

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

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT OF THE
JACKSON COUNTY FISCAL COURT

June 30, 2016

The Auditor of Public Accounts was engaged to audit the financial activities of the Jackson County Fiscal Court for fiscal year ended June 30, 2016 and we have issued a disclaimer of opinion on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis 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 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 Jackson County Fiscal Court's Fourth Quarter Financial Report and from expressing an opinion on the financial statement of Jackson County, Kentucky.

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, 2016. 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:

- 2016-001 The Jackson County Fiscal Court Lacks Adequate Segregation Of Duties And Internal Controls Over The Overall Environment Of The County
- 2016-002 The Jackson County Fiscal Court Failed To Properly Adopt Budget Amendments
- 2016-003 The Jackson County Fiscal Court Expended More Money Than Was Available, Resulting In A Deficit
- 2016-004 The Jackson County Fiscal Court's Expenditures Exceeded Budgeted Appropriations In The General, Road, And LGEA Funds
- 2016-005 The Jackson County Judge/Executive's Office Collected Rent for the Former County Judge/Executive
- 2016-006 The Jackson County Fiscal Court Failed To Establish Internal Controls Over Payroll Resulting In Numerous Instances Of Non-Compliance
- 2016-007 The Former Jackson County Treasurer Improperly Received Two Additional Payroll Checks Totaling \$8,153 That Went Undetected By County Officials
- 2016-008 The Jackson County Fiscal Court Did Not Set And Approve Salaries For All County Employees
- 2016-009 The Jackson County Fiscal Court Magistrates Received A Lump Sum Expense Allowance Without Proof Of Working Committees
- 2016-010 The Jackson County Fiscal Court Did Not Properly Calculate Occupational Taxes On All Employee Wages
- 2016-011 The Jackson County Fiscal Court Erroneously Withheld Retirement On Part-Time Employee Wages
- 2016-012 The Jackson County Fiscal Court Did Not Accurately Withhold Health Insurance Premiums From All Employee Wages
- 2016-013 The Jackson County Fiscal Court Incurred Penalties And Interest Due To Not Paying Invoices Timely

EXECUTIVE SUMMARY
AUDIT OF THE
JACKSON COUNTY FISCAL COURT
June 30, 2016
(Continued)

Report Comments: (Continued)

- 2016-014 The Jackson County Fiscal Court Did Not Ensure Employees Are Properly Compensated For Working Overtime
- 2016-015 The Jackson County Fiscal Court Did Not Pay Withholdings Timely Resulting In Outstanding Liabilities For Federal And State Withholdings
- 2016-016 The Jackson County Fiscal Court Did Not Perform Accurate Bank Reconciliations
- 2016-017 The Jackson County Fiscal Court Did Not Include All County Funds On The Fourth Quarter Financial Report
- 2016-018 The Jackson County Fiscal Court Transfer Of Road Funds Exceeded The Allowable Amount
- 2016-019 The Jackson County Fiscal Court Did Not Approve Cash Transfers Between Funds In Advance
- 2016-020 The Jackson County Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund
- 2016-021 The Jackson County Fiscal Court Was Not In Compliance With Continuing Debt Disclosure Requirements
- 2016-022 The Jackson County Fiscal Court Lacks Adequate Internal Controls Over Disbursements
- 2016-023 The Jackson County Treasurer's Office Supplies Appropriation Account Contained Numerous Inappropriate Postings
- 2016-024 The Jackson County Fiscal Court Failed To Provide Supporting Documentation For Two Police Cruisers Reported To Be Purchased On State Price Contract
- 2016-025 The Jackson County Fiscal Court Did Not Maintain A List Of Encumbrances And Unpaid Obligations
- 2016-026 The Jackson County Fiscal Court Failed To Properly Bond The County Attorney
- 2016-027 The Jackson County Fiscal Court Lacks Internal Controls Over Occupational Taxes
- 2016-028 The Jackson County Fiscal Court Lacks Internal Controls Over Transfer Station Receipts And Deposits
- 2016-029 The Jackson County Fiscal Court Did Not Maintain Accurate Capital Asset Records Or Properly Insure Assets
- 2016-030 The Jackson County Jailer Lacks Adequate Internal Controls Over The Overall Environment Of The Jail
- 2016-031 The Jackson County Jailer Did Not Present A Jail Commissary Financial Statement To The Treasurer For Fiscal Year Ending June 30, 2016
- 2016-032 The Jackson County Detention Center Employees Were Allowed To Purchase Food From Detention Center Vendors At Discounted Rates
- 2016-033 The Jackson County Fiscal Court Lacked Controls Over The Collection Of Detention Center Receipts
- 2016-034 The Jackson County Jailer Did Not Present An Updated Jail Fee Schedule To The Jackson County Fiscal Court
- 2016-035 The Jackson County Jailer Did Not Properly Calculate Vendor Discounts On Sales Tax Returns
- 2016-036 The Jackson County Fiscal Court Did Not Prepare A Schedule Of Expenditures Of Federal Awards (SEFA)
- 2016-037 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
- 2016-038 The Jackson County Fiscal Court Failed To Implement Adequate Internal Controls Over Chemical Stockpile Emergency Preparedness Program (CSEPP) Grant Funds
- 2016-039 The Jackson County Fiscal Court Made Inappropriate Postings In The Chemical Stockpile Emergency Preparedness Program (CSEPP) Expense Account
- 2016-040 The Jackson County Fiscal Court Failed To Comply With Office Of Management And Budget (OMB) Circular A-133 Cash Management Requirements

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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, 2016.

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 \$287,898. This is in addition to the payroll revolving account having an estimated deficit balance of \$233,589. These deficits are based upon available records and could be larger due to unknown items and penalties and interest due to regulatory agencies. The deficit balances are the cumulative result of inter-fund 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 statements. However, the county failed to prepare a SEFA which is required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because of the significance of matters described in the Basis for Disclaimer of Opinion paragraph 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:

- 2016-001 The Jackson County Fiscal Court Lacks Adequate Segregation Of Duties And Internal Controls Over The Overall Environment Of The County
- 2016-002 The Jackson County Fiscal Court Failed To Properly Adopt Budget Amendments
- 2016-003 The Jackson County Fiscal Court Expended More Money Than Was Available, Resulting In A Deficit
- 2016-004 The Jackson County Fiscal Court's Expenditures Exceeded Budgeted Appropriations In The General, Road, And LGEA Funds

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

- 2016-005 The Jackson County Judge/Executive's Office Collected Rent for the Former County Judge/Executive
- 2016-006 The Jackson County Fiscal Court Failed To Establish Internal Controls Over Payroll Resulting In Numerous Instances Of Non-Compliance
- 2016-007 The Former Jackson County Treasurer Improperly Received Two Additional Payroll Checks Totaling \$8,153 That Went Undetected By County Officials
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Other Reporting Required by *Government Auditing Standards* (Continued)

- 2016-032 The Jackson County Detention Center Employees Were Allowed To Purchase Food From Detention Center Vendors At Discounted Rates
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- 2016-040 The Jackson County Fiscal Court Failed To Comply With Office Of Management And Budget (OMB) Circular A-133 Cash Management Requirements

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

May 19, 2017

JACKSON COUNTY OFFICIALS

For The Year Ended June 30, 2016

Fiscal Court Members:

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

Other Elected Officials:

Ross Murray	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, 2016

**JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT**

For The Year Ended June 30, 2016

<p>Jackson County Fiscal Court <i>Financial Statement</i> Fiscal Year 2015-2016 As Of: June 30, 2016</p>	SECTION I
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SUMMARY

	General	Road	Jail	L.G.E.A.	Fed. Grants	CSEPP/EM	Forest Fire	Transfer	Total
Total Receipts To-Date	5,126,267.87	1,711,224.90	1,345,513.82	172,260.62	5,067.55	500.00	4,790.51	326,817.73	8,692,543.00
Total Claims Paid To-Date	5,209,012.97	1,805,505.53	1,474,924.74	171,254.01	5,000.00			319,751.31	8,985,448.56
Cash Balance	-82,745.10	-94,280.63	-129,310.92	1,006.61	67.55	500.00	4,790.51	7,066.42	-292,905.56
Total Encumbrances									
Unencumbered Cash Balance	-82,745.10	-94,280.63	-129,310.92	1,006.61	67.55	500.00	4,790.51	7,066.42	-292,905.56

RECONCILIATION

	General	Road	Jail	L.G.E.A.	Fed. Grants	CSEPP/EM	Forest Fire	Transfer	Total
Bank Balance	102,013.52	2,208.76	3,429.93	1,006.61	5,067.55	500.00	4,786.00	26,931.31	145,943.68
Deposits in Transit +							4.51		4.51
Outstanding Checks -	184,758.62	96,489.39	132,740.85		5,000.00			19,864.89	438,853.75
Other Investments +									
Cash Balance =	-82,745.10	-94,280.63	-129,310.92	1,006.61	67.55	500.00	4,790.51	7,066.42	-292,905.56

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, 2016
(Continued)

Jackson County Fiscal Court							SECTION II	
Revenue Condition Report								
<i>As Of: 06/30/2016</i>								
<i>Period From: 07/01/2015 To: 06/30/2016</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	190,000.00		190,000.00	200,383.44	200,383.44	105.5%	(10,383.44)
01-4102-	PERSONAL PROPERTY TAX	500.00		500.00	2,673.19	2,673.19	534.6%	(2,173.19)
01-4103-	MOTOR VEHICLE PROPERTY TAX	70,000.00		70,000.00	67,321.91	67,321.91	96.2%	2,678.09
01-4104-	DELINQUENT PROPERTY TAX	15,000.00		15,000.00	13,407.12	13,407.12	89.4%	1,592.88
01-4107-	UNMIDED MINERALS TAX	250.00		250.00				250.00
01-4120-	OTHER AD VALOREM TAX	5,000.00		5,000.00	4,679.25	4,679.25	93.6%	320.75
01-4121-	ADVERTISING COST	800.00		800.00				800.00
01-4130-	BANK FRANCHISE TAX	24,000.00		24,000.00	24,019.66	24,019.66	100.1%	(19.66)
01-4134-	OCCUPATIONAL LICENSE FEE TAX	1,050,000.00		1,050,000.00	1,102,000.00	1,102,000.00	105.0%	(52,000.00)
01-4135-	DEED TAX	12,000.00		12,000.00	15,282.15	15,282.15	127.4%	(3,282.15)
01-4137-	INSURANCE LICENSE FEE	489,180.00		489,180.00	528,836.26	528,836.26	108.1%	(39,656.26)
01-4140-	TELEPHONE 911 FEE	171,000.00		171,000.00	168,931.66	168,931.66	98.8%	2,068.34
01-4210-	IN LIEU PAYMENT	56,000.00		56,000.00	40,470.00	40,470.00	72.3%	15,530.00
01-4302-	EXCESS FEES - CLERK	24,375.00	11,177.60	35,552.60	35,593.60	35,593.60	100.1%	(41.00)
01-4304-	COUNTY SHERIFF FEES	1,220.62	44,500.00	45,720.62	45,786.79	45,786.79	100.1%	(66.17)
01-4510-	STATE GRANTS	202,000.00		202,000.00	187,566.27	187,566.27	92.9%	14,433.73
01-4520-	ELECTION EXPENSE REIMBURSEMENT	5,572.00		5,572.00	5,572.00	5,572.00	100.0%	
01-4521-	BOARD OF ASSESSMENT	200.00		200.00				200.00
01-4522-	LEGAL PROCESS TAX	59.02		59.02	68.13	68.13	115.4%	(9.11)
01-4526-	STRIPE MINE	1,000.00		1,000.00				1,000.00
01-4532-	AOC SPACE RENTAL	290,000.00		290,000.00	376,041.00	376,041.00	129.7%	(86,041.00)
01-4543-	MISC PAYMENTS	1,000.00	84,500.00	85,500.00	90,588.16	90,588.16	106.0%	(5,088.16)
01-4562-	WIRELESS 911 FEE	100,320.00		100,320.00	100,990.83	100,990.83	100.7%	(670.83)
01-4602-	HB 413 and COURT FACILITY FEES	14,000.00		14,000.00	19,892.17	19,892.17	142.1%	(5,892.17)
01-4699-	DOG FEES-CHARGES FOR OTHER SERVICES	100.00		100.00	486.00	486.00	486.0%	(386.00)
01-4701-	VENDING MACHINE COMMISSION	700.00		700.00	605.18	605.18	86.5%	94.82
01-4727-	REIMBURSEMENT	6,000.00		6,000.00				6,000.00

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2016
(Continued)

Jackson County Fiscal Court								SECTION II
Revenue Condition Report								
<i>As Of: 06/30/2016</i>								
<i>Period From: 07/01/2015 To: 06/30/2016</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	1,250.00		1,250.00	6,768.00	6,768.00	541.4%	(5,518.00)
01-4801-	INTEREST	50.00		50.00	98.82	98.82	197.6%	(48.82)
	TOTAL REVENUES GENERAL FUND	2,731,576.64	140,177.60	2,871,754.24	3,038,061.59	3,038,061.59	105.8%	(166,307.35)
01-4901-	SURPLUS FROM PRIOR YEAR	2,000.00		2,000.00		1,695.59	84.8%	304.41
01-4909-	TRANSFERS TO OTHER FUNDS	(592,201.10)		(592,201.10)	(738,900.00)	(738,900.00)		146,698.90
01-4910-	TRANSFER IN	2,458,752.88		2,458,752.88	2,825,410.69	2,825,410.69	114.9%	(366,657.81)
	TOTAL RECEIPTS GENERAL FUND	4,600,128.42	140,177.60	4,740,306.02	5,124,572.28	5,126,267.87	108.1%	(385,961.85)

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2016
(Continued)

Jackson County Fiscal Court							SECTION II	
Revenue Condition Report								
<i>As Of: 06/30/2016</i>								
<i>Period From: 07/01/2015 To: 06/30/2016</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	15,200.00		15,200.00	155,060.32	155,060.32	020.1%	(139,860.32)
02-4514-	FLEX FUNDS-TRANSPORTATION CABINET	276,533.00	73,467.00	350,000.00	350,000.00	350,000.00	100.0%	
02-4516-	TRUCK LICENSE REFUND	205,714.00		205,714.00	213,260.09	213,260.09	103.7%	(7,546.09)
02-4517-	DRIVER'S LICENSE REFUND	1,500.00		1,500.00				1,500.00
02-4518-	COUNTY ROAD AID	1,068,460.00	156,714.00	1,225,174.00	1,225,174.00	1,225,174.00	100.0%	
02-4798-	OTHER RECEIPTS	1,000.00	35,000.00	36,000.00	49,074.17	49,074.17	136.3%	(13,074.17)
02-4801-	INTEREST EARNED	180.00		180.00	155.96	155.96	86.6%	24.04
TOTAL REVENUES ROAD FUND		1,568,587.00	265,181.00	1,833,768.00	1,992,724.54	1,992,724.54	108.7%	(158,956.54)
02-4901-	SURPLUS	5,000.00		5,000.00		14,560.45	291.2%	(9,560.45)
02-4909-	TRANSFERS TO OTHER FUNDS	(158,752.88)		(158,752.88)	(387,260.09)	(387,260.09)		228,507.21
02-4910-	TRANSFERS FROM OTHER FUNDS		257,373.00	257,373.00	91,200.00	91,200.00	35.4%	166,173.00
TOTAL RECEIPTS ROAD FUND		1,414,834.12	522,554.00	1,937,388.12	1,696,664.45	1,711,224.90	88.3%	226,163.22

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2016
(Continued)

Jackson County Fiscal Court							SECTION II
Revenue Condition Report							
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<i>Period From: 07/01/2015 To: 06/30/2016</i>							
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	76,875.22	76,875.22 115.2%	(10,155.22)
03-4533-	STATE/JAIL ALLOTMENT	50,000.00		50,000.00	50,888.54	50,888.54 101.8%	(888.54)
03-4535-	COURT COST COLLECTION, CIRCUIT CLERK	1,200.00		1,200.00	1,247.63	1,247.63 104.0%	(47.63)
03-4536-	INTERCOUNTY JAIL CONTRACTS	206,000.00		206,000.00	129,791.00	129,791.00 63.0%	76,209.00
03-4537-	STATE PRISONERS	516,000.00		516,000.00	678,511.00	678,511.00 131.5%	(162,511.00)
03-4538-	DUI FEES	900.00		900.00	699.58	699.58 77.7%	200.42
03-4543-	MISCELLANEOUS	1,500.00	4,800.00	6,300.00	6,604.98	6,604.98 104.8%	(304.98)
03-4551-	TELEPHONE REIMBURSEMENTS	12,900.00		12,900.00	15,731.18	15,731.18 121.9%	(2,831.18)
03-4569-	LOCAL CORRECTIONS ASSISTANCE	27,056.00		27,056.00	33,759.72	33,759.72 124.8%	(6,703.72)
03-4633-	BOOKING FEES	25,800.00		25,800.00	28,432.67	28,432.67 110.2%	(2,632.67)
03-4634-	REIMBURSEMENT FROM JAIL	32,000.00		32,000.00	31,253.54	31,253.54 97.7%	746.46
03-4701-	VENDING COMMISSION	100.00		100.00	74.93	74.93 74.9%	25.07
03-4801-	INTEREST EARNED	12.00		12.00	17.41	17.41 145.1%	(5.41)
TOTAL REVENUES JAIL FUND		940,188.00	4,800.00	944,988.00	1,053,887.40	1,053,887.40 111.5%	(108,899.40)
03-4901-	SURPLUS FROM PRIOR YEARS					(244,973.58)	244,973.58
03-4909-	TRANSFERS TO OTHER FUNDS				(70,000.00)	(70,000.00)	70,000.00
03-4910-	TRANSFERS FROM OTHER FUNDS	556,280.68		556,280.68	606,700.00	606,700.00 109.1%	(50,419.32)
TOTAL RECEIPTS JAIL FUND		1,496,468.68	4,800.00	1,501,268.68	1,590,587.40	1,345,613.82 89.6%	155,654.86

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2016
(Continued)

Jackson County Fiscal Court							SECTION II	
Revenue Condition Report								
<i>As Of: 06/30/2016</i>								
<i>Period From: 07/01/2015 To: 06/30/2016</i>								
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	70,000.00	22,000.00	92,000.00	98,236.58	98,236.58	106.8%	(6,236.58)
04-4529-	MINERALS SEVERANCE TAX	38,699.00	17,600.00	56,299.00	62,216.29	62,216.29	110.5%	(5,917.29)
04-4801-	INTEREST	12.00		12.00	15.61	15.61	130.1%	(3.61)
	TOTAL REVENUES LOCAL GOVERNMENT ECONOMIC ASSI	108,711.00	39,600.00	148,311.00	160,468.48	160,468.48	108.2%	(12,157.48)
04-4901-	SURPLUS FROM PRIOR YEAR	5,000.00		5,000.00		792.14	15.8%	4,207.86
04-4909-	TRANSFERS TO OTHER FUNDS				11,000.00	11,000.00	NAN	(11,000.00)
04-4910-	TRANSFERS FROM OTHER FUNDS							
	TOTAL RECEIPTS LOCAL GOVERNMENT ECONOMIC ASSIS	113,711.00	39,600.00	153,311.00	171,468.48	172,260.62	112.4%	(18,949.62)

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2016
(Continued)

Jackson County Fiscal Court Revenue Condition Report As Of: 06/30/2016 Period From: 07/01/2015 To: 06/30/2016								SECTION II
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	5,500.00		5,500.00	5,000.00	5,000.00	90.9%	500.00
07-4506-	KIA	1,000.00		1,000.00	67.01	67.01	6.7%	932.99
TOTAL REVENUES FEDERAL GRANTS FUND		6,500.00		6,500.00	5,067.01	5,067.01	78.0%	1,432.99
07-4901-	PRIOR YEAR SURPLUS					.54	NAN	(.54)
TOTAL RECEIPTS FEDERAL GRANTS FUND		6,500.00		6,500.00	5,067.01	5,067.55	78.0%	1,432.45

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2016
(Continued)

Jackson County Fiscal Court							SECTION II	
Revenue Condition Report								
<i>As Of: 06/30/2016</i>								
<i>Period From: 07/01/2015 To: 06/30/2016</i>								
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July	%Rcvd	Anticipated FY Revenues
CSEPP/EM Fund								
08-4542-	CSEPP/EM GRANT	2,300,000.00		2,300,000.00	2,368,150.60	2,368,150.60	103.0%	(68,150.60)
	TOTAL REVENUES DISASTER EMERGENCY SERVICES FUN	2,300,000.00		2,300,000.00	2,368,150.60	2,368,150.60	103.0%	(68,150.60)
08-4901-	PRIOR YR CARRYOVER					500.00	NAN	(500.00)
08-4909-	TRANSFER TO GENERAL FUND	(2,300,000.00)		(2,300,000.00)	(2,368,150.60)	(2,368,150.60)		68,150.60
	TOTAL RECEIPTS DISASTER EMERGENCY SERVICES FUNI	0.00			(0.00)	500.00	NAN	(500.00)

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2016
(Continued)

Jackson County Fiscal Court							SECTION II	
Revenue Condition Report								
<i>As Of: 06/30/2016</i>								
<i>Period From: 07/01/2015 To: 06/30/2016</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	2,118.66	2,118.66	84.7%	381.34
12-4801-	INTEREST				5.71	5.71		(5.71)
	TOTAL REVENUES FOREST FIRE PROTECTION FUND	2,500.00		2,500.00	2,124.37	2,124.37	85.0%	375.63
12-4901-	PRIOR YR CARRYOVER	25.00		25.00		2,666.14	664.6%	(2,641.14)
	TOTAL RECEIPTS FOREST FIRE PROTECTION FUND	2,525.00		2,525.00	2,124.37	4,790.51	189.7%	(2,265.51)

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2016
(Continued)

Jackson County Fiscal Court							SECTION II
Revenue Condition Report							
<i>As Of: 06/30/2016</i>							
<i>Period From: 07/01/2015 To: 06/30/2016</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	39,387.66	39,387.66 119.4%	(6,387.66)
15-4603-	TIPPING FEE	251,996.00		251,996.00	255,959.68	255,959.68 101.6%	(3,963.68)
15-4801-	INTEREST	10.00		10.00	16.21	16.21 162.1%	(6.21)
TOTAL REVENUES TRANSFER STATION		285,006.00		285,006.00	295,363.55	295,363.55 103.6%	(10,357.55)
15-4901-	PRIOR YR. CARRYOVER	500.00		500.00		1,454.18 290.8%	(954.18)
15-4910-	TRANSFER FROM OTHER FUNDS	35,920.42		35,920.42	30,000.00	30,000.00 83.5%	5,920.42
TOTAL RECEIPTS TRANSFER STATION		321,426.42		321,426.42	325,363.55	326,817.73 101.7%	(5,391.31)
GRAND TOTAL RECEIPTS FOR ALL FUNDS		7,955,593.64	707,131.60	8,662,725.24	8,915,847.54	8,692,543.00 100.3%	(29,817.76)

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2016
(Continued)

Jackson County Fiscal Court

Liabilities Journal

All Funds

Period From: 07/01/2015 To: 06/30/2016

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	3,453,333.32	01-7700-606-	3,158,105.84	2,418,690.70	7,028,105.84	5,872,024.02
2	06/01/2012	Jackson Co Detention Center	01-7700-602-	400,000.00	240,000.00	01-7700-606-	94,910.06	36,972.15	494,910.06	276,972.15
3	02/01/2013	Jackson County Fiscal Court	01-7700-602-	500,000.00	180,000.01	01-7700-606-	49,095.42	17,335.40	549,095.42	197,335.41
3 Issues Listed				4,770,000.00	3,873,333.33		3,302,111.32	2,472,998.25	8,072,111.32	6,346,331.58

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2016
(Continued)

Jackson County Fiscal Court								SECTION IV
Appropriation Condition Report								
<i>As Of: 06/30/2016</i>								
<i>Period From: 07/01/2015 To: 06/30/2016</i>								
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD %Used	Free Balance
01-5001-101	COUNTY JUDGE/EXEC SALARY	78,811.54			78,811.54	77,946.94	77,946.94 98.9%	864.60
01-5001-165	COUNTY JUDGE EXEC SECRETARY	31,369.44			31,369.44	31,332.42	31,332.42 99.9%	37.02
01-5001-212	COUNTY JUDGE EXEC TRAINING FRINGE BEN	985.25	2,000.00		2,985.25	2,969.55	2,969.55 99.5%	15.70
01-5001-399	OTHER FEES	250.00	24,000.00		24,250.00	27,184.68	27,184.68 112.1%	(2,934.68)
01-5001-445	OFFICE SUPPLIES	15,000.00		(1,500.00)	13,500.00	9,730.76	9,730.76 72.1%	3,769.24
01-5001-551	MEMBERSHIPS	3,000.00	50.00	1,900.00	4,950.00	7,206.95	7,206.95 145.6%	(2,256.95)
01-5001-576	TRAVEL COUNTY JUDGE EXECUTIVE	6,000.00	5,000.00		11,000.00	11,250.34	11,250.34 102.3%	(250.34)
01-5005-101	COUNTY ATTORNEY SALARY	9,918.84			9,918.84	9,918.72	9,918.72 100.0%	.12
01-5005-105	COUNTY ATTORNEY ASSISTANT SALARY	8,792.85			8,792.85	8,792.64	8,792.64 100.0%	.21
01-5010-212	CLERKS TRAINING FRINGE BENEFITS	3,941.00	27.60		3,968.60	3,968.60	3,968.60 100.0%	
01-5010-368	TAX BILLS PREPARATIONS	12,000.00			12,000.00	6,589.40	6,589.40 54.9%	5,410.60
01-5010-398	REAL ESTATE CONVEYANCES	100.00			100.00			100.00
01-5015-103	SHERIFF DEPUTIES	56,648.45			56,648.45	70,276.62	70,276.62 124.1%	(13,628.17)
01-5015-212	SHERIFF TRAINING FRINGE BENEFITS	985.25			985.25	985.25	985.25 100.0%	
01-5015-435	SHERIFF DEPARTMENT EXPENSES		25,000.00		25,000.00	28,674.02	28,674.02 114.7%	(3,674.02)
01-5020-101	CORONER	8,374.87			8,374.87	8,374.80	8,374.80 100.0%	.07
01-5020-103	DEPUTIES OF CORONER	8,374.87			8,374.87	8,374.80	8,374.80 100.0%	.07
01-5020-446	CORONER MATERIALS AND SUPPLIES	2,000.00	500.00		2,500.00	3,019.01	3,019.01 120.8%	(519.01)
01-5025-101	CO. MAGISTRATES SALARIES	98,388.41			98,388.41	98,388.00	98,388.00 100.0%	.41
01-5025-167	FISCAL COURT CLERK SALARY	1,500.00			1,500.00	1,500.00	1,500.00 100.0%	
01-5025-212	MAGISTRATES TRAINING	1,970.50	2,000.00		3,970.50	3,954.80	3,954.80 99.8%	15.70
01-5030-367	P.V.A. STATUTORY CONTRIBUTION	13,051.00			13,051.00	13,051.00	13,051.00 100.0%	
01-5035-191	BOARD OF ASSESSMENT APPEALS	800.00		(525.00)	275.00			275.00
01-5040-102	COUNTY TREASURER - SALARY	46,131.60			46,131.60	46,189.26	46,189.26 100.1%	(57.66)
01-5040-106	COUNTY TREASURER STAFF	36,739.75			36,739.75	36,603.96	36,603.96 99.6%	135.79
01-5040-445	CO. TREASURER, OFFICE SUPPLIES	25,000.00			25,000.00	19,651.96	19,651.96 78.6%	5,348.04
01-5045-104	FINANCE OFFICER	7,439.65			7,439.65	7,011.12	7,011.12 94.2%	428.53
01-5047-107	TAX ADMINISTRATOR	29,825.28			29,825.28	29,869.30	29,869.30 100.1%	(44.02)

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2016
(Continued)

Jackson County Fiscal Court										SECTION IV					
Appropriation Condition Report															
<i>As Of: 06/30/2016</i>															
<i>Period From: 07/01/2015 To: 06/30/2016</i>															
Account No.	Account Name	5,000.00	Original Budget	Amendments	Transfers +/-	5,000.00	Total Available	3,680.88	Claims - Period	3,680.88	73.6%	Claims - YTD	1,319.12	%Used	Free Balance
101	LAW LIBRARIAN - SALARY	600.00				600.00							600.00		
445	OFFICE MATERIALS & SUPPLIES	5,000.00				5,000.00		3,680.88		3,680.88	73.6%		1,319.12		
-192	ELECTION OFFICERS SALARIES/MILEAGE	12,000.00				12,000.00	16,020.94	16,020.94	133.5%				(4,020.94)		
-193	ELECTION COMMISSIONERS SALARIES	6,000.00				6,000.00	3,000.00	3,000.00	50.0%				3,000.00		
-302	ELECTION ADVERTISING	2,500.00		(2,000.00)		500.00							500.00		
-364	SETTING VOTING MACHINES	10,000.00	12,000.00			22,000.00	20,984.75	20,984.75	95.4%				1,015.25		
-553	CVADD MEMBERSHIP	3,609.00				3,609.00	3,609.00	3,609.00	100.0%						
-175	JANITORIAL SERVICES SALARY	24,366.00				24,366.00	24,954.68	24,954.68	102.4%				(588.68)		
-411	CUSTODIAL SUPPLIES	4,000.00	3,000.00			7,000.00	7,582.33	7,582.33	108.3%				(582.33)		
-571	COURTHOUSE RENEWALS & REPAIRS	10,000.00	35,000.00	5,000.00		50,000.00	49,197.71	49,197.71	98.4%				802.29		
-578	COURTHOUSE UTILITIES	68,000.00	4,500.00	(8,000.00)		64,500.00	89,130.75	89,130.75	138.2%				(24,630.75)		
-185	JUDICIAL CENTER SALARIES	136,914.41				136,914.41	156,140.80	156,140.80	114.0%				(19,226.39)		
-411	JUDICIAL CENTER CUSTODIAL SUPPLIES	14,000.00				14,000.00	7,101.21	7,101.21	50.7%				6,898.79		
-571	JUDICIAL CENTER RENEWALS & REPAIRS	24,200.00				24,200.00	24,229.36	24,229.36	100.1%				(29.36)		
-578	JUDICIAL CENTER UTILITIES	70,000.00				70,000.00	65,395.31	65,395.31	93.4%				4,604.69		
-101	CONSTABLES	14,400.00				14,400.00	14,560.98	14,560.98	101.1%				(160.98)		
-107	EM DIRECTOR	50,749.92				50,749.92	50,940.24	50,940.24	100.4%				(190.32)		
-159	DISPATCHERS	82,000.00	5,000.00			87,000.00	119,925.67	119,925.67	137.8%				(32,925.67)		
-703	CSEPP EXPENSE	262,185.77		40,000.00		302,185.77	385,771.14	385,771.14	127.7%				(83,585.37)		
-742	CSEPP-EOC BUILDING PROJECT	2,000,000.00		(40,000.00)	1,960,000.00	1,960,000.00	2,154,382.22	2,154,382.22	109.9%				(194,382.22)		
-303	AMBULANCE SERVICES	10,000.00				10,000.00							10,000.00		
-107	911 DIRECTOR	38,414.50				38,414.50	41,267.46	41,267.46	107.4%				(2,852.96)		
-322	EM COUNTY SHARE	2,000.00				2,000.00							2,000.00		
-420	911 DISPATCHING SUPPLIES AND SERVICE	60,000.00	11,500.00			71,500.00	83,931.91	83,931.91	117.4%				(12,431.91)		
-102	DOG WARDEN	4,800.00				4,800.00	4,898.94	4,898.94	102.1%				(98.94)		
-384	SPAY AND NEUTER	2,000.00				2,000.00	926.00	926.00	46.3%				1,074.00		
-403	DOG CONTROL SUPPLIES AND FEES	8,000.00	600.00			8,600.00	15,754.87	15,754.87	183.2%				(7,154.87)		
-105	PARKS ASSISTANT	20,000.00				20,000.00	24,000.00	24,000.00	120.0%				(4,000.00)		
-107	PARKS DIRECTOR	27,234.48				27,234.48	15,886.78	15,886.78	58.3%				11,347.70		

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2016
(Continued)

Jackson County Fiscal Court								SECTION IV
Appropriation Condition Report								
<i>As Of: 06/30/2016</i>								
<i>Period From: 07/01/2015 To: 06/30/2016</i>								
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD %Used	Free Balance
01-5401-467	PARKS AND RECREATION	10,000.00	10,000.00	5,000.00	25,000.00	33,669.44	33,669.44 134.7%	(8,669.44)
01-5420-548	TOURISM	5,000.00		125.00	5,125.00	6,025.00	6,025.00 117.6%	(900.00)
01-7700-602	PRINCIPLE ON LEASE	235,000.00			235,000.00	235,000.00	235,000.00 100.0%	
01-7700-606	INTEREST ON LEASE	186,534.24			186,534.24	187,297.78	187,297.78 100.4%	(763.54)
01-8011-566	STATE GRANTS	190,000.00		(15,000.00)	175,000.00	187,370.68	187,370.68 107.1%	(12,370.68)
01-9100-302	GENERAL SERVICE ADVERTISING	7,000.00			7,000.00	8,779.00	8,779.00 125.4%	(1,779.00)
01-9100-307	STATE AUDITING SERVICES	80,000.00			80,000.00	75,330.83	75,330.83 94.2%	4,669.17
01-9100-503	BANK CHARGES	75.00			75.00	29.00	29.00 38.7%	46.00
01-9100-521	INSURANCE	100,000.00			100,000.00	106,559.87	106,559.87 106.6%	(6,559.87)
01-9100-531	BONDS INSURANCE	2,500.00			2,500.00	3,218.20	3,218.20 128.7%	(718.20)
01-9100-555	KACO DUES	800.00			800.00			800.00
01-9400-201	SOCIAL SECURITY							
01-9400-202	RETIREMENT, CO. MATCH	171,472.40		11,000.00	182,472.40	242,256.26	242,256.26 132.8%	(59,783.86)
01-9400-205	EMPLOYEE HEALTH INSURANCE	28,800.00			28,800.00	27,962.88	27,962.88 97.1%	837.12
01-9400-208	UNEMPLOYMENT COMPENSATION INSURANCE	28,000.00			28,000.00	23,040.14	23,040.14 82.3%	4,959.86
01-9400-209	WORKMAN'S COMPENSATION	60,000.00		4,000.00	64,000.00	97,865.46	97,865.46 152.9%	(33,865.46)
01-9400-211	MEDICARE MATCH	14,574.15			14,574.15	18,519.60	18,519.60 127.1%	(3,945.45)
TOTAL GENERAL FUND		4,600,128.42	140,177.60		4,740,306.02	5,209,012.97	5,209,012.97 109.9%	-468,706.95
02-5025-210	MAGISTRATE EXPENSE	10,800.00			10,800.00	10,800.00	10,800.00 100.0%	
02-6100-481	UNIFORMS	3,150.00			3,150.00	2,752.18	2,752.18 87.4%	397.82
02-6103-102	ROAD SUPERVISOR SALARY	34,713.12		15,000.00	49,713.12	64,778.99	64,778.99 130.3%	(15,065.87)
02-6103-578	UTILITIES	7,200.00			7,200.00	7,567.99	7,567.99 105.1%	(367.99)
02-6105-143	ROAD WORKERS SALARIES	349,918.80		(15,000.00)	334,918.80	301,229.44	301,229.44 89.9%	33,689.36
02-6105-147	MECHANIC SALARY	29,648.40			29,648.40	30,897.00	30,897.00 104.2%	(1,248.60)
02-6105-310	CONTRACTED CONSTRUCTION OF BRIDGES	80,000.00			80,000.00	4,205.00	4,205.00 5.3%	75,795.00
02-6105-336	EQUIPMENT MAINTENANCE	27,386.94			27,386.94	24,327.19	24,327.19 88.8%	3,059.75
02-6105-405	ASPHALT PATCHING	300,000.00	522,554.00		822,554.00	822,554.00	822,554.00 100.0%	(0.00)
02-6105-447	ROAD MATERIALS	350,000.00			350,000.00	247,668.78	247,668.78 70.8%	102,331.22

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2016
(Continued)

Jackson County Fiscal Court							SECTION IV		
Appropriation Condition Report									
<i>As Of: 06/30/2016</i>									
<i>Period From: 07/01/2015 To: 06/30/2016</i>									
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD	%Used	Free Balance
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	68,863.84			68,863.84	69,554.47	69,554.47	101.0%	(690.63)
02-9400-205	EMPLOYEE HEALTH INSURANCE	17,700.00			17,700.00	14,400.00	14,400.00	81.4%	3,300.00
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	5,853.02			5,853.02	5,240.33	5,240.33	89.5%	612.69
02-9500-902	SCHOOL DIST TIMBER SALES	7,600.00			7,600.00	77,530.16	77,530.16	020.1%	(69,930.16)
TOTAL ROAD FUND		1,414,834.12	522,554.00		1,937,388.12	1,805,505.53	1,805,505.53	93.2%	131,882.59
03-5101-101	JAILERS SALARY	82,752.12			82,752.12	83,068.72	83,068.72	100.4%	(316.60)
03-5101-103	JAIL PERSONNEL SALARIES	621,647.04			621,647.04	615,912.81	615,912.81	99.1%	5,734.23
03-5101-173	COOKS	45,140.16			45,140.16	22,711.84	22,711.84	50.3%	22,428.32
03-5101-179	PART TIME HELP	33,600.00			33,600.00	35,857.20	35,857.20	106.7%	(2,257.20)
03-5101-212	JAILERS TRAINING FRINGE BEN	3,941.00			3,941.00	3,941.00	3,941.00	100.0%	
03-5101-343	CONTRACTUAL MEDICAL SERVICES	140,000.00			140,000.00	153,320.40	153,320.40	109.5%	(13,320.40)
03-5101-366	TRASH	1,200.00			1,200.00	1,200.00	1,200.00	100.0%	
03-5101-398	CONTRACTED SERVICES	75,000.00			75,000.00	64,760.73	64,760.73	86.3%	10,239.27
03-5101-399	MISCELLANEOUS CONTRACTUAL SERVICES	6,800.00		(2,500.00)	4,300.00	375.00	375.00	8.7%	3,925.00
03-5101-406	BUILDING MAINTENANCE SUPPLIES	10,000.00			10,000.00	8,123.84	8,123.84	81.2%	1,876.16
03-5101-411	CUSTODIAL SUPPLIES	12,000.00		2,500.00	14,500.00	18,112.88	18,112.88	124.9%	(3,612.88)
03-5101-417	SUPPLIES	14,000.00	4,800.00	1,000.00	19,800.00	22,543.37	22,543.37	113.9%	(2,743.37)
03-5101-425	FOOD	156,000.00			156,000.00	161,839.24	161,839.24	103.7%	(5,839.24)
03-5101-437	LINENS	2,000.00		2,500.00	4,500.00	4,216.12	4,216.12	93.7%	283.88
03-5101-443	JAIL MOTOR VEHICLE PARTS	9,000.00			9,000.00	8,456.40	8,456.40	94.0%	543.60
03-5101-445	OFFICE SUPPLIES	5,000.00			5,000.00	4,890.89	4,890.89	97.8%	109.11
03-5101-481	STAFF UNIFORMS	5,000.00		(3,500.00)	1,500.00	888.39	888.39	59.2%	611.61
03-5101-551	MEMBERSHIPS	1,100.00			1,100.00	785.00	785.00	71.4%	315.00
03-5101-569	REG. CONF. & TRAINING	2,200.00			2,200.00	3,626.16	3,626.16	164.8%	(1,426.16)

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2016
(Continued)

Jackson County Fiscal Court								SECTION IV
Appropriation Condition Report								
As Of: 06/30/2016								
Period From: 07/01/2015 To: 06/30/2016								
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD %Used	Free Balance
03-5101-573	TELEPHONE	10,800.00			10,800.00	10,403.78	10,403.78 96.3%	396.22
03-5101-578	UTILITIES	60,300.00			60,300.00	58,052.05	58,052.05 96.3%	2,247.95
03-5101-581	WATER & SEWER	21,600.00		1,000.00	22,600.00	24,771.08	24,771.08 109.6%	(2,171.08)
03-5102-314	JUVENILE, CONTRACTS WITH OTHER COUNTIE\$	200.00			200.00			200.00
03-9100-525	INSURANCE, BUILDINGS	1,500.00			1,500.00	1,500.00	1,500.00 100.0%	
03-9100-531	BONDS	1,000.00			1,000.00			1,000.00
03-9200-999	RESERVE FOR TRANSFER	1,000.00		(1,000.00)				
03-9400-201	Social Security							
03-9400-202	RETIREMENT, COUNTY SHARE	134,275.90			134,275.90	129,910.47	129,910.47 96.7%	4,365.43
03-9400-205	HEALTH INSURANCE	12,000.00			12,000.00	9,480.00	9,480.00 79.0%	2,520.00
03-9400-208	UNEMPLOYMENT	1,000.00			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	15,000.00 100.0%	
03-9400-211	MEDICARE MATCH	11,412.46			11,412.46	10,177.37	10,177.37 89.2%	1,235.09
TOTAL JAIL FUND		1,496,468.68	4,800.00		1,501,268.68	1,474,924.74	1,474,924.74 98.2%	26,343.94
04-5120-348	FIRE DEPARTMENTS	12,000.00		(12,000.00)				
04-5175-903	MANDATED PROGRAM SUPPORT	1,000.00			1,000.00	7.00	7.00 0.7%	993.00
04-5305-314	SENIOR CITIZENS	5,000.00			5,000.00	5,000.00	5,000.00 100.0%	
04-6105-143	ROAD WORKERS	42,857.04			42,857.04	38,274.49	38,274.49 89.3%	4,582.55
04-6105-447	COAL HAUL ROADS	39,161.07	39,600.00	12,000.00	90,761.07	120,932.41	120,932.41 133.2%	(30,171.34)
04-9400-201	Social Security							
04-9400-202	RETIREMENT	7,311.41			7,311.41	6,528.42	6,528.42 89.3%	782.99
04-9400-205	HEALTH INSURANCE	5,760.00			5,760.00			5,760.00
04-9400-211	MEDICARE MATCH	621.48			621.48	511.69	511.69 82.3%	109.79
TOTAL L.G.E.A. FUND		113,711.00	39,600.00		153,311.00	171,254.01	171,254.01 111.7%	-17,943.01
07-5220-579	KIA WATER LINES	1,000.00			1,000.00			1,000.00
07-8001-548	CDBG PHOENIX PROJECT	5,500.00			5,500.00	5,000.00	5,000.00 90.9%	500.00
TOTAL FED. GRANTS FUND		6,500.00			6,500.00	5,000.00	5,000.00 76.9%	1,500.00

JACKSON COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2016
(Continued)

Jackson County Fiscal Court							SECTION IV		
Appropriation Condition Report									
<i>As Of: 06/30/2016</i>									
<i>Period From: 07/01/2015 To: 06/30/2016</i>									
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD	%Used	Free Balance
12-5150-902	FORESTRY PAYMENTS	2,525.00			2,525.00				2,525.00
	TOTAL FOREST FIRE FUND	2,525.00			2,525.00				2,525.00
15-5210-161	SALARIES	81,525.12			81,525.12	74,644.29	74,644.29	91.6%	6,880.83
15-5210-366	TIPPING FEE	150,720.00		(5,000.00)	145,720.00	149,955.28	149,955.28	102.9%	(4,235.28)
15-5210-399	TRANSPORTATION COST	5,000.00			5,000.00	3,811.09	3,811.09	76.2%	1,188.91
15-5211-446	MATERIAL & SUPPLIES	25,200.00		10,760.00	35,960.00	44,436.93	44,436.93	123.6%	(8,476.93)
15-5212-185	TRASH CONTROL	8,131.00			8,131.00	8,130.96	8,130.96	100.0%	.04
15-5212-468	LITTER ABATEMENT CLEANUP	30,000.00			30,000.00	24,704.50	24,704.50	82.3%	5,295.50
15-9400-201	Social Security								
15-9400-202	MATCH RETIREMENT	13,908.19			13,908.19	12,938.64	12,938.64	93.0%	969.55
15-9400-205	INSURANCE	5,760.00		(5,760.00)					
15-9400-211	MATCH MEDICARE	1,182.11			1,182.11	1,129.62	1,129.62	95.6%	52.49
	TOTAL TRANSFER FUND	321,426.42			321,426.42	319,751.31	319,751.31	99.5%	1,675.11
	GRAND TOTAL ALL FUNDS	7,955,593.64	707,131.60		8,662,725.24	8,985,448.56	8,985,448.56	103.7%	-322,723.32

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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 the Jackson County Fiscal Court for the fiscal year ended June 30, 2016, 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 2016-001, 2016-006, 2016-007, 2016-012, 2016-015, 2016-016, 2016-020, 2016-022, 2016-023, 2016-027, 2016-028, 2016-030, 2016-033, 2016-034, 2016-035, 2016-036, 2016-037, 2016-038, 2016-039, and 2016-040 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 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, 2016-010, 2016-011, 2016-013, 2016-014, 2016-015, 2016-016, 2016-017, 2016-018, 2016-019, 2016-020, 2016-021, 2016-022, 2016-023, 2016-024, 2016-025, 2016-026, 2016-029, 2016-031, 2016-032, 2016-033, 2016-036, 2016-037, 2016-038, 2016-039, and 2016-040.

Views of Responsible Officials and Planned Corrective Action

Jackson County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. The county's responses were not subjected to the auditing procedures applied in our engagement to audit 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 UNIFORM GUIDANCE**



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 Uniform Guidance

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) *Compliance Supplement* that could have a direct and material effect on each of Jackson County Fiscal Court's major federal programs for the year ended June 30, 2016. 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 conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Jackson County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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 2016-036, 2016-037, 2016-038, 2016-039, and 2016-040. 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 Uniform Guidance
(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, 2016.

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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 2016-036, 2016-037, 2016-038, 2016-039, and 2016-040 to be material weaknesses.

Views of Responsible Officials and Planned Corrective Action

Jackson County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. The county's responses were not subjected to the auditing procedures applied in our engagement to audit 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 Uniform Guidance
(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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal 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, 2016

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2016

Section I: Summary of Auditor's Results

Type of auditor's report issued: Adverse on GAAP and Disclaimer on Regulatory Basis.

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified 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?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of major programs:

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:	\$750,000
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
Fiscal Year Ended June 30, 2016
(Continued)

Section II: Findings - Financial Statement Audit

2016-001 The Jackson County Fiscal Court Lacks Adequate Segregation Of Duties And Controls Over The Overall Environment Of The County

This is a repeat finding and was included in the prior year report as finding 2015-001. 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: The Jackson County Fiscal Court has addressed the segregation of duties, so that more than one employee reviews all operations.

2016-002 The Jackson County Fiscal Court Failed To Properly Adopt Budget Amendments

This is a repeat finding and was included in the prior year report as finding 2015-002. The Jackson County Fiscal Court approved two emergency budget amendments during the fiscal year ending June 30, 2016. 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
Fiscal Year Ended June 30, 2016
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

2016-002 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 being done according to the budget manual provided by the Department of Local Government.

2016-003 The Jackson County Fiscal Court Expended More Money Than Was Available, Resulting In A Deficit

This is a repeat finding and was included in the prior year report as finding 2015-003. The Fourth Quarter Financial Report reflects a total fund deficit of \$292,906. (There was an unreported CD totaling \$5,008 which reduced the deficit to \$287,898 - see 2016-017). Three of the eight funds included on the Fourth Quarter Financial Report reported a deficit balance. The county's General, Road, and Jail Funds reflect deficit balances of \$82,745, \$94,281, and \$129,311 respectively. Total receipts for all of the county's funds included on the Fourth Quarter Financial Report were \$8,692,543, while budgeted expenditures for the fiscal year totaled \$8,985,449. Budgeted expenditures exceeded total receipts by \$292,906 for the fiscal year.

In addition to the fund deficits above, the county has an estimated deficit balance in its payroll revolving account of \$233,589. This account would normally have a zero ending balance rather than a deficit.

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.

County Judge/Executive's Response: The Fiscal Court has made cuts and are addressing the deficit.

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

Section II: Findings - Financial Statement Audit (Continued)

2016-004 The Jackson County Fiscal Court's Expenditures Exceeded Budgeted Appropriations In The General, Road, And LGEA Funds

This is a repeat finding and was included in the prior year report as finding 2015-004. Expenditures exceeded budgeted appropriations in the Jackson County Fiscal Court's General, LGEA, and CSEPP/EM Funds during fiscal year ending June 30, 2016. 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 (\$608,885), Road (\$390,672), and LGEA (\$57,543). 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: The county judge/executive did not provide a response.

2016-005 The Jackson County Judge/Executive's Office Collected Rent For The Former County Judge/Executive

This is a repeat finding and was included in the prior year report as finding 2015-005. 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.

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 the 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.

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

Section II: Findings - Financial Statement Audit (Continued)

2016-005 The Jackson County Judge/Executive's Office Collected Rent For The Former County Judge/Executive (Continued)

County Judge/Executive's Response: Rent is no longer being collected for the former County Judge Executive.

2016-006 The Jackson County Fiscal Court Failed To Establish Internal Controls Over Payroll, Resulting In Numerous Instances Of Non-Compliance

This is a repeat finding and was included in the prior year report as finding 2015-006. 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:

- Employees' compensatory time is not being properly calculated.
- One employee timesheet reflected that the employee worked dates listed as county holidays and did not receive compensatory time.
- Employees who are not entitled to retirement are having retirement withheld, including part-time employees.
- Withholding authorizations are missing, and authorization amounts on file are dated from 2012 and do not agree to what is being withheld.
- W-2s do not agree to actual wages because some pre-tax items have been exempted from occupational tax.
- Paperwork for March deferred compensation payments was not on file.
- Leave time, including vacation and sick hours, is not properly charged.
- One employee did not submit a timesheet, and an additional five employees were missing timesheets for the test period.
- Eight employees cashed payroll checks prior to the date on their checks.
- Additional benefits are not included on employee W-2s, including county provided vehicles.

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 work 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."

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

Section II: Findings - Financial Statement Audit (Continued)

2016-006 The Jackson County Fiscal Court Failed To Establish Internal Controls Over Payroll Resulting In Numerous Instances Of Non-Compliance (Continued)

KRS 337.320(1) requires that “[e]very employer shall 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 states “[c]ompensation means wages, salaries, commissions,” and further includes as compensation 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.”

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 employees 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[.]”

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

2016-006 The Jackson County Fiscal Court Failed To Establish Internal Controls Over Payroll Resulting In Numerous Instances Of Non-Compliance (Continued)

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.

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: The Fiscal Court is now properly calculating compensatory time. Retirement is now being withheld correctly and not from part-time employees. Deferred comp payments and documentation are on file. Paychecks are not given prior to the date of the check.

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

Section II: Findings - Financial Statement Audit (Continued)

2016-007 The Former Jackson County Treasurer Improperly Received Two Additional Payroll Checks Totaling \$8,153 That Went Undetected By County Officials

This is a repeat of a similar finding that was included in the prior year report as finding 2015-007. The former Jackson County Treasurer received 24 regular bi-monthly payroll checks which totaled \$48,189 and improperly issued two additional payroll checks to herself which totaled \$8,153 for a total of 26 payroll checks during fiscal year 2016.

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

The former Jackson County Treasurer received two additional payroll checks totaling \$8,153 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: No additional checks will be given to any employee without proper cause and documentation verification.

2016-008 The Jackson County Fiscal Court Did Not Set And Approve Salaries For All County Employees

This is a repeat finding and was included in the prior year report as finding 2015-008. 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: The Jackson County Fiscal Court was not aware of the need for annual approval of salaries.

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

Section II: Findings - Financial Statement Audit (Continued)

2016-009 The Jackson County Fiscal Court Magistrates Received A Lump Sum Expense Allowance Without Proof Of Working Committees

This is a repeat finding and was included in the prior year report as finding 2015-009. 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 Court Magistrates are a part of working committees appointed by the Judge Executive and no longer receive lump sum allowances.

2016-010 The Jackson County Fiscal Court Did Not Properly Calculate Occupational Taxes On All Employee Wages

This is a repeat finding and was included in the prior year report as finding 2015-010. 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 2016.

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 Taxes are now calculated by employee's gross wages.

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

Section II: Findings - Financial Statement Audit (Continued)

2016-011 The Jackson County Fiscal Court Erroneously Withheld Retirement On Part-Time Employee Wages

This is a repeat finding and was included in the prior year report as finding 2015-011. 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 \$1,337.

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 \$3,965.

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 no longer being withheld from incoming part-time employees.

2016-012 The Jackson County Fiscal Court Did Not Accurately Withhold Health Insurance Premiums From All Employee Wages

This is a repeat finding and was included in the prior year report as finding 2015-012. Employees of the Jackson County Fiscal Court did not have health insurance premiums properly withheld from wages.

Audit procedures revealed the following conditions regarding health insurance:

- The Jackson County Fiscal Court paid \$5,250 of the employee portion of health insurance premiums and \$335 of the employee portion of dental and vision insurance.
- Two Jackson County Fiscal Court employees paid their portion of health insurance premiums but were not insured.

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 incorrectly paying health insurance premiums.

By not properly paying insurance premiums, the Jackson County Fiscal Court could incur an unnecessary financial burden or employee insurance could lapse. Current year test procedures reflected overpayments of \$5,585 noted above.

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

Section II: Findings - Financial Statement Audit (Continued)

2016-012 The Jackson County Fiscal Court Did Not Accurately Withhold Health Insurance Premiums From All Employee Wages (Continued)

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 correctly.

2016-013 The Jackson County Fiscal Court Incurred Penalties And Interest Due To Not Paying Invoices Timely

This is a repeat finding and was included in the prior year report as finding 2015-013. The Jackson County Fiscal Court has been billed the following penalties and interest for late payments of payroll items:

- Payments to Kentucky Association of Counties Workman's Compensation Fund were not paid timely, and the fiscal court incurred finance charges of \$3,357.
- Payments to Kentucky Association of Counties for insurance coverage were not remitted timely, and the fiscal court incurred finance charges of \$5,343.
- The Jackson County Fiscal Court incurred three penalties for fiscal year 2016 totaling \$3,000 for late payment to Kentucky Retirement Systems and an additional penalty for \$1,000 that occurred after fiscal year 2016.
- The fiscal court incurred two penalties for pension spiking totaling an additional \$9,612 due to Kentucky Retirement Systems.

The payment of penalties and interest is the result of invoices and payroll withholding not being remitted timely.

The Jackson County Fiscal Court must remit public funds for the payment of penalties and interest incurred due to the lack of management oversight that allowed payments to be made late.

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: The county judge/executive did not provide a response.

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

Section II: Findings - Financial Statement Audit (Continued)

2016-014 The Jackson County Fiscal Court Did Not Ensure Employees Are Properly Compensated For Working Overtime

The Jackson County Fiscal Court has an employee that does not appear to have been properly compensated for working overtime. Payroll testing revealed an employee working for the county is being paid for two separate positions. The employee is paid by the county as a sheriff's deputy and also as a transfer station employee. The employee is paid a different wage for each position, and total hours worked are not combined weekly to determine if the employee should have been in overtime status for the week.

The employee was not required to maintain a timesheet for the transfer station position and was paid as if it were two employees working in two separate positions. The employee does not appear to have been properly compensated for working overtime hours because total hours worked in a week for each position were not combined.

Per the US Department of Labor Fact Sheet # 23, "Where an employee in a single workweek works at two or more different types of work for which different straight-time rates have been established, the regular rate for that week is the weighted average of such rates. That is, the earnings from all such rates are added together and this total is then divided by the total number of hours worked at all jobs. In addition, section 7(g)(2) of the FLSA allows, under specified conditions, the computation of overtime pay based on one and one-half times the hourly rate in effect when the overtime work is performed. The requirements for computing overtime pay pursuant to section 7(g)(2) are prescribed in 29 CFR 778.415 through 778.421."

29 CFR 778.203 states "[u]nder section 7(e)(6) and 7(h) of the Act, extra compensation provided by a Premium rate of at least time and one-half which is paid for work on Saturdays, Sundays, holidays, or regular days of rest or on the sixth or seventh day of the workweek (hereinafter referred to as "special days") may be treated as an overtime premium for the purposes of the Act."

We recommend the Jackson County Fiscal Court comply with guidelines set by the Department Of Labor and federal regulations regarding overtime compensation. Additionally, we recommend the fiscal court ensure timesheets are submitted for all county positions and review employee histories to determine if additional compensation is due.

County Judge/Executive's Response: The Jackson County Fiscal Court compensates employee's overtime with compensatory time.

2016-015 The Jackson County Fiscal Court Did Not Pay Withholdings Timely Resulting In Outstanding Liabilities For Federal And State Withholdings

This is a repeat finding and was included in the prior year report as finding 2015-014. 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.

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

Section II: Findings - Financial Statement Audit (Continued)

2016-015 The Jackson County Fiscal Court Did Not Pay Withholdings Timely Resulting In Outstanding Liabilities For Federal And State Withholdings (Continued)

The fiscal court had cumulative outstanding liabilities as of June 30, 2016 as follows:

Federal Withholding Taxes	\$ 414,594
State Withholding Taxes	\$ 467,132
Retirement	\$ 402,916

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

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.” And 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: Jackson County Fiscal Court liabilities Federal and State withholdings are being paid on time. As well as the Federal taxes not paid by the previous treasurer are now up to date, along with the state back taxes owed are now being paid by monthly payments.

2016-016 The Jackson County Fiscal Court Did Not Perform Accurate Bank Reconciliations

This is a repeat finding and was included in the prior year report as finding 2015-015. Bank reconciliations provided for the audit did not accurately reflect the county’s financial condition. Bank reconciliations provided for the audit included inaccurate balances because they did not include all necessary information. Errors included incorrect beginning balances, voided checks included on outstanding check lists, and actual outstanding checks omitted from outstanding check lists. Deposits in transit, receivables, and liabilities were also omitted from the reconciliations. Auditors also noted that the payroll account has not been reconciled for a minimum of two years.

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.

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

Section II: Findings - Financial Statement Audit (Continued)

2016-016 The Jackson County Fiscal Court Did Not Perform Accurate Bank Reconciliations (Continued)

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, 2016. The fiscal court also did not have accurate financial information in order to plan for the subsequent fiscal year.

Lack of timely, accurate reconciliations have allowed all funds to be charged bank fees for insufficient funds to cover checks presented for payment. Additionally, if all checks issued cleared the county's bank accounts by June 30, 2016 the funds would be overdrawn by the following amounts: general (\$82,538), road (\$93,904), jail (\$129,311), and payroll (\$233,589), for a total of (\$539,342).

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 to determine the validity and accuracy of the amounts presented.

County Judge/Executive's Response: Bank Reconciliations are now done monthly and accurately.

2016-017 The Jackson County Fiscal Court Did Not Include All County Funds On The Fourth Quarter Financial Report

This is a repeat finding and was included in the prior year report as finding 2015-016. The Jackson County Fiscal Court's Fourth Quarter Financial Report did not include all of the county's accounts or funds. Auditors discovered one checking account and a \$5,008 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 or the \$5,008 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 of the funds not on the financial statement are no longer active.

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

Section II: Findings - Financial Statement Audit (Continued)

2016-018 The Jackson County Fiscal Court Transfer Of Road Funds Exceeded The Allowable Amount

This is a repeat finding and was included in the prior year report as finding 2015-017. The Jackson County Fiscal Court transferred \$387,260 from the road fund to the general fund during fiscal year ending June 30, 2016 and a total of \$91,200 was transferred back to the road fund from the general fund. Net transfers from the road fund to the general fund for fiscal year ending June 30, 2016 were \$296,060.

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.

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 incurred (and ultimately the amount to transfer) 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, 2016, Jackson County Fiscal Court’s truck license distribution was \$213,260; therefore, transfers to the road fund exceeded the allowable amount by \$82,800.

We recommend the Jackson County Fiscal Court establish procedures to restrict transfers of restricted funds to the amount allowable. We also recommend the fiscal court reimburse the road fund \$82,800 from the general fund.

County Judge/Executive’s Response: The county judge/executive did not provide a response.

2016-019 The Jackson County Fiscal Court Did Not Approve Cash Transfers Between Funds In Advance

This is a repeat finding and was included in the prior year report as finding 2015-018. Auditors noted 50 cash transfers between funds (inter-fund) totaling \$3,564,311 during fiscal year ending June 30, 2016. None of the inter-fund cash transfers were approved in advance by the 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: The county judge/executive did not provide a response.

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

Section II: Findings - Financial Statement Audit (Continued)

2016-020 The Jackson County Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund

This is a repeat finding and was included in the prior year report as finding 2015-020. 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 Jackson County 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 is set forth in the *County Budget Preparation and State Local Finance Officer Policy Manual*. The requirements outlined therein include 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 the 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: The Public Properties Corporation Fund will be reported to the Court Quarterly.

2016-021 The Jackson County Fiscal Court Was Not In Compliance With Continuing Debt Disclosure Requirements

The Jackson County Fiscal Court did not comply with continuing debt disclosure requirements. Our review of the county's debt agreements revealed two instances in which the county did not comply with debt disclosure requirements: (1) the 2011 Series C Bond and (2) the First Mortgage Refunding Revenue Bond Series 2015.

Responsible officials failed to list the 2011 Series C Bond and the First Mortgage Refunding Revenue Bond Series 2015 on the Electronic Municipal Market Access website and did not provide financial statements to the Municipal Securities Rulemaking Board (MSRB) timely.

Failure to comply with continuing debt disclosure requirements puts the Jackson County Fiscal Court at risk of presenting a false or inaccurate financial condition, which could affect the county's ability to repay bonds. Continuing disclosure requirements ensure an entity is properly reporting financial statements and offering a fair presentation of financial and operating conditions.

We recommended the Jackson County Fiscal Court review all continuing debt disclosure requirements and ensure the county is compliance with those requirements.

County Judge/Executive's Response: The county judge/executive did not provide a response.

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

Section II: Findings - Financial Statement Audit (Continued)

2016-022 The Jackson County Fiscal Court Lacks Adequate Internal Controls Over Disbursements

This is a repeat finding and was included in the prior year report as finding 2015-021. Our tests of disbursements included an examination of 80 disbursements selected from the county's operating funds. We found the following issues as a result:

- Twenty-one disbursements were not listed on monthly claims list.
- Sixteen disbursements had insufficient or no supporting documentation.
- Three disbursements were not paid within 30 days.
- Four disbursements were improperly coded.
- One disbursement was not properly purchased via state price contract.

We also noted the fiscal court incurred and paid finance charges of \$3,509 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 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*, 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

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

Section II: Findings - Financial Statement Audit (Continued)

2016-022 The Jackson County Fiscal Court Lacks Adequate Internal Controls Over Disbursements
 (Continued)

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.

County Judge/Executive's Response: Disbursements are now reviewed by more than one employee as well as the Judge Executive.

2016-023 The Jackson County Treasurer Office Supplies Appropriation Account Contained Numerous
 Inappropriate Postings

This is a repeat finding and was included in the prior year report as finding 2015-022. Our testing included a review of the county treasurer office supplies account number 01-5040-445. Eleven disbursements totaling \$19,652 were posted to this account. Auditors noted the following:

- Three of the 11 disbursements were inappropriately posted to the county treasurer office supplies account. Auditors compared postings to actual checks and noted these three checks were paid to the payroll account. None of the inappropriate postings were listed on the monthly claims list approved by the fiscal court.

The amount of inappropriate disbursements posted to the county treasurer office supply account totaled \$11,756.

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 supply 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: The Jackson County Treasurer office supplies appropriations account will only have appropriate postings with the new oversight procedures in place.

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

Section II: Findings - Financial Statement Audit (Continued)

2016-024 The Jackson County Fiscal Court Failed To Provide Supporting Documentation For Two Police Cruisers Reported To Be Purchased On State Price Contract

The Jackson County Fiscal Court did not advertise for bids before the purchase of two sheriff cruisers. The county purchased the cruisers at a price comparable to the state price contract; however, the cruisers were purchased from a vendor not included on the state price contract.

The Jackson County Fiscal Court did not realize purchasing items listed on the state price contract required the purchase to be from the vendor listed on the state price contract. The Jackson County Fiscal Court was able to provide documentation for the actual purchase of the two cruisers; however they did not keep record of state pricing or the vendor listed on the state price contract.

KRS 45A.050(3) requires all state agency price contracts to allow counties to participate in such contracts on the same terms as the Commonwealth. The statute allows “[a]ny political subdivision [to] purchase materials and supplies in accordance with a contract for supplies and materials entered into by the Finance and Administration Cabinet[.]” If the county uses the state contract price, the county must maintain documentation of the contract price as well as use the state selected vendor.

We recommend the Jackson County Fiscal Court follow the requirements of KRS 424.260 by properly bidding purchases in excess of \$20,000 and maintaining proper documentation of state contract purchases, including the use of vendors selected by the state.

County Judge/Executive’s Response: Purchases made on state price contract will include supporting documentation from the state price contract vendor as well as the Fiscal Court.

2016-025 The Jackson County Fiscal Court Did Not Maintain A List Of Encumbrances And Unpaid Obligations

This is a repeat finding and was included in the prior year report as finding 2015-023. 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 2016-022). 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.

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

Section II: Findings - Financial Statement Audit (Continued)

2016-025 The Jackson County Fiscal Court Did Not Maintain A List Of Encumbrances And Unpaid Obligations (Continued)

County Judge/Executive's Response: A list of encumbrances and unpaid obligations will be maintained and posted.

2016-026 The Jackson County Fiscal Court Failed To Properly Bond The County Attorney

Our review of officials' bonds revealed the Jackson County Fiscal Court had not bonded the newly appointed county attorney. Based on prior year audit work, we noted the former county attorney had an official bond for \$10,000. The fiscal court failed to obtain an official bond upon appointment of the new county attorney.

This occurred due to an oversight on the part of the county judge/executive and his staff and the lack of established procedures for newly appointed officials. Failure to properly bond officials handling public funds could put those funds at risk.

KRS 65.067 states, "All officers, officials, and employees of cities, counties, urban-county governments, charter county governments, a regional wastewater commission, and special districts who handle public funds in the execution of their duties shall give a good and sufficient bond to the local governing body for the faithful and honest performance of his or her duties as security for all money coming into that person's hands or under that person's control. The bond amount shall be based upon the maximum amount of public funds the officer, official, or employee handles at any given time during a fiscal year cycle. The local governing body shall pay the cost of the bond."

We recommend the Jackson County Fiscal Court comply with KRS 65.067 by obtaining an official bond for the county attorney.

County Judge/Executive's Response: The County Attorney's bond was overlooked by previous treasurer, however is now bonded.

2016-027 The Jackson County Fiscal Court Lacks Internal Controls Over Occupational Taxes

This is a repeat finding and was included in the prior year report as finding 2015-024. 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: The county judge/executive did not provide a response.

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

Section II: Findings - Financial Statement Audit (Continued)

2016-028 The Jackson County Fiscal Court Lacks Internal Controls Over Transfer Station Receipts And Deposits

This is a repeat finding and was included in the prior year report as finding 2015-025. The following issues were noted with regard to internal controls over receipts and deposits at the county transfer station:

- 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 Jackson County Treasurer and/or Finance Officer now review daily transfer station receipts and makes daily deposits.

2016-029 The Jackson County Fiscal Court Did Not Maintain Accurate Capital Asset Records Or Properly Insure Assets

This is a repeat finding and was included in the prior year report as finding 2015-019. 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). Auditors noted \$3,340,095 in current year additions not included on the Schedule. Additionally, auditors noted three instances in which capital asset additions were not listed on county's insurance policy.

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

Section II: Findings - Financial Statement Audit (Continued)

2016-029 The Jackson County Fiscal Court Did Not Maintain Accurate Capital Asset Records Or Properly Insure Assets (Continued)

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: The Jackson County Fiscal Court has updated the inventory and will maintain accurate Capital assets records.

2016-030 The Jackson County Jailer Lacks Adequate Internal Controls Over The Overall Environment Of The Jail

This is a repeat finding and was included in the prior year report as finding 2015-026. We reviewed accounting records for all three jail bank accounts and noted the following:

- Receipts and disbursements ledgers were not prepared timely for all accounts.
- Bank reconciliations were not completed timely for all accounts.
- An annual report was not completed and presented to the county treasurer.
- Overdraft fees were incurred on two separate occasions.
- Sales tax reports were calculated incorrectly.

In the prior year, auditors noted the lack of internal controls over the overall environment of the jail; however, the jailer did keep ledgers and reconciliations. During the fiscal year ending June 30, 2016, however, ledgers and reconciliations were not maintained and an annual report was not prepared.

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 undetected misappropriation of assets.

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.

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

Section II: Findings - Financial Statement Audit (Continued)

2016-030 The Jackson County Jailer Lacks Adequate Internal Controls Over The Overall Environment Of The Jail (Continued)

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: The county judge/executive did not provide a response.

County Jailer's Response: The county jailer did not provide a response.

2016-031 The Jackson County Jailer Did Not Present A Jail Commissary Financial Statement To The Treasurer For Fiscal Year Ending June 30, 2016

This is a repeat finding and was included in the prior year report as finding 2015-027. The Jackson County Jailer did not present a jail commissary financial statement to the county treasurer for fiscal year ending June 30, 2016. 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: The county judge/executive did not provide a response.

County Jailer's Response: The county jailer did not provide a response.

2016-032 The Jackson County Detention Center Employees Were Allowed To Purchase Food From Detention Center Vendors At Discounted Rates

This is a repeat finding and was included in the prior year report as finding 2015-028. 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.

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

Section II: Findings - Financial Statement Audit (Continued)

2016-032 The Jackson County Detention Center Employees Were Allowed To Purchase Food From Detention Center Vendors At Discounted Rates (Continued)

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 no longer purchase food from Detention Center vendors.

County Jailer’s Response: The county jailer did not provide a response.

2016-033 The Jackson County Fiscal Court Lacked Controls Over The Collection Of Detention Center Receipts

This is a repeat finding and was included in the prior year report as finding 2015-029. 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.

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

- Three out of five deposits tested had missing cash in excess of \$820.
- Two of the five deposits 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.”

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

Section II: Findings - Financial Statement Audit (Continued)

2016-033 The Jackson County Fiscal Court Lacked Controls Over The Collection Of Detention Center Receipts (Continued)

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: The county judge/executive did not provide a response.

County Jailer's Response: The county jailer did not provide a response.

2016-034 The Jackson County Jailer Did Not Present An Updated Jail Fee Schedule To The Jackson County Fiscal Court

This is a repeat finding and was included in the prior year report as finding 2015-030. 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: The county judge/executive did not provide a response.

County Jailer's Response: The county jailer did not provide a response.

2016-035 The Jackson County Jailer Did Not Properly Calculate Vendor Discounts On Sales Tax Returns

This is a repeat finding and was included in the prior year report as finding 2015-031. 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. Our review of sales tax returns submitted to the state revealed discounts of \$110 not taken by the jailer. Per discussion with jail personnel, it appears they were unaware of the 1.75% vendor discount. Not properly calculating sales tax returns resulted in savings lost. Failure to claim 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.

County Judge/Executive's Response: The county judge/executive did not provide a response.

County Jailer's Response: The county jailer did not provide a response.

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

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

2016-036 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

Opinion: Disclaimed

This is a repeat finding and was included in the prior year report as finding 2015-032. 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, 2016. 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 \$750,000 in federal awards.

The schedule below, prepared by auditors, represents the amount of known federal expenditures for fiscal year ending June 30, 2016 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
<u>U. S Department of Housing and Urban Development</u>		
<i>Passed-Through State Department for Local Government:</i>		
14.228	Community Development Block Grants/State's Program	\$ 5,000
Total U.S. Department of Housing and Urban Development		5,000
<u>U.S. Department of Homeland Security</u>		
<i>Passed-Through State Department of Military Affairs: *</i>		
97.040	Chemical Stockpile Emergency Preparedness Program **	2,540,153
Total U.S. Department of Homeland Security		2,540,153
Total Expenditures of Federal Awards		\$ 2,545,153

* Total Received from State Department of Military Affairs - \$2,368,151;
 Transferred to General Fund - \$2,368,151 (see finding #2016-037)

** Tested as a Major Program

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

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

2016-036 The Jackson County Fiscal Court Did Not Prepare A Schedule Of Expenditures Of Federal Awards (SEFA) (Continued)

Failure to prepare a SEFA is non-compliance with the U.S. Office of Management and Budget (OMB) Circular A-133, which requires governmental entities that expend in excess of \$750,000 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.

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 Jackson County Fiscal Court will prepare a schedule of expenditures of federal awards (SEFA).

Planned Implementation Date of Corrective Action: June 30, 2017

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

2016-037 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: \$0

This is a repeat finding and was included in the prior year report as finding 2015-033. The Jackson County Fiscal Court transferred \$2,368,151 from the CSEPP/EM fund to the general fund during the fiscal year ending June 30, 2016. 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 recorded in the general fund for the fiscal year were \$2,540,153 (Finding 2016-039), and \$56,079 of this amount were payments made to the former county treasurer without supporting documentation (Questioned Costs - Finding 2016-039).

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.

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

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

2016-037 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 (Continued)

County Judge/Executive's Response and Corrective Action Planned: The previous Treasurer commingled (CSEPP) Chemical Stockpile Emergency Preparedness Program Funds. These funds now have a designated account and will no longer be commingled.

Planned Implementation Date of Corrective Action: immediately

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

2016-038 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

This is a repeat finding and was included in the prior year report as finding 2015-034. The Jackson County Fiscal Court lacks adequate internal controls over the Chemical Stockpile Emergency Preparedness Program (CSEPP). We noted the following:

- CSEPP reimbursements for fiscal year ending June 30, 2016 totaled \$2,368,151. CSEPP disbursements coded to 01-5135-703 totaled \$385,771 (general fund) and 01-5135-742 totaled \$2,154,382 (general fund), for a total of \$2,540,153 (Comment 2016-036) posted to the general fund. As of June 30, 2016, it appears the Jackson County Fiscal Court paid approximately \$172,002 more than what was reimbursed from the CSEPP program.
- Eight of the 90 CSEPP disbursements tested should have been posted to the prior year appropriations ledger.
- Auditors were not provided supporting documentation for 43 of the 90 CSEPP disbursements tested.
- Thirty-nine of the 43 disbursements lacking supporting documentation were posted to the CSEPP Expense account (account #01-5135-703 - general fund); however, these disbursements were made to the former county treasurer (Finding 2016-039). Additionally, these 39 disbursements were not presented to the fiscal court.
- Seventy-five of the ninety 90 CSEPP disbursements tested were not presented to the fiscal court.

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

Due to the variance 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

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

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

2016-038 The Jackson County Fiscal Court Failed To Implement Adequate Internal Controls Over Chemical Stockpile Emergency Preparedness Program (CSEPP) Grant Funds (Continued)

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/Executives Response and Corrective Action Planned: The Chemical Stockpile Emergency Preparedness Program Grant account is now reviewed by the County Treasurer, Finance Officer and Judge Executive.

Planned Implementation Date of Corrective Action: immediately

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

2016-039 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: \$56,079

This is a repeat finding and was included in the prior year report as finding 2015-035. We noted numerous inappropriate postings within the CSEPP expense account. Our testing of federal awards included examining 90 disbursements posted to the CSEPP Expense account (account #01-5135-703 - general fund). We noted the following as a result:

- Thirty-nine of the 90 disbursements tested were written to the former county treasurer. These disbursements were posted to the CSEPP Expense account and did not have supporting documentation (Finding 2016-038). These disbursements were not presented to the fiscal court and are not associated with the former county treasurer's payroll. The total of these 39 payments was \$56,079.

Failure to implement adequate internal controls was a result of poor management oversight. The Jackson County Fiscal Court's failure to provide proper oversight resulted in 39 improper payments totaling \$56,079 paid from the CSEPP Expense account to the former county treasurer.

The Office of Management and Budget (OMB) Circular A-133 defines improper payments in the following terms, "1. Any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements, such as overpayments or underpayments made to eligible recipients resulting from inappropriate denials of payment or service, any payments that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments. 2. Any payment that was made to an ineligible recipient or for an ineligible good or service, or payment for goods or services not received (except for such payments where authorized by statute).

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

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

2016-039 The Jackson County Fiscal Court Made Inappropriate Postings In The Chemical Stockpile Emergency Preparedness Program (CSEPP) Expense Account (Continued)

3. Any payment that an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation."

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 thirty (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 fiscal court establish adequate controls over the chemical stockpile emergency preparedness program. We further recommend the fiscal court comply with OMB Circular A-133. 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: The Chemical Stockpile Emergency Preparedness Program is now reviewed by the Judge Executive, Treasurer and Finance Officer; the appropriate documentation will be provided with each CSEPP disbursement.

Planned Implementation Date of Corrective Action: immediately

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

2016-040 The Jackson County Fiscal Court Failed To Comply With Office of Management and Budget (OMB) Circular A-133 Cash Management Requirements

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

Type of Finding: Compliance and Internal Control

Amount of Questioned Costs: \$0

The Jackson County Fiscal Court had \$201,924 in outstanding CSEPP invoices as of June 30, 2016. Auditors tested the Jackson County Fiscal Court's compliance with cash management requirements and found six invoices (referred to as Form 1801 by Kentucky Emergency Management) dating as far back as April 15, 2016 unpaid. The Jackson County Fiscal Court had received "advanced reimbursements" for all six of the outstanding invoices.

Failure to implement adequate internal controls was a result of poor management oversight. As a result of poor management oversight, the Jackson County Fiscal Court failed to comply with OMB Circular A-133 regarding cash management and the implementation of adequate internal controls. Kentucky Emergency Management stopped the payment of reimbursements until outstanding invoices have been paid.

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

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

2016-040 The Jackson County Fiscal Court Failed To Comply With Office of Management and Budget (OMB) Circular A-133 Cash Management Requirements (Continued)

Per OMB Circular A-133, regarding cash management, “When awards provide for advance payments, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasurer and disbursement and establish similar procedures for sub recipients. Pass-through entities must establish reasonable procedures to ensure receipt of reports on sub recipients’ cash balances and cash disbursements in sufficient time to enable the pass-through entities to submit complete and accurate cash transactions reports to the Federal awarding agency or pass-through entity. Pass-through entities must monitor cash drawdowns by their sub recipients to ensure that sub recipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.”

We recommend the fiscal court establish adequate controls over the Chemical Stockpile Emergency Preparedness Grant Program. We further recommend the fiscal court comply with OMB Circular A-133.

County Judge/Executive’s Response and Corrective Action Planned: Chemical Stockpile Emergency Preparedness Program invoices are now reviewed by the Judge Executive, Treasurer and Finance Officer; this will ensure invoices are paid in a timely manner.

Planned Implementation Date of Corrective Action: immediately

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

Section IV: Summary Schedule of Prior Audit Findings

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

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

Award Number: Multiple Years – CSEPP Grants

Compliance Requirements: Reporting

Type of Finding: Compliance and Internal Control

Amount of Questioned Costs: \$0

Finding repeated in current year as #2016-036.

2015-033 The Jackson County Fiscal Court Commingled Chemical Stockpile Emergency Preparedness Program Funds With Jackson County’s General Fund

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

Finding repeated in current year as #2016-037 – Current year questioned costs presented in #2016-039.

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

Section IV: Summary Schedule of Prior Audit Findings (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

Finding repeated in current year as #2016-038.

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

Finding repeated in current year as #2016-039 – Current year questioned costs - \$56,709.

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

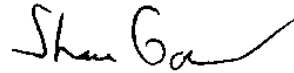
JACKSON COUNTY FISCAL COURT

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

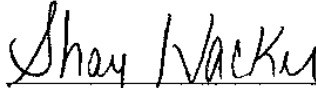
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
JACKSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

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

