in penalties for late payments due to lack of funds.

The segregation of duties over various accounting functions such as processing payroll, issuing payroll checks, preparing payroll deposits, signing payroll checks, and reconciling the payroll bank account, or the implementation of compensating controls, is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

The Jackson County Fiscal Court should separate the duties involved in issuing and reviewing payroll. If this is not feasible, cross checking procedures should be implemented and documented by the individual performing the procedure. Since our audit uncovered potential misappropriation of public funds, we are referring our findings to the Kentucky State Police, the Kentucky Office of Attorney General and the Kentucky Department of Revenue.

County Judge/Executive's Response: Absolutely no additional checks are now being received by any County employees for services not rendered. County liabilities are being paid in a timely manner. Payroll and payroll deposits are reviewed by 2 to 3 employees each time.

**JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)**

Section II: Findings - Financial Statement Audit (Continued)

2015-008 The Jackson County Fiscal Court Did Not Set And Approve Salaries For All County Employees

During our review of payroll and the fiscal court order book, we noted the Jackson County Fiscal Court did not set and approve the salaries of all applicable county employees in accordance with KRS 64.530(1). Auditors were provided a document which listed employees and wages that was signed by the Jackson County Clerk; however, nowhere in the fiscal court minutes were the salaries/wages approved or documentation included.

The Jackson County Judge/Executive was unaware of the requirement of KRS 64.530(1).

The Jackson County Fiscal Court is not in compliance with KRS 64.530(1), and employees could be paid inaccurately.

KRS 64.530(1) states “the fiscal court of each county shall fix the reasonable compensation of every county officer and employee” with certain exceptions.

We recommend the Jackson County Judge/Executive’s office annually prepare a list of each employee of the county and include the appropriate hourly rate for hourly employees and monthly or yearly amounts for all salaried employees and present this list to the Jackson County Fiscal Court for approval.

County Judge/Executive’s Response: Was unaware of having to approve salaries annually.

2015-009 The Jackson County Fiscal Court Magistrates Received A Lump Sum Expense Allowance Without Proof Of Working Committees

The Jackson County Fiscal Court magistrates received an expense allowance as part of their monthly compensation; however, no documentation was provided for actual expenses incurred or proof of working committees.

The Jackson County Fiscal Court magistrates are not assigned to working committees in the fiscal court minutes.

The Jackson County Fiscal Court magistrates may be receiving pay they are not entitled to.

KRS 64.710 prohibits public officials from receiving a lump sum expense allowance and KRS 64.530 establishes “three hundred dollars (\$300) per month as an expense allowance for serving on committees of the fiscal court.” The expense allowance is permissible only for serving on committees of the fiscal court.

We recommend that Jackson County Fiscal Court magistrates receive a monthly expense allowance only if serving on working committees or if adequate documentation for actual expenses incurred is provided. These committees should meet once a month and be reported in the fiscal court meetings. We also recommend that committee assignments be on an annual basis and included in the fiscal court minutes as public record.

County Judge/Executive’s Response: The Jackson County Fiscal Courts Magistrates are part of working committees appointed by the Judge Executive. Magistrates have been a part of working committees in the past. They no longer receive a lump sum.

**JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)**

Section II: Findings - Financial Statement Audit (Continued)

2015-010 The Jackson County Fiscal Court Did Not Properly Calculate Occupational Taxes On All Employee Wages

Employee records show that some insurance premiums are being deducted from employees' gross wages prior to occupational taxes being calculated. The insurance premiums have been set up erroneously as pre-tax deductions in the Jackson County Fiscal Court's payroll software, and a lack of controls or review procedures allowed this to go undetected for fiscal year 2015.

The Jackson County Fiscal Court is not receiving the proper allocation of occupational taxes from county employees who have certain insurance coverage.

Jackson County Ordinance No. 1213-01 states "every person or business entity engaged in any business for profit and any person or business entity that is required to make a filing with the Internal Revenue Service or the Kentucky Revenue Cabinet shall be required to file and pay to the county an occupational license tax for the privilege of engaging in such activities within the county. The occupational license tax shall be measured by 1.85% of all wages and compensation paid or payable in the county for work done or services performed or rendered in the county by every resident and nonresident who is an employee."

We recommend the Jackson County Fiscal Court review the payroll software to ensure accurate calculations of occupational taxes.

County Judge/Executive's Response: Occupational Tax are now being calculated based on gross wages of all Employees.

2015-011 The Jackson County Fiscal Court Erroneously Withheld Retirement On Part-Time Employee Wages

The Jackson County Fiscal Court withheld retirement on all Jackson County Fiscal Court employees, including those working on a part-time basis. Our testing identified six part-time Jackson County Fiscal Court employees whose total withholding equals \$2,215.

The Jackson County Fiscal Court was unaware that only employees who work at least an average of 100 hours per month are required to have retirement withheld from their pay.

The Jackson County Fiscal Court has paid funds to the Kentucky Retirement Systems that were not due because the employees were not qualified to participate in the program. In doing so they have also paid matching retirement that was not due for a total overpayment to the Kentucky Retirement Systems of \$9,247.

Participation in the retirement system is only required for full-time employees, defined by KRS 61.510(21) as employees working an "average one hundred (100) or more hours per month" with limited exceptions. With regard to retirement withholdings, KRS 61.543(1)(a) states that retirement "contributions shall be deducted each payroll period. . .while he is classified as regular full-time."

We recommend the Jackson County Fiscal Court reimburse part-time employees affected by this erroneous withholding and contact the Kentucky Retirement Systems to determine how to correct the employees' records. We also recommend the Jackson County Fiscal Court contact the Kentucky Retirement Systems to determine if the county is eligible to receive a refund for any overpayments.

County Judge/Executive's Response: Retirement is not being withheld from new part time employees.

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

2015-012 The Jackson County Fiscal Court Did Not Accurately Withhold Health Insurance Premiums From All Employee Wages And Paid For Two Former Employees

Paid health insurance invoices reflect the Jackson County Fiscal Court has paid health insurance premiums for former employees and has under withheld the employee portion of premiums for current employees.

Audit procedures revealed the following conditions regarding health insurance:

- A December 2014 health insurance bill included 45 employees. Twenty-eight of the 45 employees had underpaid for health insurance benefits received. Of the 28 employees that underpaid for health insurance, 11 employees did not pay anything, causing the county to overpay its share for insurance by \$7,261.
- An April 2015 health insurance bill included 38 employees. Twenty-one of the 38 employees had underpaid for the health insurance benefits received. Of the 21 employees that underpaid for health insurance, eight employees did not pay anything, causing the Jackson County Fiscal Court to overpay its share for insurance by \$5,261. Additionally, the April 2015 insurance bill included one employee who was terminated in March 2014 and another employee who left in October 2014.

Health insurance bills were not reconciled or compared to the payroll deductions list by the former Jackson County Treasurer, the Jackson County Finance Officer, or the Jackson County Judge/Executive. Payroll reconciliations and comparisons would have indicated employees' withholdings were incorrect and the county was paying health insurance premiums for former employees.

The Jackson County Fiscal Court is paying health insurance premiums for employees who no longer work for the county, and some employees are not paying the proper share, which causes an unnecessary burden on county finances. The two months included in our test procedures reflected overpayments of \$12,522.

Good internal controls require original supporting documentation for all payments, verification of endorsements, and dual signatures for all disbursements. The Jackson County Fiscal Court should only pay claims for which it is responsible.

The treasurer or finance officer should verify that employees' withholdings cover their required portion of health insurance premiums and should also ensure that only current employees are included on the health insurance invoice. This can be done by printing a deduction report and comparing it to the health insurance invoice prior to paying. The final invoices should be used to pay the health insurance premiums, and they should be noted as paid.

County Judge/Executive's Response: Health Insurance premiums are now being withheld accurately from all employees participating.

2015-013 The Jackson County Fiscal Court Incurred Penalties And Interest Due To Not Paying Invoices Timely

The Jackson County Fiscal Court has been billed the following penalties and interest for late payments of payroll items:

**JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)**

Section II: Findings - Financial Statement Audit (Continued)

2015-013 The Jackson County Fiscal Court Incurred Penalties And Interest Due To Not Paying Invoices Timely (Continued)

- Workman's compensation annual premiums were due by October 31, but the bill was not paid in full until June 2015, causing interest charges of \$5,238 to be incurred.
- General liability annual premiums were due by October 31, but the bill was not paid in full until June 2015, causing interest charges of \$3,644 to be incurred.
- The Jackson County Fiscal Court made 33 late retirement payments during the period of July 2012 through June 2015, resulting in penalties of \$33,000.

The payment of penalties and interest is due to invoices and payroll withholding not being remitted timely.

The former Jackson County Treasurer did not ensure payments were made before due dates; therefore, a total of \$5,238 of fiscal year 2015 funds, which could have been used for other purposes, were instead used to pay penalties. The Jackson County Fiscal Court also has an outstanding liability for \$33,000 in penalties due to the Kentucky Retirement Systems.

KRS 65.140 requires fiscal court to pay all claims "within thirty (30) working days of receipt of a vendor's invoice" with limited exceptions. With regard to retirement withholdings, KRS 61.675 states "[i]f the agency fails to file all contributions and reports on or before the tenth day of the month following the period being reported, interest on the delinquent contributions at the actuarial rate adopted by the board compounded annually, but not less than one thousand dollars (\$1,000), shall be added to the amount due the system."

We recommend the Jackson County Fiscal Court comply with KRS 65.140 and KRS 61.675 by ensuring all invoices are paid timely and ensuring all withholdings are paid to the proper agency timely in order to avoid unnecessary penalties and interest.

County Judge/Executive's Response: Spending is being done on a need to basis.

2015-014 The Jackson County Fiscal Court Did Not Pay Withholdings Timely Resulting In Outstanding Liabilities For Federal And State Withholdings

The Jackson County Fiscal Court is withholding federal, state, county, Medicare, city taxes, and retirement on employees; however, they are not paying the withholdings timely to the proper agencies and have accrued penalties for late payments and nonpayment.

Lack of review or monitoring of the payroll process has allowed county employees' withholdings to go unpaid.

The fiscal court had cumulative outstanding liabilities as of June 30, 2015 as follows:

Federal Withholding Taxes	\$ 409,057
State Withholding Taxes	\$ 485,073
Retirement	\$ 101,150

Based on the timing of payments, additional penalties and interest could continue to accrue.

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

2015-014 The Jackson County Fiscal Court Did Not Pay Withholdings Timely Resulting In Outstanding Liabilities For Federal And State Withholdings (Continued)

IRS Publication 15 states, “Generally, you are required to withhold social security and Medicare taxes from your employees' wages and pay the employer's share of these taxes. In general, you must deposit federal income tax withheld and both the employer and employee social security and Medicare taxes.” Depositors on a semiweekly schedule have at least three business days to make a deposit before penalties start to accrue.

Regulation 103 KAR 18:010 provides that “[e]very employer incorporated in Kentucky, qualified to do business in Kentucky, doing business in Kentucky, or subject to the jurisdiction of Kentucky in any manner, and making payment of wages subject to withholding shall deduct, withhold, and pay to the department the tax required to be withheld.” The Kentucky Department of Revenue’s Withholding Kentucky Income Tax Instructions for Employers (May 2015) states “[e]mployers withholding \$2,000-\$49,999 Kentucky income tax a year must file and pay on a monthly basis.”

We recommend the Jackson County Fiscal Court contact the IRS and the Kentucky Department of Revenue to determine the actual amounts due, with penalties and interest assessed, and determine a feasible plan to pay the withholding, penalties, and interest due. We also recommend internal controls be established to ensure withholdings are paid timely. This control could be as simple as comparing the payroll summary to actual payments made to the entity on the bank reconciliation and documenting the review by signatures or initials on the summary or bank statement.

County Judge/Executive’s Response: County liabilities federal and state withholding, as well as retirement are now being paid on time.

2015-015 The Jackson County Fiscal Court Did Not Perform Accurate Bank Reconciliations

Bank reconciliations prepared by the former Jackson County Treasurer were not accurate because they did not include all outstanding items. The bank reconciliation of the county’s general fund for June 30, 2015 omitted more than \$155,000 in outstanding checks written prior to June 30, 2015. The exclusion of outstanding checks from the year-end bank reconciliation resulted in the appearance of a positive fund balance in the general fund as of June 30, 2015, when, in fact, the general fund should have reflected a significant negative fund balance. The bank reconciliation for the month of May 2015 reflected a fund balance in the general fund of negative \$117,148; the June 30, 2015 bank reconciliation reflects a positive balance of \$1,696; and the July 2015 bank reconciliation reflects a general fund balance of negative \$114,459. The exclusion of outstanding checks for the month of June 2015 artificially inflated the actual fund balance in the general fund at year-end for reporting purposes and did not accurately reflect the actual cash position of the county’s general fund as of June 30, 2015. Additionally, the former county treasurer did not prepare a bank reconciliation of the county’s payroll fund as of June 30, 2015.

The Jackson County Fiscal Court failed to establish appropriate oversight of the former county treasurer’s reconciliation activities. The fiscal court did not establish relevant review procedures to determine if the former county treasurer was submitting complete and accurate reconciliations on a monthly basis.

The Jackson County Fiscal Court’s failure to establish a review of the former Jackson County Treasurer’s reconciliations resulted in incorrect financial reporting on the county’s part for fiscal year ending June 30, 2015. The fiscal court also did not have accurate financial information in order to plan for the subsequent fiscal year.

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

2015-015 The Jackson County Fiscal Court Did Not Perform Accurate Bank Reconciliations (Continued)

The Department for Local Government has established minimum requirements for officials handling public funds, which include the preparation of monthly bank reconciliations that include the bank balance and a listing of all outstanding reconciling items (deposits in transit, outstanding checks, investments, etc.).

We recommend the Jackson County Fiscal Court establish procedures to review all reconciliations prepared by the county treasurer do determine the validity and accuracy of the amounts presented.

County Judge/Executive's Response: Bank reconciliations are now accurate.

2015-016 The Jackson County Fiscal Court Did Not Include All County Funds On The Fourth Quarter Financial Report

The Jackson County Fiscal Court's fourth quarter financial report did not include all of the county's accounts or funds. Auditors discovered three checking accounts and a \$5,003 certificate of deposit that were not included in the county's year-end financial report.

The Fourth Quarter Financial Report did not include the activity in the occupational license tax account, the parks and recreation account, the county police drug account, or the \$5,003 certificate of deposit because the former Jackson County Treasurer failed to include them on financial reports, and the fiscal court failed to determine the disposition of the accounts.

Failure to record the activity in these accounts and the certificate of deposit can result in inaccurate or misleading financial statements.

KRS 68.020(4) requires the county treasurer to "keep an accurate detailed account of all money received and disbursed by him for the county" and "keep books of accounts of the financial transactions of the county in the manner required by the uniform system of accounting prescribed by the state local finance officer." Additionally, county treasurers are required by the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* to prepare financial reports that include all receipts, claims allowed, and cash balances.

We recommend financial reports prepared by the Jackson County Treasurer include all financial activity of the Jackson County Fiscal Court.

County Judge/Executive's Response: Two accounts listed are no longer active.

2015-017 The Jackson County Fiscal Court Transfer Of Road Funds Exceeded The Allowable Amount

The Jackson County Fiscal Court transferred \$878,285 from the road fund to the general fund during the fiscal year ending June 30, 2015, and a total of \$296,000 was transferred back to the road fund from the general fund. Net transfers from the road fund to the general fund for the fiscal year ending June 30, 2015 were \$582,285.

A portion of road fund monies may be transferred to the general fund to offset administrative costs incurred to manage the road fund. The transfer of road fund monies to the general fund reduces the amount of funds available to maintain county roads.

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

2015-017 The Jackson County Fiscal Court Transfer Of Road Funds Exceeded The Allowable Amount
 (Continued)

KRS 68.210 authorizes the state local finance officer to prescribe a uniform system of accounts for counties. This uniform system is provided for in the *County Budget Preparation and State Local Finance Officer Policy Manual*, which states that “[t]he total of road fund dollars appropriated [to administrative costs] must not exceed budgeted truck license distribution receipts.” The Jackson County Fiscal Court prepares a road fund cost allocation sheet during the budgeting process to calculate the percentage of costs (and ultimately the amount to transfer) incurred by the general fund in the management of road fund activities. The maximum allowable transfer for administrative costs in a given fiscal year is limited to the amount a county receives from the state for truck license distribution. In fiscal year ending June 30, 2015, Jackson County Fiscal Court’s truck license distribution was \$197,273; therefore, transfers to the road fund exceeded the allowable amount by \$385,012.

We recommend the Jackson County Fiscal Court establish procedures to limit transfers of restricted funds to the amount allowable. We also recommend the fiscal court reimburse the road fund \$385,012 from the general fund.

County Judge/Executive’s Response: No response.

2015-018 The Jackson County Fiscal Court Did Not Approve Cash Transfers Between Funds In Advance

Auditors noted 87 cash transfers between funds (inter-fund) totaling \$3,126,007 during fiscal year ending June 30, 2015. None of the inter-fund cash transfers were approved in advance by the Jackson County Fiscal Court.

The former Jackson County Treasurer submitted lists of inter-fund transfers to the fiscal court on a quarterly basis, after the funds had been transferred. Failure to pre-approve inter-fund cash transfers prevents the fiscal court from making fully informed decisions on budgetary matters.

KRS 68.290 permits fiscal courts to “transfer money from one (1) budget fund to another to provide for emergencies or increases or decreases in county employment” and further states “[t]he order of the fiscal court making the transfer shall show the nature of the emergency or personnel increase or decrease and the reason for making the transfer.”

We recommend the Jackson County Fiscal Court establish procedures requiring the county treasurer to submit inter-fund transfers to the fiscal court for approval in advance and that the court order include the reason for the transfer and the nature of the emergency or increase or decrease in county employment as required.

County Judge/Executive’s Response: No response.

2015-019 The Jackson County Fiscal Court Did Not Maintain Accurate Capital Asset Records Or Properly Insure Assets

The Jackson County Fiscal Court is not maintaining an accurate record of capital assets and not properly insuring assets.

The fiscal court lacks sufficient internal control procedures over capital assets. Inadequate oversight has resulted in numerous audit adjustments to the county’s Schedule of Capital Assets (Schedule). Adjustments

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

2015-019 The Jackson County Fiscal Court Did Not Maintain Accurate Capital Asset Records Or Properly Insure Assets (Continued)

ranged from \$44,096 to \$617,991. Additionally, auditors noted six instances in which capital asset additions were not listed on the county's insurance policy.

By not maintaining an accurate Schedule, capital assets may not be insured, or the county could pay for insurance on assets no longer in use or owned by the county. Capital assets that are not properly insured expose the county to potential loss. Not maintaining an accurate Schedule can also lead to improper valuation of capital assets and an inability to plan for long-term asset replacement.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts is set forth in the *County Budget Preparation and State Local Finance Officer Policy Manual*. Capital asset records are necessary for proper valuation, adequate and accurate insurance coverage, internal control, and long range planning for property replacement. The manual states that capital asset records should include a description of the asset, historical cost, date of acquisition, date of disposal, useful life of the asset, salvage value, depreciation expense, accumulated depreciation, and proceeds from sale or disposal of assets. In addition, the manual states that a capital asset record should be prepared for each acquisition.

We recommend the Jackson County Fiscal Court implement internal control procedures over capital assets, maintain an accurate capital asset listing, and insure all assets listed on the county's Schedule.

County Judge/Executive's Response: Addressing capital assets, and have updated inventory.

2015-020 The Jackson County Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund

The Jackson County Fiscal Court is financially and legally obligated for the debt of the Jackson County Public Properties Corporation. The fiscal court did not maintain receipts and disbursements ledgers or bank reconciliations, and did not prepare financial statements for the public properties corporation.

The lack of adequate management oversight resulted in responsible employees being unaware of the requirements to maintain records for the public properties corporation. Improper documentation and lack of oversight could result in misrepresentation of the county's total debt.

The fiscal court is legally obligated and financially accountable for the debt of the public properties corporation; therefore, these funds should be handled in accordance with the requirements for county funds. KRS 68.210 gives the State Local Finance Officer authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, includes, but is not limited to: maintaining receipts and disbursement journals, performing monthly bank reconciliations, and preparing an annual financial statement. The annual financial statement should include a schedule that reflects outstanding debt of the public properties corporation.

We recommend Jackson County Fiscal Court provide proper oversight with regard to accounting for and reporting on the Jackson County Public Properties Corporation.

County Judge/Executive's Response: Public Properties will be reported to the Fiscal Court.

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

2015-021 The Jackson County Fiscal Court Lacks Adequate Internal Controls Over Disbursements

Our tests of disbursements included an examination of 110 disbursements selected from the county's operating funds. We found the following issues as a result:

- Thirty-five disbursements were not included on a monthly claims list.
- Twenty-one disbursements had no supporting documentation.
- Four disbursements were not paid within 30 days.
- Three disbursements were improperly coded.

We also noted the fiscal court incurred and paid finance charges of \$4,881 for past due utility payments. Additionally, the county paid utility payments for two locations that were not the responsibility of the fiscal court.

The fiscal court failed to establish appropriate internal controls over disbursements, and as a result, the former Jackson County Treasurer:

- Prepared vendor claims as invoices were received;
- Created the monthly claims list to be presented to the fiscal court;
- Posted approved claims to the appropriations ledger; and
- Signed checks for all disbursements.

The Jackson County Fiscal Court had no established procedures for reviewing activities performed by the former county treasurer. The fiscal court's failure to establish effective internal controls over disbursements resulted in numerous instances of noncompliance reflected above.

Effective internal controls provide for adequate segregation of duties and prevent the same person from having a significant role in incompatible functions. Segregation of duties helps prevent fraud or misappropriation of assets and protects employees in the normal course of performing their daily responsibilities. Effective internal controls also help ensure compliance with requirements governing fiscal court disbursements. Initially, the county judge/executive's office is required to prepare claims lists for presentation to the fiscal court (KRS 68.275); the county treasurer then prepares checks based on the claims list presented to the fiscal court. According to the *County Budget Preparation and State Local Finance Officer Policy Manual*, promulgated pursuant to KRS 68.210, operating disbursements are required to have appropriate supporting documentation and be properly coded prior to inclusion on the monthly claims list. Claims against the county are required to be paid within 30 days pursuant to KRS 65.140.

We recommend the Jackson County Fiscal Court establish effective internal controls over disbursements, including segregation of duties. The monthly claims lists prepared by the Jackson County Judge/Executive's office should include all disbursements, unless otherwise noted as paid under an annual standing order for recurring expenses. The county treasurer should ensure invoices are properly coded and paid within 30 working days. If the Jackson County Judge/Executive is unable to adequately segregate duties and establish effective internal controls, strong management oversight should be provided. Effective review procedures could be achieved if performed by an employee independent of those functions or by the Jackson County Judge/Executive. The Jackson County Judge/Executive should review supporting documentation for all disbursements made and compare disbursements written to the disbursements ledger. The Jackson County Judge/Executive should document this by initialing the supporting documentation and the disbursements ledger.

**JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)**

Section II: Findings - Financial Statement Audit (Continued)

2015-021 The Jackson County Fiscal Court Lacks Adequate Internal Controls Over Disbursements
(Continued)

County Judge/Executive's Response: There are now segregated duties to maintain proper disbursement records.

2015-022 The Jackson County Treasurer Office Supplies Appropriation Account Contained Numerous
Inappropriate Postings

Our testing procedures included a review of the county treasurer office supplies account number 01-5040-445. Twenty-six disbursements totaling \$43,587 were posted to this appropriation account. Auditors noted the following:

- Fourteen of the 26 disbursements were inappropriately posted to the county treasurer office supplies account. Auditors compared postings to actual checks and noted that checks were paid to the payroll account. None of the 14 inappropriate postings were listed on the monthly claims list presented to the fiscal court.
- Two disbursements were posted with the same check number. These postings were for separate vendors with different dollar amounts. Auditors compared postings to the actual check and noted that the check was paid to a completely different vendor.

The amount of inappropriate disbursements posted to the county treasurer office supplies account totaled \$35,367.

The Jackson County Fiscal Court failed to establish effective internal controls and provide adequate management oversight.

The former Jackson County Treasurer failed to properly record and report disbursements of the county treasurer office supplies account as a result of weak internal controls and lack of management oversight.

KRS 68.275(2) states “[t]he county judge/executive shall present all claims to the fiscal court for review prior to payment and the court, for good cause shown, may order that a claim not be paid.”

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* lists the duties of the county treasurer based on KRS 68.020, KRS 68.300, KRS 68.360(1), and KRS 441.235. This manual requires the county treasurer to maintain the financial records, to receive and disburse money, to invest funds, to prepare financial reports monthly, and to settle accounts within 30 days after the close of each fiscal year. In addition, the manual requires the county treasurer to counter sign all checks for payment of funds from the county treasury only if the payment is approved by the fiscal court, sufficient funds are available, and an adequate free balance is available in the properly budgeted appropriation account.

We recommend the Jackson County Fiscal Court establish internal controls to ensure all claims are properly presented to the fiscal court for approval and the disbursement of claims are properly recorded by the county treasurer.

County Judge/Executive's Response: Treasurer's Office Supplies Appropriation Account now has appropriate expenditures.

**JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)**

Section II: Findings - Financial Statement Audit (Continued)

2015-023 The Jackson County Fiscal Court Did Not Maintain A List Of Encumbrances And Unpaid Obligations

The county is not maintaining a list of encumbrances as required by KRS 68.360(2). This is due to a lack of adequate internal controls over disbursements (see 2015-022). Not maintaining an up-to-date list of encumbrances could prevent the county from knowing the amount of cash on hand for each fund. This could lead to overspending or the overpayment/underpayment of vendors.

KRS 68.360(2) states “[t]he county judge/executive shall, within fifteen (15) days after the end of each quarter of each fiscal year, prepare a statement showing for the current fiscal year to date actual receipts from each county revenue source, the totals of all encumbrances and expenditures charged against each budget fund, the unencumbered balance of the fund, and any transfers made to or from the fund. The county judge/executive shall post the statement in a conspicuous place in the courthouse near the front door for at least (10) consecutive days, and transmit a copy to the fiscal court and to the state-local finance officer. The statement shall be read at the next meeting of the fiscal court.”

We recommend the Jackson County Fiscal Court report all encumbrances by including all outstanding liabilities at the end of the fiscal year on the Fourth Quarter Financial Report. The county should maintain a list of these encumbrances and should not encumber more than the available cash balance in each fund.

County Judge/Executive’s Response: Fiscal Court was unaware of needing to post the encumbered balances as well as unpaid obligations.

2015-024 The Jackson County Fiscal Court Lacks Internal Controls Over Occupational Taxes

The occupational tax administrator performs all duties with regard to the collection of occupational taxes. There are no procedures or controls in place to provide oversight of the functions of the occupational tax administrator. Testing of occupational tax revealed that the occupational tax administrator makes payments to the fiscal court on an as needed basis, and the payments do not relate to the actual receipts collected over any defined period. The county judge/executive and fiscal court have not established internal controls to mitigate the risk involved with the collection of occupational tax receipts. Without proper internal controls, the county is exposed to the risk of not receiving all occupational license taxes and erroneous recording of receipts. Appropriate internal controls would have at least one level of review over occupational tax administrator duties. We recommend the Jackson County Judge/Executive and the fiscal court implement internal controls over the receipt and disbursement of occupational license taxes.

County Judge/Executive’s Response: No response.

2015-025 The Jackson County Fiscal Court Lacks Internal Controls Over Transfer Station Receipts And Deposits

The following issues were noted with regard to internal controls over receipts and deposits at the county transfer station:

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

2015-025 The Jackson County Fiscal Court Lacks Internal Controls Over Transfer Station Receipts And Deposits (Continued)

- Appropriate daily checkout procedures have not been established.
- Receipts were not accounted for on a daily basis, and daily checkout sheets were not prepared.
- Daily deposits were not made.
- Cash and checks were not accounted for separately within deposits made.
- Receipts were not accounted for in numerical sequence.
- Receipts from charge accounts were not always signed.
- Employees have taken transfer station receipts home overnight.

The Jackson County Judge/Executive and the fiscal court have failed to establish internal controls over receipts and deposits from the county's transfer station.

By not requiring daily deposits of transfer station receipts and allowing employees to take cash and checks home, the fiscal court incurs greater risk of misappropriation of funds. Inaccurate financial reporting and misappropriated funds may occur when receipts are not accounted for on a daily basis, daily checkout sheets are not prepared, and receipts are not accounted for in numerical sequence. By not obtaining signatures on charge account receipts, the fiscal court could be exposed to a loss or non-payment for services rendered.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* establishes several procedures to institute a strong internal control environment, including issuing pre-numbered three-part receipts for all receipts and ensuring that deposits are made daily intact.

We recommend the Jackson County Judge/Executive and the fiscal court strengthen internal controls to ensure deposits are made timely, cash and checks agree to deposit slips, receipts are processed in order, signatures are required on receipts for charge accounts, and cash and checks are not taken home by employees.

County Judge/Executive's Response: The Treasurer's Office reviews and makes deposits for the Transfer Station.

2015-026 The Jackson County Jailer Lacks Adequate Internal Controls Over The Overall Environment Of The Jail

We reviewed the accounting records for all three jail bank accounts and noted the following:

- Annual reports were prepared; however, they were not accurate.
- The jail commissary fund account had a negative ending balance due to penalties charged from overage fees incurred.
- Three checks were not posted to the jail commissary fund's disbursement ledger.
- Sales tax returns were calculated incorrectly.
- A late fee of \$20 was incurred during the fiscal year.

**JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)**

Section II: Findings - Financial Statement Audit (Continued)

2015-026 The Jackson County Jailer Lacks Adequate Internal Controls Over The Overall Environment Of The Jail (Continued)

In the prior year, auditors noted lack of internal controls over the overall environment of the jail. The jailer did implement a few of the prior-year auditor's suggestions such as preparing daily checkout sheets, preparing receipts and disbursement ledgers, and reconciliations. However, controls were not created to segregate duties, and auditors noted the above errors in current year records.

The jailer failed to implement adequate internal controls when the jail commissary was established. Failure to properly account for inmate and commissary monies could lead to a misappropriation of assets that goes undetected.

Segregation of duties, or the implementation of compensating controls, is essential for providing protection to employees in the normal course of business. Without proper segregation of duties, inaccurate financial reporting and misappropriation of assets can occur without being detected.

We recommend the Jackson County Jailer continue to adhere to the guidance established by the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*. We further recommended that, upon establishing procedures to comply with requirements, the jailer evaluate internal controls so that they can be implemented adequately and segregated or strong management oversight be provided.

County Judge/Executive's Response: No response.

County Jailer's Response: No response.

2015-027 The Jackson County Jailer Did Not Present A Jail Commissary Financial Statement To The Treasurer For Fiscal Year Ending June 30, 2015

The jailer did not present a jail commissary financial statement to the county treasurer for fiscal year ending June 30, 2015. The jailer did not prepare a financial statement for presentation to the county treasurer. This resulted in a noncompliance with KRS 441.135(2). KRS 441.135(2) says the Jailer "shall annually report to the county treasurer on the canteen account." It requires a jail commissary year-to-date summary compiled with information obtained from receipts and disbursements ledgers. The ending balance reported on the summary is reconciled to the bank balance. This summary is sufficient to use as the year-end report that is submitted to the county treasurer.

We recommend the Jackson County Jailer comply with KRS 441.135(2) by presenting an accurate financial statement to the county treasurer. The financial statement should be compiled using financial information from receipts and disbursement ledgers, with the ending balance being reconciled to the bank balance.

County Judge/Executive's Response: No response.

County Jailer's Response: No response.

**JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)**

Section II: Findings - Financial Statement Audit (Continued)

2015-028 The Jackson County Detention Center Employees Were Allowed To Purchase Food From Detention Center Vendors At Discounted Rates

While reviewing jail reimbursements to the county, auditors noted one detention center employee was in charge of making food orders for inmate meals. Before an order would be placed, detention center employees had the option to purchase products from the vendors they were ordering from. After the order was submitted, the employee in charge of the ordering process would collect money from employees who had placed an order in conjunction with purchase of food for the jail. The employee in charge prepared triplicate receipts for this process. The first copy would be given to the employee who made the purchase, the second was kept for his own records, and the third would be batched with all funds collected and sent to the county judge/executive's office. These receipts kept track of what was purchased and how the employee paid, either cash or check. After the judge/executive's office received funds, they were deposited into the jail fund.

The Jackson County Jailer was not aware that allowing employees to purchase food items from jail vendors at discounted prices was a violation of the county's ethics code.

The Jackson County Code of Ethics for County Officials and Employees includes the following prohibition: "no county government officer or employee shall use or attempt to use his official position to secure unwarranted privileges or advantages for himself or others."

We recommend the Jackson County Jailer refrain from allowing his employees to purchase from detention center vendors and further comply with the Jackson County Code of Ethics for County Officials and Employees. As of December 2015, the detention center no longer prepares its own food for inmates and has since switched to a contracted food service provider. This matter will be referred to the Cumberland Valley Regional Board of Ethics.

County Judge/Executive's Response: Detention center employees are no longer purchasing food from detention center vendors.

County Jailer's Response: No response.

2015-029 The Jackson County Fiscal Court Lacked Controls Over The Collection Of Detention Center Receipts

While reviewing receipts from the detention center, auditors noted several instances of missing funds. Receipts, checks, and cash would be batched by a detention center employee for the purchase of discounted food for detention center employees. These batched receipts would then be delivered to the Jackson County Judge/Executive's office. Cash and check amounts were accounted for on each individual receipt. After funds were received by the judge/executive's office they were deposited into the jail fund. A review of the receipts turned over to the county showed a variance between the noted receipts amount and the amount deposited by the former Jackson County Treasurer. The fiscal court failed to establish appropriate controls over detention center receipts. As a result, auditors tested the collection and deposit process of detention center receipts.

**JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)**

Section II: Findings - Financial Statement Audit (Continued)

2015-029 The Jackson County Fiscal Court Lacked Controls Over The Collection Of Detention Center Receipts (Continued)

Auditors tested seven detention center receipt batches turned over to the former county treasurer. Auditors noted the following when comparing breakdowns of batched jail receipts to deposits made by the former county treasurer into the jail fund:

- Three of the seven deposits tested had missing cash in excess of \$908.
- Two of the seven deposits tested were not supported by individual receipts. There is a high risk that funds could have been missing from the deposits not supported by individual receipts.

KRS 68.020(1) states “[t]he county treasurer shall receive and receipt for all money due the county from its collecting officers or from any other person whose duty it is to pay money into the county treasury, and shall disburse such money in such manner and for such purpose as may be authorized by appropriate authority of the fiscal court. He shall not disburse any money received by him for any purpose other than that for which it was collected and paid over to him[.]”

KRS 68.020(4) further states the county treasurer should “keep an accurate detailed account of all money received and disbursed by him for the county, and shall keep books of accounts of the financial transactions of the county in the manner required by the uniform system of accounting prescribed by the state local finance officer.”

We recommend the Jackson County Judge/Executive and fiscal court strengthen internal controls to ensure detention center receipts turned over to the Jackson County Treasurer are accurately recorded and deposited correctly.

County Judge/Executive’s Response: Receipts for the Jail fund are documented when received.

County Jailer’s Response: No response.

2015-030 The Jackson County Jailer Did Not Present An Updated Jail Fee Schedule To The Jackson County Fiscal Court

During review of inmate accounts, auditors noted that the Jackson County Jail failed to submit a fee schedule to the Jackson County Fiscal Court for approval. The jailer was unaware that the fee schedule should be approved by the fiscal court. Allowing the fee schedule to be approved by the fiscal court makes the fees being charged at the jail public record. This could help clear up any confusion regarding fees collected by the jail. Having an updated fee schedule approved by the fiscal court will help strengthen controls over the collection and payment of all fees. We recommend that the Jackson County Jailer submit an updated fee schedule to the fiscal court for approval.

County Judge/Executive’s Response: No response.

County Jailer’s Response: No response.

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

2015-031 The Jackson County Jailer Did Not Properly Calculate Vendor Discounts On Sales Tax Returns And Did Not Make Payments Timely

We noted the sales tax returns vendor discounts were not being accounted for. The bookkeeper should have accounted for the 1.75% vendor discount allowed by KRS 139.570. The jailer also incurred late fees for the November sales tax payment. Total late fees paid were \$20. Per discussion with jail personnel, it appears they were unaware of the 1.75% vendor discount. Late fees paid on sales tax returns were the result of the lack of adequate internal controls over the overall environment of the jail. Not properly calculating sales tax returns resulted in savings lost, and \$20 of late fees paid. Payment of unnecessary fees and not claiming allowable credits is not a good use of inmate funds. We recommend the Jackson County Jailer ensure the vendor discount of 1.75% is properly calculated on sales tax returns and the returns are submitted timely to the Kentucky Department of Revenue.

County Judge/Executive's Response: No response.

County Jailer's Response: No response.

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)

Section III: Findings And Questioned Costs - Major Federal Awards Program Audit

2015-032 The Jackson County Fiscal Court Did Not Prepare A Schedule Of Expenditures Of Federal Awards (SEFA)

Federal Program: CFDA 97.040 - Chemical Stockpile Emergency Preparedness Program

Award Number and Year: Multiple Years - CSEPP Grants

Name of Federal Agency and Pass-Through Agency: U.S. Department of Homeland Security and Department of Military Affairs - Kentucky Emergency Management Services (KYEMS)

Compliance Requirements: Reporting

Type of Finding: Compliance and Internal Control

Amount of Questioned Costs: \$0

The Jackson County Fiscal Court did not prepare a SEFA that reflects the county's expenditure of federal awards for fiscal year ending June 30, 2015. The former Jackson County Treasurer did not prepare the SEFA on behalf of the fiscal court. The fiscal court failed to meet federal requirements for entities expending in excess of \$500,000 in federal awards.

The schedule below, prepared by auditors, represents the amount of known federal expenditures for fiscal year 2015 based on available records. Auditors confirmed the amount received and tested known expenditures, but there could have been additional expenditures of federal funds not reflected below.

Federal Grantor

CFDA #	Program Title	Expenditures
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U. S Department of Housing and Urban Development

Passed-Through State Department for Local Government:

14.228	Community Development Block Grants/State's Program	\$ 295,920
14.228	Community Development Block Grants/State's Program	<u>36,269</u>

Total U.S. Department of Housing and Urban Development		<u>332,189</u>
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U.S. Department of Homeland Security

Passed-Through State Department of Military Affairs: *

97.040	Chemical Stockpile Emergency Preparedness Program **	\$ 978,848
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Total U.S. Department of Homeland Security		<u>978,848</u>
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Total Expenditures of Federal Awards		<u>\$ 1,311,037</u>
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* Total Received from State Department of Military Affairs - \$1,184,152;
 Transferred to the General Fund - \$1,184,356 (see comment # 2015-033)

** Tested as Major Program or Cluster

Failure to prepare a SEFA is a non-compliance with the U.S. Office of Management and Budget (OMB) Circular A-133, which requires governmental entities that expend in excess of \$500,000 in federal funds in a year to prepare a SEFA that reflects all of the county's federal programs and the amounts expended under each program.

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)

Section III: Findings And Questioned Costs - Major Federal Awards Program Audit (Continued)

2015-032 The Jackson County Fiscal Court Did Not Prepare A Schedule Of Expenditures Of Federal Awards (SEFA) (Continued)

We recommend the Jackson County Fiscal Court track federal expenditures and prepare a SEFA as required by OMB Circular A-133.

County Judge/Executive's Response and Corrective Action Planned: The Fiscal Court will provide a Schedule of Expenditures of Federal Awards in the future (SEFA).

Planned Implementation Date of Corrective Action: June 30, 2017

Person Responsible for Corrective Action: Shane Gabbard, Jackson County Judge/Executive

2015-033 The Jackson County Fiscal Court Commingled Chemical Stockpile Emergency Preparedness Program Funds With Jackson County's General Fund And Unsupported Checks Were Issued To The Former Jackson County Treasurer

Federal Program: CFDA 97.040 - Chemical Stockpile Emergency Preparedness Program

Award Number and Year: Multiple Years - CSEPP Grants

Name of Federal Agency and Pass-Through Agency: U.S. Department of Homeland Security and Department of Military Affairs - Kentucky Emergency Management Services (KYEMS)

Compliance Requirements: Cash Management, Reporting

Type of Finding: Compliance and Internal Control

Amount of Questioned Costs: \$209,638

The Jackson County Fiscal Court transferred \$1,184,356 from the CSEPP/EM fund to the general fund during the fiscal year ending June 30, 2015. The fiscal court established line items in the general fund to pay emergency management claims associated with the county's CSEPP program. Total CSEPP expenditures for the fiscal year were \$978,819 (Finding 2015-033), leaving \$205,537 in federal funds unaccounted for. Additionally, three checks totaling \$4,101 were issued to the former Jackson County Treasurer without supporting documentation (Finding 2015-35). Total questioned costs for the fiscal year are \$209,638.

The fiscal court failed to recognize that paying CSEPP/EM claims from the general fund does not comply with requirements of the federal grant program. Transferring federal funds into the county's general fund to pay claims commingles federal funds with other non-CSEPP funds. The Catalog of Federal Domestic Assistance (CFDA) establishes requirements for administering federal grants. CFDA #97.040 states "CSEPP funds may not be commingled with other non-CSEPP funds." This requirement is meant to provide accurate accounting of the receipt and disbursement of federal funds.

We recommend the Jackson County Fiscal Court discontinue the practice of transferring federal funds from the CSEPP/EM fund to the general fund. We also recommend the fiscal court properly budget for expenditures from the CSEPP/EM fund and discontinue the practice of budgeting CSEPP/EM expenditures from the general fund. This finding will be referred to the Federal Bureau of Investigation and the Kentucky Department of Revenue.

County Judge/Executive's Response and Corrective Action Planned: CSEPP fund has a designated account where receipts and expenditures will come from, and will no longer commingle with the General Fund.

Planned Implementation Date of Corrective Action: immediately

Person Responsible for Corrective Action: Shane Gabbard, Jackson County Judge/Executive

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)

Section III: Findings And Questioned Costs - Major Federal Awards Program Audit (Continued)

2015-034 The Jackson County Fiscal Court Failed To Implement Adequate Internal Controls Over Chemical Stockpile Emergency Preparedness Program (CSEPP) Grant Funds

Federal Program: CFDA 97.040 - Chemical Stockpile Emergency Preparedness Program (CSEPP)

Award Number and Year: Multiple Years - CSEPP Grants

Name of Federal Agency and Pass-Through Agency: U.S. Department of Homeland Security and Department of Military Affairs - Kentucky Emergency Management Services (KYEMS)

Compliance Requirements: Cash Management, Reporting, Allowable Costs

Type of Finding: Compliance and Internal Control

Amount of Questioned Costs: \$0

The Jackson County Fiscal Court lacks adequate internal controls over the Chemical Stockpile Emergency Preparedness Program. We noted the following:

- CSEPP reimbursements for the fiscal year ended June 30, 2015 totaled \$1,184,152. CSEPP disbursements coded to 01-5135-703 totaled \$592,125 (General Fund), 01-5135-742 totaled \$384,894 (General Fund), and 08-5135-599 totaled \$1,829 (CSEPP/EM Fund), for a total of \$978,848. (Finding #2015-033) The Jackson County Fiscal Court appears to have been reimbursed \$205,304 more than was expended on CSEPP grant activities.
- Eight CSEPP disbursements of the 28 tested were not posted to the appropriations ledger.
- Auditors were not provided supporting documentation for three CSEPP disbursements. These disbursements were listed under the CSEPP expense account. These checks were posted to two different companies; however, the actual checks were written to the former county treasurer.

The fiscal court failed to establish adequate internal controls over the CSEPP grant program.

Due to the overage in reimbursements compared to disbursements, KYEMS may determine that amounts reimbursed were in excess of amounts permitted to be reimbursed and request the return of the overpayments. Failure to comply and implement adequate internal controls was a result of poor management oversight.

Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions. Proper segregation of duties protects employees in the normal courses of performing their daily responsibilities. In addition, CSEPP reimbursements should be easily reconciled to CSEPP disbursements. The only differences should be CSEPP reimbursements requested in the prior fiscal year received in the current fiscal year and CSEPP reimbursements requested for the current fiscal year received in the subsequent fiscal year. This finding will be referred to the Federal Bureau of Investigation.

We recommend that the Jackson County Fiscal Court implement adequate internal controls over the Chemical Stockpile Emergency Preparedness Program.

County Judge/Executive's Response and Corrective Action Planned: All CSEPP disbursements will be posted to the appropriations ledger, and will have accurate supporting documentation.

Planned Implementation Date of Corrective Action: immediately

Person Responsible for Corrective Action: Shane Gabbard, Jackson County Judge/Executive

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)

Section III: Findings And Questioned Costs - Major Federal Awards Program Audit (Continued)

2015-035 The Jackson County Fiscal Court Made Inappropriate Postings In The Chemical Stockpile Emergency Preparedness Program (CSEPP) Expense Account

Federal Program: CFDA 97.040 - Chemical Stockpile Emergency Preparedness Program (CSEPP)

Award Number and Year: Multiple Years - CSEPP Grants

Name of Federal Agency and Pass-Through Agency: U.S. Department of Homeland Security and Department of Military Affairs - Kentucky Emergency Management Services (KYEMS)

Compliance Requirements: Cash Management, Reporting, Allowable Costs

Type of Finding: Compliance and Internal Control

Amount of Questioned Costs: \$0

We noted numerous inappropriate postings within the CSEPP expense account:

- Three of the 28 disbursements tested were inappropriately posted to the CSEPP expense account. The fiscal court was unable to provide supporting documentation for these disbursements. These disbursements were posted to the appropriation ledgers as CSEPP vendors normally associated with this account. Auditors discovered through further investigation that these checks were in fact paid to the former Jackson County Treasurer, in the amount of \$4,101. This amount is included in the questioned costs reflected in finding 2015-033.

Failure to implement adequate internal controls was a result of poor management oversight. The fiscal court's failure to provide proper oversight resulted in numerous disbursements being inappropriately posted to, and expended from, the CSEPP expense account.

KRS 68.275(2) states "[t]he county judge/executive shall present all claims to the fiscal court for review prior to payment and the court, for good cause shown, may order that a claim not be paid."

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* lists the duties of the county treasurer based on KRS 68.020, KRS 68.300, KRS 68.360(1), and KRS 441.235. The manual requires the county treasurer to maintain the financial records, to receive and disburse money, to invest funds, to prepare financial reports monthly, and to settle accounts within 30 days after the close of each fiscal year. In addition, the manual requires the county treasurer to counter sign all checks for payment of funds from the county treasury only if the payment is approved by the fiscal court, sufficient funds are available, and an adequate free balance is available in the properly budgeted appropriation account.

We recommend the Jackson County Fiscal Court establish adequate controls over the Chemical Stockpile Emergency Preparedness Program and further ensure all postings reconcile to the proper canceled check. This finding will be referred to the Federal Bureau of Investigation and the Kentucky Department of Revenue.

County Judge/Executive's Response and Corrective Action Planned: All CSEPP disbursements will be posted to the appropriations ledger, and will have accurate supporting documentation.

Planned Implementation Date of Corrective Action: immediately

Person Responsible for Corrective Action: Shane Gabbard, Jackson County Judge/Executive

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015
(Continued)

Section IV: Summary Schedule of Prior Audit Findings

2014-020 The Fiscal Court Failed To Prepare An Accurate Schedule of Expenditures Of Federal Awards

Federal Program: CFDA 97.040 - Chemical Stockpile Emergency Preparedness Program (CSEPP)

Award Number: Multiple Years - CSEPP Grants

Compliance Requirements: Reporting

Type of Finding: Compliance

Amount of Questioned Costs: \$0

Comment repeated in current year as 2015-032.

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

JACKSON COUNTY FISCAL COURT

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

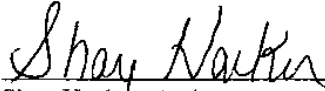
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
JACKSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

The Jackson 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.



Shane Gabbard,
Jackson County Judge/Executive



Shay Hacker, Acting
Jackson County Treasurer

