

**REPORT OF THE AUDIT OF THE  
JEFFERSON COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2016**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Greg Fischer, Mayor Louisville/Jefferson County Metro Government  
Honorable John E. Aubrey, Jefferson County Sheriff  
Members of the Louisville/Jefferson County Metro Council

Independent Auditor's Report

**Report on the Financial Statements**

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the Sheriff of Jefferson County, Kentucky, and the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2016, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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



The Honorable Greg Fischer, Mayor Louisville  
Honorable John E. Aubrey, Jefferson County Sheriff  
Members of the Louisville/Jefferson County Metro Council

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

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

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

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Jefferson County Sheriff, as of December 31, 2016, or changes in financial position or cash flows thereof or the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the Jefferson County Sheriff and the receipts, disbursements, and fund balances of the sheriff's operating fund and county fund with the state treasurer for the year ended December 31, 2016, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

### **Other Matter**

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole of the Jefferson County Sheriff. The Schedule of Expenditures of Federal Awards, as 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) is presented for purposes of additional analysis and is not a required part of the financial statements; however, it is required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

The Honorable Greg Fischer, Mayor Louisville  
Honorable John E. Aubrey, Jefferson County Sheriff  
Members of the Louisville/Jefferson County Metro Council

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2017, on our consideration of the Jefferson County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

Respectfully submitted,

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

July 10, 2017

JEFFERSON COUNTY  
JOHN E. AUBREY, SHERIFF  
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2016

Receipts

State Grants		\$ 25,950
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		941,339
State Fees for Services:		
Attending Court	\$ 2,171,322	
Court Security	284,164	
Conveyance of Prisoners	99,342	
Sequestered Jurors	<u>13,423</u>	2,568,251
Louisville/Jefferson County Metro Government		341,264
County Clerk - Delinquent Taxes		866,960
Commission on Taxes		17,351,456
Fees Collected for Services:		
Auto Inspections	335,035	
Executions	142,459	
Serving Papers	1,803,332	
Carry Concealed Deadly Weapon Permits	256,318	
Data Services	<u>25,727</u>	2,562,871
Other:		
Add-On Fees	1,127,646	
Miscellaneous	27,729	
Reimbursements	288,509	
Federal Reimbursements	191,163	
School Resource Officer Reimbursement	<u>320,000</u>	1,955,047
Interest Earned		<u>24,390</u>
Total Receipts		26,637,528

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



JEFFERSON COUNTY  
 JOHN E. AUBREY, SHERIFF  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS  
 For The Year Ended December 31, 2016  
 (Continued)

Payments to State:		
Reimbursements		\$ 401,330
Other Disbursements:		
Executions-Third Parties	\$134,744	
Serving Papers-Refunds	370	
Sequestered Jurors	13,423	
Cobra Insurance & Other	78,342	
Concealed Weapon License Fees Refunds	<u>280</u>	<u>227,159</u>
Total Disbursements		<u>\$ 628,489</u>
Net Receipts		26,009,039
Payments to State Treasurer:		
75% Operating Fund *	22,292,359	
25% County Fund	<u>3,716,680</u>	<u>26,009,039</u>
Balance Due at Completion of Audit		<u>\$ 0</u>

\* Includes reimbursed expenses in the amount of \$11,732,278 for the audit period.  
 See Note 1 of Notes to Financial Statements.

JEFFERSON COUNTY  
 JOHN E. AUBREY, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 FUND BALANCES OF THE COUNTY SHERIFF'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2016

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2016	\$ 873,415	\$	\$ 873,415
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	22,292,359		22,292,359
Fees Paid to State - County Funds (25%)		3,716,680	3,716,680
Total Funds Available	<u>23,165,774</u>	<u>3,716,680</u>	<u>26,882,454</u>
<u>Disbursements</u>			
Louisville/Jefferson County Metro Government		3,716,680	3,716,680
Personal Services-			
Official's Statutory Maximum	119,080		119,080
Official's Training Incentive	3,969		3,969
Deputies' Salaries	12,053,243		12,053,243
Overtime Gross	359,633		359,633
Employee Benefits-			
Employer's Share Social Security	908,845		908,845
Employer's Share Retirement	2,819,648		2,819,648
Employer's Share Health Insurance	2,094,528		2,094,528
Employer's Share Life Insurance	3,245		3,245
Workers' Compensation	272,268		272,268
Sick Leave Conversion	66,900		66,900
Contracted Services-			
Advertising	2,484		2,484
Legal Services	34,766		34,766
MIS Services	13,286		13,286

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

JEFFERSON COUNTY  
 JOHN E. AUBREY, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
 For The Year Ended December 31, 2016  
 (Continued)

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
	_____	_____	_____
<u>Disbursements (Continued)</u>			
Supplies and Materials-			
Office Materials and Supplies	\$ 94,443	\$	\$ 94,443
Printing	72,224		72,224
Uniforms	78,126		78,126
Ammunition	17,940		17,940
Computer Supplies	1,112		1,112
Other Charges-			
Bonds and Insurance	356,043		356,043
Insurance Claims	5,000		5,000
Dues	15,604		15,604
Discretionary Expenses	25,000		25,000
Postage	221,235		221,235
Fixed Telephone	38,083		38,083
Mobile Telephone	42,881		42,881
Communication Maintenance	14,706		14,706
Equipment Maintenance	838		838
Computer Maintenance	42,418		42,418
Office Equipment Rental	31,721		31,721
Rent	7,020		7,020
Utilities	6,656		6,656
Training & Seminars	6,581		6,581
Travel	6,606		6,606
Subscriptions	12,822		12,822
Physicals and Medical	28,069		28,069
Personal Services	25,412		25,412
Miscellaneous	1,464		1,464
Auto Expenses-			
Gasoline	294,578		294,578
Maintenance and Repairs	277,055		277,055
Vehicle Insurance	136,365		136,365
Parking	164,840		164,840

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

JEFFERSON COUNTY  
 JOHN E. AUBREY, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
 For The Year Ended December 31, 2016  
 (Continued)

	75% Operating Fund	25% County Fund	Totals
	<u>          </u>	<u>          </u>	<u>          </u>
<u>Disbursements</u> (Continued)			
Capital Outlay-			
Law Enforcement Equipment	\$ 9,633	\$	\$ 9,633
Office Equipment	3,650		3,650
Vehicles	283,156		283,156
	<u>          </u>	<u>          </u>	<u>          </u>
Total Disbursements	21,073,176	3,716,680	24,789,856
	<u>          </u>	<u>          </u>	<u>          </u>
Fund Balance - December 31, 2016	\$ 2,092,598	\$ 0	\$ 2,092,598
	<u>          </u>	<u>          </u>	<u>          </u>

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

JEFFERSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

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

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

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the sheriff as determined by the audit. KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the state treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in the sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

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

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

- Interest receivable
- Collection on accounts due from others for 2016 services
- Reimbursements for 2016 activities
- Tax commissions due from December tax collections
- Payroll due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2016

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

C. Cash and Investments

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

JEFFERSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016  
(Continued)

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

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

The sheriff's contribution for calendar year 2014 was \$3,579,740, calendar year 2015 was \$3,090,441, and calendar year 2016 was \$2,819,648.

Nonhazardous

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

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

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 17.06 percent for the first six months and 18.68 percent for the last six months.

Hazardous

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

JEFFERSON COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2016  
 (Continued)

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

Members in the plan contribute a set percentage of their salary each month to their own account. Hazardous members contribute eight percent of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a seven and one half percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 32.95 percent for the first six months and 31.06 percent for the last six months.

Health Insurance Coverage

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

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

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

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

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

JEFFERSON COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2016  
 (Continued)

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

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

Note 3. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The Jefferson County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Lease Agreement

The Jefferson County Sheriff's office was committed to the following lease agreement as of December 31, 2016:

Item	Monthly	Term of	Ending	Principal
<u>Purchased</u>	<u>Payment</u>	<u>Agreement</u>	<u>Date</u>	<u>Balance</u>
				December 31, 2016
Copiers	\$ 1,792	48 Months	7/1/2018	\$ 34,223

Note 5. Discretionary Account

The Jefferson County Sheriff's office has established a discretionary account as provided by KRS 64.345. This account is to cover additional expenses related to homeland security emergencies, academy graduations, retirements, state and national sheriff's conventions, and extraordinary office expenses in amounts authorized by the approving authority. The account had a beginning balance of \$105,467, receipts of \$27,500, disbursements of \$89,863, and an ending balance of \$43,104 as of December 31, 2016.

Note 6. State Forfeiture Account

The Jefferson County Sheriff's office maintains an account for receiving forfeited state drug money. This money is used to purchase law enforcement equipment. This account had a beginning balance of \$224,918, receipts of \$566,582, disbursements of \$556,196, and an ending balance of \$235,304 as of December 31, 2016.



JEFFERSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016  
(Continued)

Note 7. Federal Forfeiture Account

The Jefferson County Sheriff's office maintains an account used for receiving forfeited federal drug money. This money is used to purchase law enforcement equipment, for training, for drug education programs, and to make drug buys. This account had a beginning balance of \$164,512, receipts of \$51,931, disbursements of \$80,422, and an ending balance of \$136,021 as of December 31, 2016.

Note 8. IRS Forfeiture Account

The Jefferson County Sheriff's office maintains an account used for receiving forfeited federal drug money. This money is used to purchase law enforcement equipment, for training, for drug education programs, and to make drug buys. This account had a beginning balance of \$487,559 (restated), receipts of \$387,730, disbursements of \$712,237, and an ending balance of \$163,052 as of December 31, 2016.

Note 9. State Grants

A. 2015 Law Enforcement Protection Program Grant

The Jefferson County Sheriff's office received a Law Enforcement Protection Program grant from Kentucky Office of Homeland Security in the amount of \$16,500. Funds totaling \$9,567 were expended during calendar year 2016 and funds of \$6,933 were expended in calendar year 2015. The unexpended grant balance was \$0 as of December 31, 2016.

B. 2016 Law Enforcement Protection Program Grant

The Jefferson County Sheriff's office received a Law Enforcement Protection Program grant from Kentucky Office of Homeland Security in the amount of \$9,450. Funds totaling \$9,450 were expended during the year. The unexpended grant balance was \$0 as of December 31, 2016.

Note 10. Contingencies

The Jefferson County Sheriff's office is involved in multiple lawsuits that arose from the normal course of doing business. While individually they may not be significant; in the aggregate, they could negatively impact the sheriff's office financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the sheriff's office cannot be made at this time.

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**JEFFERSON COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



**JEFFERSON COUNTY**  
**JOHN E. AUBREY, SHERIFF**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended December 31, 2016**

Federal Grantor/Pass-Through Grant or Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Total Federal Expenditures
<b><u>U. S. Department of Justice</u></b>			
<i>Direct Program</i>			
Equitable Sharing Program	16.922	KY 05 60000	\$ 80,422
<b>Total U.S. Department of Justice</b>			<u>80,422</u>
<b><u>U. S. Department of Treasury</u></b>			
<i>Direct Program</i>			
Equitable Sharing	21.016	KY 05 60000	** \$ 712,237
<b>Total U.S. Department of Treasury</b>			<u>712,237</u>
<b>Non-Cash Expenditures</b>			
<b><u>U. S. Department of Defense</u></b>			
<i>Direct Program</i>			
Excess Military Property	12.N/A	N/A	\$ 44,940
<b>Total U.S. Department of Defense</b>			<u>44,940</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 837,599</u>

\*\* Tested as Major Program

**JEFFERSON COUNTY**  
**JOHN E. AUBREY, SHERIFF**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended December 31, 2016**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (schedule) includes the federal award activity of the Sheriff of Jefferson County, Kentucky under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Sheriff of Jefferson County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Sheriff of Jefferson County, Kentucky.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3. Indirect Cost Rate**

The Jefferson County Sheriff has not adopted an indirect cost rate.

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







**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Greg Fischer, Mayor Louisville/Jefferson County Metro Government  
The Honorable John E. Aubrey, Jefferson County Sheriff  
Members of the Louisville/Jefferson County Metro Council

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts and Disbursements - Regulatory Basis of the Sheriff of Jefferson County, Kentucky, the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated July 10, 2017. The Jefferson County Sheriff's financial statements are prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

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

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

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



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

**Compliance And Other Matters**

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

**Purpose of this Report**

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

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts

July 10, 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 Greg Fischer, Mayor Louisville/Jefferson County Metro Government  
The Honorable John E. Aubrey, Jefferson County Sheriff  
Members of the Louisville/Jefferson County Metro Council

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 have audited the Jefferson County Sheriff'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 the Jefferson County Sheriff's major federal programs for the year ended December 31, 2016. The Jefferson County Sheriff'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 its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Jefferson County Sheriff'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 Jefferson County Sheriff's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Jefferson County Sheriff's compliance.



Report On Compliance For Each Major Federal Program  
And Report On Internal Control Over Compliance  
In Accordance With Uniform Guidance  
(Continued)

**Opinion on Each Major Federal Program**

In our opinion, the Jefferson County Sheriff complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

**Report on Internal Control over Compliance**

Management of the Jefferson County Sheriff's office 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 Jefferson County Sheriff'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 the 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 Jefferson County Sheriff's internal control over compliance.

*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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

July 10, 2017

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**





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

**Fiscal Year Ended December 31, 2016**

**Section I: Summary of Auditor's Results**

Type of report auditor issued: *Adverse on GAAP and Unmodified on Regulatory Basis.*

Internal control over financial reporting:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Federal Awards**

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs: <i>unmodified</i>		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.016	Equitable Sharing

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**Section II: Financial Statement Findings**

None

**Section III: Federal Award Findings And Questioned Costs**

None

**Section IV: Summary Schedule of Prior Audit Findings**

None

