

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

**For The Year Ended
June 30, 2018**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

The Honorable Andy Beshear, Governor

Holly M. Johnson, Secretary

Finance and Administration Cabinet

The Honorable William R. Lewis, Leslie County Judge/Executive

The Honorable Jimmy Sizemore, Former Leslie County Judge/Executive

Members of the Leslie County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Leslie County Fiscal Court, for the year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Leslie County Fiscal Court's financial statement as listed in the table of contents.

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. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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



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

As described in Note 1 of the financial statement, the financial statement is prepared by the Leslie County Fiscal Court 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.

The effects on the financial statement 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 statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Leslie County Fiscal Court as of June 30, 2018, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Leslie County Fiscal Court as of June 30, 2018, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Leslie County Fiscal Court. The Budgetary Comparison Schedules and Capital Asset Schedule, are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are 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 Budgetary Comparison Schedules and Capital Asset Schedule, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules and Capital Asset Schedule are fairly stated in all material respects in relation to the financial statement as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2020, on our consideration of the Leslie 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 Leslie 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 Responses included herein, which discusses the following report findings:

- 2018-001 The Leslie County Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations
- 2018-002 The Leslie County Fiscal Court Failed To Make Continuing Financial Disclosures Required By Bond Agreements
- 2018-003 The Leslie County Fiscal Court Did Not Follow Proper Bid Laws And Regulations
- 2018-004 The Leslie County Jailer Did Not Present The Financial Statement For The Commissary Account To The County Treasurer
- 2018-005 The Leslie County Jailer's Sales Tax Returns Are Not Being Properly Calculated
- 2018-006 The Leslie County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements
- 2018-007 The Jailer Did Not Comply With Bidding Requirements Set Forth In KRS 424.260 And Did Not Maintain Supporting Documentation For Some Purchases
- 2018-008 The Leslie County Fiscal Court Lacks Adequate Segregation Of Duties Over Payroll

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

February 24, 2020

LESLIE COUNTY OFFICIALS
For The Year Ended June 30, 2018

Fiscal Court Members:

James Sizemore	County Judge/Executive
Russell D. Brock	Magistrate
Kenneth F. Smith	Magistrate
Bonnell Bentley	Magistrate
Brown Sizemore	Magistrate

Other Elected Officials:

Leroy Lewis	County Attorney
Danny Clark	Jailer
James Lewis	County Clerk
Carmolita Mogran-Pace	Circuit Court Clerk
Delano Huff	Sheriff
Jimmy Wooten	Property Valuation Administrator
Greg Walker	Coroner

Appointed Personnel:

Mack Muncy	County Treasurer
Nancy Roberts	Finance Officer
Serena Asher	Occupational Tax Administrator

**LESLIE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS**

For The Year Ended June 30, 2018

LESLIE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2018

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 714,258	\$	\$	\$
In Lieu Tax Payments	145,661	109,267		
Excess Fees	37,198			
Licenses and Permits	86,688			
Intergovernmental	152,318	1,820,634	3,044,082	553,488
Charges for Services			18,776	
Miscellaneous	88,922	30,110	98,362	
Interest	204	468	199	273
Total Receipts	<u>1,225,249</u>	<u>1,960,479</u>	<u>3,161,419</u>	<u>553,761</u>
DISBURSEMENTS				
General Government	728,337			27,283
Protection to Persons and Property	3,999		2,434,556	21,574
General Health and Sanitation	8,452	581,045		112,445
Social Services				182,772
Recreation and Culture	17,475			20,406
Roads		1,865,571		19,841
Debt Service			420,935	
Administration	631,219	269,690	646,672	161,704
Total Disbursements	<u>1,389,482</u>	<u>2,716,306</u>	<u>3,502,163</u>	<u>546,025</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(164,233)</u>	<u>(755,827)</u>	<u>(340,744)</u>	<u>7,736</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		830,056	335,998	
Transfers To Other Funds		(20,380)		(83,914)
Total Other Adjustments to Cash (Uses)		<u>809,676</u>	<u>335,998</u>	<u>(83,914)</u>
Net Change in Fund Balance	(164,233)	53,849	(4,746)	(76,178)
Fund Balance - Beginning (Restated)	493,977	527,468	362,679	539,103
Fund Balance - Ending	<u>\$ 329,744</u>	<u>\$ 581,317</u>	<u>\$ 357,933</u>	<u>\$ 462,925</u>
Composition of Fund Balance				
Bank Balance	\$ 331,074	\$ 612,077	\$ 357,933	\$ 462,925
Less: Outstanding Checks	(1,330)	(30,760)		
Fund Balance - Ending	<u>\$ 329,744</u>	<u>\$ 581,317</u>	<u>\$ 357,933</u>	<u>\$ 462,925</u>

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

LESLIE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2018
(Continued)

Budgeted Funds					Unbudgeted Fund	
Senior Citizens Fund	Flood Relief Fund	Local Government Economic Development Fund	E911 Fund	Debt Service Fund	Jail Commissary Fund	Total Funds
\$	\$	\$	\$ 238,938	\$ 611,757	\$	\$ 1,564,953
						254,928
						37,198
						86,688
91,139	710,354	225,841	75,000	425,950		7,098,806
						18,776
		15,000			182,793	415,187
	503	463	320	190		2,620
<u>91,139</u>	<u>710,857</u>	<u>241,304</u>	<u>314,258</u>	<u>1,037,897</u>	<u>182,793</u>	<u>9,479,156</u>
		33,000				788,620
		10,000	356,563			2,826,692
91,989	156,764	146,206				1,004,912
						274,761
				18,980	226,367	283,228
				105,157		1,990,569
						420,935
			132,722	195		1,842,202
<u>91,989</u>	<u>156,764</u>	<u>189,206</u>	<u>489,285</u>	<u>124,332</u>	<u>226,367</u>	<u>9,431,919</u>
(850)	554,093	52,098	(175,027)	913,565	(43,574)	47,237
	20,380		85,407			1,271,841
	(746,142)	(85,407)		(335,998)		(1,271,841)
	(725,762)	(85,407)	85,407	(335,998)		
(850)	(171,669)	(33,309)	(89,620)	577,567	(43,574)	47,237
61,275	892,232	977,578	680,652	234,976	473,837	5,243,777
<u>\$ 60,425</u>	<u>\$ 720,563</u>	<u>\$ 944,269</u>	<u>\$ 591,032</u>	<u>\$ 812,543</u>	<u>\$ 430,263</u>	<u>\$ 5,291,014</u>
\$ 60,425	\$ 720,563	\$ 946,069	\$ 591,032	\$ 812,543	\$ 547,408	\$ 5,442,049
		(1,800)			(117,145)	(151,035)
<u>\$ 60,425</u>	<u>\$ 720,563</u>	<u>\$ 944,269</u>	<u>\$ 591,032</u>	<u>\$ 812,543</u>	<u>\$ 430,263</u>	<u>\$ 5,291,014</u>

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

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TO THE FINANCIAL STATEMENT**

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LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2018

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Leslie County includes all budgeted and unbudgeted funds under the control of the Leslie County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Senior Citizens Fund - The primary purpose of this fund is to operate the Senior Citizens Center. The primary source of receipts is from USDA federal grants received from the Kentucky River Area Development District (KRADD).

Flood Relief Fund - The purpose of this fund is to account for flood repair reimbursements funded by the Federal Emergency Management Agency (FEMA).

Local Government Economic Development Fund - The purpose of this fund is to account for projects funded by Local Government Economic Development funds. The primary source of receipts is grants received from the Department for Local Government.

E911 Fund - The purpose of this fund is to operate the E911 Communication Center.

Debt Service Fund - The purpose of this fund is to separately account for receipts used to satisfy long-term debt requirements for jail improvement projects and other disbursements.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

USDA Fund – This fund is used to process USDA grant funds received for and/or passed on to other governmental entities. The fund had no financial activity during the fiscal year ended June 30, 2018, and had a \$0 cash balance as of June 30, 2018.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

The state local finance officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

E. Leslie County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Leslie County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Leslie County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county 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).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 2. Deposits

The fiscal court 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 fiscal court 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. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government 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 June 30, 2018, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2018.

	Road Fund	LGEA Fund	Flood Relief Fund	LGED Fund	Debt Service Fund	Total Transfers In
Road Fund	\$	\$ 83,914	\$ 746,142	\$	\$	\$ 830,056
Jail Fund					335,998	335,998
Flood Relief Fund	20,380					20,380
E911 Fund				85,407		85,407
Total Transfers Out	<u>\$ 20,380</u>	<u>\$ 83,914</u>	<u>\$ 746,142</u>	<u>\$ 85,407</u>	<u>\$ 335,998</u>	<u>\$ 1,271,841</u>

Reason for transfers:

To move resources from and to the general fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Agency Trust Funds

Agency trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2018, was \$23,186.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Long-term Debt

A. General Obligation Refunding Lease, Series 2014B

On August 28, 2014, the Leslie County Fiscal Court entered into a General Obligation Refunding Lease Agreement, Series, 2014B, with Kentucky Association of Counties Finance Corporation to advance refund the General Obligation Improvement Bonds, Series 2006 and the KADD Financing Trust. The total principal was \$1,540,000 and requires annual principal payments due on December 20 beginning December 20, 2014, for a period of twenty years. Interest payments are due semi-annually at rates ranging from 3.0% to 3.50% due on June 20 and December 20 beginning on December 20, 2014, for a period of twenty years. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Interest
2019	\$ 55,000	\$ 43,888
2020	55,000	42,100
2021	60,000	40,237
2022	60,000	38,288
2023	65,000	36,262
2024-2028	365,000	147,563
2029-2033	430,000	80,406
2034-2035	200,000	8,250
Totals	<u>\$ 1,290,000</u>	<u>\$ 436,994</u>

B. General Obligation Refunding Lease, Series 2014C

On August 28, 2014, the Leslie County Fiscal Court entered into a General Obligation Refunding Lease Agreement, Series 2014C, with Kentucky Association of Counties Finance Corporation to advance refund the General Obligation Improvement Bonds, Series 2005. The total principal was \$4,785,000 and requires annual principal payments due on December 20 beginning December 20, 2014, for a period of twenty years. Interest payments are due semi-annually at rates ranging from 3.0% to 3.50% due on June 20 and December 20 beginning on December 20, 2014, for a period of twenty years. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Interest
2019	\$ 185,000	\$ 134,423
2020	185,000	128,502
2021	195,000	122,433
2022	200,000	116,117
2023	205,000	109,643
2024-2028	1,125,000	444,152
2029-2033	1,330,000	238,983
2034-2035	605,000	24,267
Totals	<u>\$ 4,030,000</u>	<u>\$ 1,318,520</u>

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Long-term Debt (Continued)

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 5,555,000	\$	\$ 235,000	\$ 5,320,000	\$ 240,000
Total Long-term Debt	<u>\$ 5,555,000</u>	<u>\$ 0</u>	<u>\$ 235,000</u>	<u>\$ 5,320,000</u>	<u>\$ 240,000</u>

Note 6. Employee Retirement System

The fiscal court has 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 county's contribution for FY 2016 was \$498,082, FY 2017 was \$ 547,506, and FY 2018 was \$590,412.

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 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 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 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 KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 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 19.18 percent.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage – Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, 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 by 1.5%. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5% cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

D. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

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.

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

Note 7. Deferred Compensation

On January 27, 2016, the Leslie County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 8. Health Reimbursement Account/Flexible Spending Account

The Leslie County Fiscal Court established a flexible spending account in 2010 to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides \$1,500 each year to go toward employee's deductible. Employees may also contribute additional pre-tax funds through payroll deduction. The balance of the plan is \$3,060.

Note 9. Insurance

For the fiscal year ended June 30, 2018, the Leslie County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Prior Period Adjustments

The jail commissary fund beginning balance was restated due to a prior period reclassifications and voided outstanding deposited and checks.

	<u>Jail Commissary</u>
Beginning Balance	\$ 272,423
Prior Period Voided Deposited	(4,121)
Prior Period Voided Checks	7,049
Reclassified Account	202,496
Reclassified Account	<u>(4,010)</u>
Beginning Balance Restated	<u>\$ 473,837</u>

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LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

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LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 619,565	\$ 619,565	\$ 714,258	\$ 94,693
In Lieu Tax Payments	97,177	97,177	145,661	48,484
Excess Fees	45,190	45,190	37,198	(7,992)
Licenses and Permits	86,899	86,899	86,688	(211)
Intergovernmental	174,094	174,094	152,318	(21,776)
Miscellaneous	67,974	67,974	88,922	20,948
Interest	300	300	204	(96)
Total Receipts	<u>1,091,199</u>	<u>1,091,199</u>	<u>1,225,249</u>	<u>134,050</u>
DISBURSEMENTS				
General Government	852,829	936,362	728,337	208,025
Protection to Persons and Property	4,000	4,000	3,999	1
General Health and Sanitation	7,500	8,500	8,452	48
Recreation and Culture	25,000	25,000	17,475	7,525
Administration	1,189,900	859,352	631,219	228,133
Total Disbursements	<u>2,079,229</u>	<u>1,833,214</u>	<u>1,389,482</u>	<u>443,732</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(988,030)</u>	<u>(742,015)</u>	<u>(164,233)</u>	<u>577,782</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	872,638	872,638		(872,638)
Transfers To Other Funds	(259,608)	(259,608)		259,608
Total Other Adjustments to Cash (Uses)	<u>613,030</u>	<u>613,030</u>		<u>(613,030)</u>
Net Change in Fund Balance	(375,000)	(128,985)	(164,233)	(35,248)
Fund Balance - Beginning	<u>375,000</u>	<u>375,000</u>	<u>493,977</u>	<u>118,977</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 246,015</u>	<u>\$ 329,744</u>	<u>\$ 83,729</u>

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$ 80,318	\$ 80,318	\$ 109,267	\$ 28,949
Intergovernmental	1,288,467	1,288,467	1,820,634	532,167
Miscellaneous			30,110	30,110
Interest	227	227	468	241
Total Receipts	<u>1,369,012</u>	<u>1,369,012</u>	<u>1,960,479</u>	<u>591,467</u>
DISBURSEMENTS				
General Health and Sanitation		581,045	581,045	
Roads	1,867,800	2,209,497	1,865,571	343,926
Administration	540,820	353,901	269,690	84,211
Total Disbursements	<u>2,408,620</u>	<u>3,144,443</u>	<u>2,716,306</u>	<u>428,137</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,039,608)</u>	<u>(1,775,431)</u>	<u>(755,827)</u>	<u>1,019,604</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	589,608	589,608	830,056	240,448
Transfers To Other Funds			(20,380)	(20,380)
Total Other Adjustments to Cash (Uses)	<u>589,608</u>	<u>589,608</u>	<u>809,676</u>	<u>220,068</u>
Net Change in Fund Balance	(450,000)	(1,185,823)	53,849	1,239,672
Fund Balance - Beginning	<u>450,000</u>	<u>450,000</u>	<u>527,468</u>	<u>77,468</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (735,823)</u>	<u>\$ 581,317</u>	<u>\$ 1,317,140</u>

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,747,773	\$ 2,747,773	\$ 3,044,082	\$ 296,309
Charges for Services	22,619	22,619	18,776	(3,843)
Miscellaneous	122,601	122,601	98,362	(24,239)
Interest	128	128	199	71
Total Receipts	<u>2,893,121</u>	<u>2,893,121</u>	<u>3,161,419</u>	<u>268,298</u>
DISBURSEMENTS				
Protection to Persons and Property	2,228,367	2,519,214	2,434,556	84,658
Debt Service	420,935	420,935	420,935	
Administration	939,754	648,907	646,672	2,235
Total Disbursements	<u>3,589,056</u>	<u>3,589,056</u>	<u>3,502,163</u>	<u>86,893</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(695,935)</u>	<u>(695,935)</u>	<u>(340,744)</u>	<u>355,191</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	420,935	420,935	335,998	(84,937)
Total Other Adjustments to Cash (Uses)	<u>420,935</u>	<u>420,935</u>	<u>335,998</u>	<u>(84,937)</u>
Net Change in Fund Balance	(275,000)	(275,000)	(4,746)	270,254
Fund Balance - Beginning	<u>275,000</u>	<u>275,000</u>	<u>362,679</u>	<u>87,679</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 357,933</u>	<u>\$ 357,933</u>

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 582,882	\$ 582,882	\$ 553,488	\$ (29,394)
Interest	100	100	273	173
Total Receipts	<u>582,982</u>	<u>582,982</u>	<u>553,761</u>	<u>(29,221)</u>
DISBURSEMENTS				
General Government	25,077	30,840	27,283	3,557
Protection to Persons and Property	21,710	21,710	21,574	136
General Health and Sanitation	120,428	122,248	112,445	9,803
Social Services	227,320	228,852	182,772	46,080
Recreation and Culture	35,000	35,000	20,406	14,594
Roads	25,000	25,400	19,841	5,559
Administration	373,447	363,932	161,704	202,228
Total Disbursements	<u>827,982</u>	<u>827,982</u>	<u>546,025</u>	<u>281,957</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(245,000)</u>	<u>(245,000)</u>	<u>7,736</u>	<u>252,736</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(330,000)</u>	<u>(330,000)</u>	<u>(83,914)</u>	<u>246,086</u>
Total Other Adjustments to Cash (Uses)	<u>(330,000)</u>	<u>(330,000)</u>	<u>(83,914)</u>	<u>246,086</u>
Net Change in Fund Balance	(575,000)	(575,000)	(76,178)	498,822
Fund Balance - Beginning	<u>575,000</u>	<u>575,000</u>	<u>539,103</u>	<u>(35,897)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 462,925</u>	<u>\$ 462,925</u>

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	SENIOR CITIZENS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 85,966	\$ 85,966	\$ 91,139	\$ 5,173
Total Receipts	<u>85,966</u>	<u>85,966</u>	<u>91,139</u>	<u>5,173</u>
DISBURSEMENTS				
Social Services	93,482	108,325	91,989	16,336
Administration	53,484	38,641		38,641
Total Disbursements	<u>146,966</u>	<u>146,966</u>	<u>91,989</u>	<u>54,977</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(61,000)</u>	<u>(61,000)</u>	<u>(850)</u>	<u>60,150</u>
Net Change in Fund Balance	(61,000)	(61,000)	(850)	60,150
Fund Balance - Beginning	<u>61,000</u>	<u>61,000</u>	<u>61,275</u>	<u>275</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 60,425</u>	<u>\$ 60,425</u>

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	FLOOD RELIEF FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$	\$ 710,354	\$ 710,354
Interest		400	503	103
Total Receipts		400	710,857	710,457
DISBURSEMENTS				
General Health and Sanitation Administration		156,764	156,764	
Total Disbursements		892,587	156,764	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(892,187)	554,093	710,457
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			20,380	20,380
Transfers To Other Funds			(746,142)	(746,142)
Total Other Adjustments to Cash (Uses)			(725,762)	(725,762)
Net Change in Fund Balance		(892,187)	(171,669)	(15,305)
Fund Balance - Beginning		892,187	892,232	45
Fund Balance - Ending	\$	\$ 0	\$ 720,563	\$ (15,260)

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$	\$ 225,841	\$ 225,841
Miscellaneous			15,000	15,000
Interest	462	462	463	1
Total Receipts	462	462	241,304	240,842
DISBURSEMENTS				
General Government	15,938	33,000	33,000	
Protection to Persons and Property		10,000	10,000	
General Health and Sanitation	90,570	309,523	146,206	163,317
Total Disbursements	106,508	352,523	189,206	163,317
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(106,046)	(352,061)	52,098	404,159
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(872,638)	(872,638)	(85,407)	787,231
Total Other Adjustments to Cash (Uses)	(872,638)	(872,638)	(85,407)	787,231
Net Change in Fund Balance	(978,684)	(1,224,699)	(33,309)	1,191,390
Fund Balance - Beginning	978,684	978,684	977,578	(1,106)
Fund Balance - Ending	\$ 0	\$ (246,015)	\$ 944,269	\$ 1,190,284

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	E911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 201,111	\$ 201,111	\$ 238,938	\$ 37,827
Intergovernmental			75,000	75,000
Interest	250	250	320	70
Total Receipts	<u>201,361</u>	<u>201,361</u>	<u>314,258</u>	<u>112,897</u>
DISBURSEMENTS				
Protection to Persons and Property	346,986	387,747	356,563	31,184
Administration	484,375	443,614	132,722	310,892
Total Disbursements	<u>831,361</u>	<u>831,361</u>	<u>489,285</u>	<u>342,076</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(630,000)</u>	<u>(630,000)</u>	<u>(175,027)</u>	<u>454,973</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			85,407	85,407
Total Other Adjustments to Cash (Uses)			<u>85,407</u>	<u>85,407</u>
Net Change in Fund Balance	(630,000)	(630,000)	(89,620)	540,380
Fund Balance - Beginning	<u>630,000</u>	<u>630,000</u>	<u>680,652</u>	<u>50,652</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 591,032</u>	<u>\$ 591,032</u>

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	DEBT SERVICE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 582,000	\$ 582,000	\$ 611,757	\$ 29,757
Intergovernmental			425,950	425,950
Interest	200	200	190	(10)
Total Receipts	<u>582,200</u>	<u>582,200</u>	<u>1,037,897</u>	<u>455,697</u>
DISBURSEMENTS				
Recreation and Culture	25,000	25,000	18,980	6,020
Roads	98,000	118,000	105,157	12,843
Administration	213,265	193,265	195	193,070
Total Disbursements	<u>336,265</u>	<u>336,265</u>	<u>124,332</u>	<u>211,933</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>245,935</u>	<u>245,935</u>	<u>913,565</u>	<u>667,630</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(420,935)</u>	<u>(420,935)</u>	<u>(335,998)</u>	<u>84,937</u>
Total Other Adjustments to Cash (Uses)	<u>(420,935)</u>	<u>(420,935)</u>	<u>(335,998)</u>	<u>84,937</u>
Net Change in Fund Balance	(175,000)	(175,000)	577,567	752,567
Fund Balance - Beginning	<u>175,000</u>	<u>175,000</u>	<u>234,976</u>	<u>59,976</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 812,543</u>	<u>\$ 812,543</u>

LESLIE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2018

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

**LESLIE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis**

For The Year Ended June 30, 2018

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LESLIE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Land	\$ 366,800	\$	\$	\$ 366,800
Buildings	13,654,599			13,654,599
Other Equipment *	2,078,551	243,000		2,321,551
Vehicle and Equipment *	1,251,375	97,940	10,475	1,338,840
Infrastructure	10,589,472	1,231,343		11,820,815
	<u>\$ 27,940,797</u>	<u>\$ 1,572,283</u>	<u>\$ 10,475</u>	<u>\$ 29,502,605</u>

LESLIE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2018

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 50,000	10-20
Land	All	
Buildings	All	25-40
Other Equipment	\$ 5,000	5-20
Vehicles and Equipment	\$ 5,000	5-10
Infrastructure	\$ 50,000	5-50

Note 2. Prior Period Adjustments

The beginning balance for vehicle and equipment will be reduced by \$14,025 for vehicles that did not meet the capitalization threshold required to be included on the counties capital asset schedule. The restated beginning balance for vehicles and equipment is \$1,251,375.

The beginning balance for other equipment will be reduced by \$64,488 for equipment that did not meet the capitalization threshold required to be included on the counties capital asset schedule. In addition, other equipment totaling \$98,027 was mistakenly excluded from the prior year capital asset schedule, therefore other equipment will be restated with a beginning balance of \$2,078,551.

**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***

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable William R. Lewis, Leslie County Judge/Executive
The Honorable Jimmy Sizemore, Former Leslie County Judge/Executive
Members of the Leslie 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 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, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Leslie County Fiscal Court for the fiscal year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Leslie County Fiscal Court's financial statement and have issued our report thereon dated February 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Leslie 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 Leslie County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Leslie County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 Responses as items 2018-001 and 2018-008 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)

Internal Control Over Financial Reporting (Continued)

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2018-003, 2018-005, 2018-006, and 2018-007 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Leslie County Fiscal Court's financial statement 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 Responses as items 2018-002, 2018-004, and 2018-007.

Views of Responsible Officials and Planned Corrective Action

Leslie County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

February 24, 2020

**LESLIE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2018

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**LESLIE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2018

FINANCIAL STATEMENT FINDINGS:

2018-001 The Leslie County Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations

This is a repeat finding and was included in the prior year audit report as finding 2017-001. The Leslie County Fiscal Court does not have adequate segregation of duties over receipts, disbursements, and reconciliations. The county treasurer is responsible for preparing deposits, posting to the receipts and disbursements ledgers, signing checks, reconciling all bank accounts, preparing monthly reports for the fiscal court and quarterly reports for the Department for Local Government with little or no documented review.

A limited budget places restrictions on the number of employees the fiscal court can hire. When faced with a limited number of staff, strong compensating controls should have been implemented to offset the lack of segregation of duties. A lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government. Segregation of duties over various accounting functions, such as opening mail, collecting receipts, preparing bank deposits, posting receipts and disbursements, preparing reports and reconciliations, or the implementation of compensating controls, when needed because the number of staff is limited, 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

We recommend the fiscal court separate the duties involving the opening of mail, collecting and depositing of receipts, posting receipts disbursements, and preparation of reports and reconciliations. If this is not feasible due to a limited budget, strong oversight over these areas could occur and involve an employee that isn't currently performing any of those functions. Additionally, the county judge/executive could provide this oversight and document it on the appropriate source documents.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The County Judge Executive's Office will be purchasing a new software designed for local county government. This will allow the generation of financial reporting by designated employees and the Treasurer for review and submission at any time. This will allow adequate tracking of all financial records including deposits, posting receipts and reconciliation by the finance officer and county treasurer.

2018-002 The Leslie County Fiscal Court Failed To Make Continuing Financial Disclosures Required By Bond Agreements

This is a repeat finding and was included in the prior year audit report as finding 2017-002. The Leslie County Fiscal Court failed to make continuing financial disclosures that were required by Leslie County's bond issuances in the fiscal year ended June 30, 2018. The Leslie County Fiscal Court is not in compliance with the debt covenants included in the Leslie County's bond issuances. This noncompliance could cause the fiscal court's bond rating to be affected. Additionally, bondholders could seek legal action to require the submission of required financial information.

Leslie County's Judicial Center Bonds state that Annual Financial Information will be provided to the Municipal Securities Rulemaking Board (MSRB) within 210 days after the last day of the county's fiscal year. We recommend Leslie County Fiscal Court provide financial information to the MSRB as required by bond agreements.

LESLIE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-002 The Leslie County Fiscal Court Failed To Make Continuing Financial Disclosures Required By Bond Agreements (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We contacted the Kentucky Association of Counties Finance Corporation to gain more understanding around this issue. As a new Administration we are learning more about our bond agreements. We will be working with the Kentucky Association of Counties (KACo) and Compass Municipal Advisors, LLC, who helped with the most recent re-finance of these bonds to ensure that financial information is provided to the MSRB in a timely manner.

2018-003 The Leslie County Fiscal Court Did Not Follow Proper Bid Laws And Regulations

This is a repeat finding and was included in the prior year audit report as finding 2017-003. The Leslie County Fiscal Court did not properly follow proper bid laws and regulations.

- One invoice for road and bridge repairs was for a total of \$53,740 to one vendor without receiving any submitted bids.
- The bid submitted for gravel did not include all the types of gravel that the county purchased. Also the gravel bid did not include the delivery price when the county didn't pick up the gravel with their own trucks.
- The fuel bid was submitted at eight cents over cost but the vendor did not supply documentation each month with the invoice to prove the county was being charged the correct price.

Sufficient internal controls were not in place over the bidding process to ensure items and services were not purchased from vendors without first advertising or receiving bids when necessary on all purchases required to be bid. By limiting competition or not receiving bids at all, fiscal court may not get the benefits of the best price available. Competitive bidding ensures the fiscal court procures equipment and services at the best price available.

KRS 424.260(1) states, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids."

KRS 178.140 states, "(1) All bids for the construction or maintenance of county roads and bridges shall be received at the time and placed specified in the advertisement, and shall be opened publicly at the time of awarding, and the amount of items comprising each bid shall be publicly announced. (2) The contract shall be awarded to the lowest and best bidder, who shall furnish satisfactory security in an amount equal to the amount of the contract in question, to be approved by the county judge/executive of the county."

We recommend the fiscal court ensure any purchases over \$20,000 or more are bid in compliance with KRS 424.260 and ensure they obtain supporting documentation that bids terms are complied with.

LESLIE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-003 The Leslie County Fiscal Court Did Not Follow Proper Bid Laws And Regulations (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The new administration has been working closely with the county attorney to avoid any issues in this area. The county attorney is consulted multiple times a week on a variety of issues including proper procedures for many processes. The administrative staff has been provided with copies of the relevant statutes concerning bid procedures to have on hand for reference.

2018-004 The Leslie County Jailer Did Not Present The Financial Statement For The Commissary Account To The County Treasurer

The Leslie County Jailer is required by statute to present a report of all receipts and disbursements from the canteen to the county treasurer annually. The jailer presented a report to the county treasurer, but it was a report for the inmate account that is used for the holding of inmate funds, not the commissary receipts and disbursements. This is a repeat finding and was included in the prior year audit report as finding 2017-008.

According to the jailer, they were unaware that the report was supposed to be for the commissary account but thought that the inmate account receipts and disbursements should be submitted to the treasurer. The jailer did not report to the treasurer all of the activity for the commissary account as required.

KRS 441.135 (2) states, in part, "...the jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account."

We recommend the jailer ensure that the proper report is given to the county treasurer in the future.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This issue has been addressed with the Jailer, he has agreed to produce all proper reporting in the future in a regularly scheduled fiscal court meeting to the fiscal court and county treasurer.

Jailer's Response: The Jailer presented the financial statement for the Jail Operating Account to the County Treasurer. He thought he had also presented the same for the Commissary Account. He will do so in the future.

2018-005 The Leslie County Jailer's Sales Tax Returns Are Not Being Properly Calculated

The Leslie County Jailer collects and distributes sales tax on purchases made from the inmate commissary. During review of the sales tax returns and payments, we noted that gross sales were being reported, however the vendors discount was not calculated at all. The sales tax returns were filed on time, therefore the jailer was entitled to the vendor's discount of 1.75% of the sales tax collected; however the discount was not taken. In addition, the Leslie County Jailer paid additional sales tax and interest of \$204 on the May 2018 sales tax report. This is a repeat finding and was included in the prior year audit report as finding 2017-009.

The former bookkeeper was responsible for filling out the sales tax returns and did not claim the vendor's compensation on any of the fiscal year 2018 sales tax reports. In addition, by not have controls in place to review the sales tax returns were properly completed allowed for inaccurate reporting to go unnoticed.

LESLIE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-005 The Leslie County Jailer's Sales Tax Returns Are Not Being Properly Calculated (Continued)

By not correctly filling out the May 2018 sales tax return and additional \$204 in sales tax and interest was paid and by not claiming the vendor's discount, the jail's commissary paid an additional \$426 of sales tax.

KRS 139.570(1)(a) states, "[f]or reimbursement of the cost of collecting and remitting the tax, the seller shall deduct on each return one and three-quarters percent (1.75%) of the first one thousand dollars (\$1,000) of tax due and one and one-half percent (1.5%) of the tax due in excess of one thousand dollars (\$1,000), provided the amount due is not delinquent at the time of payment."

We recommend sales tax returns be properly calculated by using the gross sales and ensuring the vendor discount is taken when applicable. We further recommend the sales tax return be reviewed for accuracy which can be documented by initialing the return prior to the return being submitted and the check being issued.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The issue has been discussed with the Jailer, he has already corrected this issue.

Jailer's Response: Upon the sale of commissary items, the Leslie County Detention Center properly calculates sales tax. The Leslie County Detention Center has then submitted all of the sales tax collected to the State of Kentucky. The Leslie County Detention Center should have retained 1.75% of the first \$1,000 collected. Leslie County Detention Center has already corrected this issue.

2018-006 The Leslie County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements

Internal controls over disbursements were not operating as intended during fiscal year 2018. Proper procedures were not followed over disbursements, supporting documentation was not maintained and appropriate, haul tickets were not maintained for asphalt, and the fiscal court was not properly approving invoices. The following exceptions were noted:

- One invoice tested did not have a receipt or invoice. Two credit card charges did not have an itemized receipt or invoice.
- The asphalt invoice tested was missing haul tickets. Vendor would supply invoice with the total amount of blacktop per road, no one reviewed to make sure all loads charged goes to the county job site.
- Five invoices tested were not paid within 30 business days. One credit card invoice included interest of \$7 that the county paid.
- One invoice was not approved on the fiscal court claim list. Nine invoices and six credit card invoices were paid and then listed on the Nunc Pro Tunc list for approval by fiscal court.
- Jailer spent more than the administrative code allows for travel. On several occasions he spent over \$45 per night for hotel stays and for one meal he spent over the \$30 per day for meals and used a debit card.

As a result of not monitoring controls in place, it allowed for the deficiencies to occur. These deficiencies could result in inaccurate reporting and misappropriation of assets. The Department for Local Government, under the authority of KRS 68.210, gives the state local finance officer the authority to prescribe minimum requirements for handling public funds. According to the *County Budget Preparation and State Local Finance Officer Policy Manual*, disbursements should be made by check only. In addition, good internal controls require original supporting documentation be maintained for all disbursements.

LESLIE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-006 The Leslie County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements
 (Continued)

KRS 65.140(2) states, “[u]nless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor’s invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor’s subcontractor.”

KRS 68.275 states, in part, “(2) The 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. (3) The fiscal court may adopt an order, called a standing order, to preapprove the payment of recurrent monthly payroll and utility expenses. No other expenses shall be preapproved pursuant to this subsection without the written consent of the state local finance officer...”

According to the fiscal court’s administrative code chapter 360.1, “Subject to budgetary limitations, any officer or employee of the county incurring expenses for approved travel on behalf of the county shall be reimbursed for allowable out-of-county travel expenses as follows: (a) Room costs: Reimbursement for actual amount on receipt (conference rate). Non-conference rate shall not exceed \$45.00 per day, unless Judge/Executive or Fiscal Court approves reimbursement at a higher rate. (b) Meal Costs: Not to exceed \$30.00 per day (upon presentation of receipt).”

We recommend the fiscal court implement proper internal controls over disbursements and ensure they are operating effectively.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: The new administration has discussed with each department the necessity of keeping all receipts for expenditures. The financial officer will attach all receipts to invoices prior to payment.

2018-007 The Jailer Did Not Comply With Bidding Requirements Set Forth In KRS 424.260 And Did Not Maintain Supporting Documentation For Some Purchases

The jailer purchased electronic cigarettes for use as commissary inventory from three vendors totaling \$114,944 in the fiscal year ending June 30, 2018, without obtaining bids. Additionally, the jailer purchased four vehicles totaling \$94,940 from the vendor who held the state price contract for fiscal year 2018. The jailer did not maintain the master agreement supporting the price of the trucks and auditors were unable to determine if the correct price was paid. Because electronic cigarettes were purchased from three separate vendors, the jailer was unaware of the requirement to obtain bids for this item. Additionally, the jailer was unaware that documentation would need to be maintained for any state price contract purchase. The jailer cannot be sure that electronic cigarettes were procured at the best price available without obtaining bids. Additionally, the jailer does not have adequate documentation that the amount of the agreed upon state price contract was received.

KRS 424.260(1) states, “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids.”

**LESLIE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-007 The Jailer Did Not Comply With Bidding Requirements Set Forth In KRS 424.260 And Did Not Maintain Supporting Documentation For Some Purchases (Continued)

Strong internal controls require that all invoices and contracts be maintained and reviewed to ensure that he county is paying the best and lowest price for goods/services. We recommend the jailer comply with KRS 424.260 by obtaining bids for all purchases involving expenditures of more than \$20,000 except for those items exempted in the statute and the jailer ensure that any future state price contract purchases are reviewed thoroughly and adequate documentation is maintained.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This issue has been discussed with the Jailer. He will comply with KRS 424.260 to correct this issue.

Jailer's Response: This issue concerns the purchase of e-cigs by the Leslie County Detention Center Commissary. Leslie County Detention Center purchases this product from state-wide vendors, who service jails. Toward the end of FYE June 30, 2018, the purchase of e-cigs (total monetary amount) triggered a bidding requirement, which the jailer was unaware. In order to meet this requirement, whether satisfied or not, the Jailer will now run an advertisement in the local newspaper at the beginning of each fiscal year.

2018-008 The Leslie County Fiscal Court Lacks Adequate Segregation Of Duties Over Payroll

The Leslie County Fiscal Court does not have adequate segregation of duties over payroll. The county treasurer receives the timesheet, enters the hours into the payroll system, prints and signs checks, prepares and submits all payroll related reports such as retirement and payroll withholdings. In addition, the treasurer maintains records for leave and sick time earned and used by employees. These payroll process are completed with little to no documented reviews. The fiscal court and county judge executive failed to develop adequate segregate of duties over the payroll process and reporting functions and did not implement adequate oversight regarding the payroll process. The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government.

Segregation of duties over various payroll functions, such as entering employees' time into the payroll system, processing payroll, printing checks, and preparing and submitting all payroll and payroll related reports or the implementation of compensating controls, when needed because the number of staff is limited, 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.

We recommend the fiscal court separate the payroll process, printing and signing checks, and preparing and submitting all payroll and payroll related reports. If segregation of duties is not possible, due to the limited number of staff, strong oversight should be implemented. The employee providing this oversight should document his or her review by initialing all source documentation. Additionally, the county judge/executive could provide this oversight and document it on the appropriate source documents.

LESLIE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-008 The Leslie County Fiscal Court Lacks Adequate Segregation Of Duties Over Payroll (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The County has transitioned the majority of the departments to fingerprint time clocks. Only approved supervisors are able to make any changes to this time keeping system. The supervisors are responsible for reviewing, executing prior to submittal all time sheets for payroll to the county judge-executive's office. Once the timesheets are received the information is entered into the database. Once this task is completed a verification form will be executed and scanned in with the time sheets.

A new payroll system has been purchased and is being used now.

We have started preparation for the networking for new financial software designed for county government to resolve any other weaknesses that currently presents itself. This system is expected to be up and running within the next two months. The treasurer and administrative staff will have access to this system to help protect against any inaccurate reporting.

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

LESLIE COUNTY FISCAL COURT

For The Year Ended June 30, 2018

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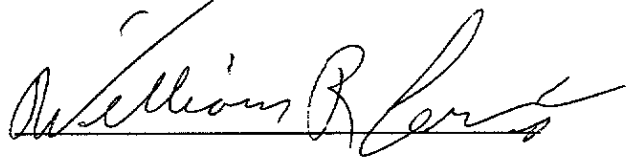
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

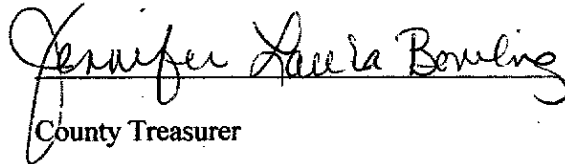
LESLIE COUNTY FISCAL COURT

For The Year Ended June 30, 2018

The Leslie County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to read "William R. Lewis", written over a horizontal line.

County Judge/Executive

A handwritten signature in black ink, appearing to read "Jennifer Laura Bowling", written over a horizontal line.

County Treasurer