

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

**For The Year Ended
June 30, 2017**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
The Honorable Doug Bishop, Former Rockcastle County Judge/Executive
The Honorable Howell Holbrook, Jr., Rockcastle County Judge/Executive
Members of the Rockcastle 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 Rockcastle County Fiscal Court, for the year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Rockcastle 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.



To the People of Kentucky

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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 Rockcastle 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 Rockcastle County Fiscal Court as of June 30, 2017, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Rockcastle County Fiscal Court as of June 30, 2017, 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 Rockcastle County Fiscal Court. The Budgetary Comparison Schedules and the 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 the 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 the 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 November 19, 2018, on our consideration of the Rockcastle 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 Rockcastle 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:

- 2017-001 The Rockcastle County Fiscal Court Does Not Have Adequate Internal Controls Over The Purchase Order System
- 2017-002 The Rockcastle County Fiscal Court Did Not Budget For Or Post Lease Proceeds And Debt Payments Resulting In A Materially Misstated Fourth Quarter Report And Exceeded Line Item Budgets
- 2017-003 The Rockcastle County Fiscal Court Did Not Obtain Bids When Required
- 2017-004 The Rockcastle County Detention Center Lacks Segregation Of Duties Over Receipts, Disbursements, And The Bank Reconciliation Process
- 2017-005 The Rockcastle County Detention Center Failed To Properly Reconcile The Commissary And Inmate Bank Accounts
- 2017-006 The Rockcastle County Jailer Did Not Pay Booking Fees Over To The Fiscal Court
- 2017-007 The Fiscal Court Did Not Ensure All Timesheets Were Prepared And Approved Prior To Payment
- 2017-008 The Fiscal Court And The Detention Center Have Conflicting Personnel Policies
- 2017-009 The Rockcastle County Jailer Lacks Adequate Internal Controls Over The Overall Environment Of The Detention Center
- 2017-010 The Rockcastle County Jailer Did Not Have Sufficient Internal Controls Over Disbursements
- 2017-011 The Jail Financial Statement Did Not Agree To The Inmate Cash Balance Report Or To The Bank Balances As Of June 30, 2017
- 2017-012 The Rockcastle County Detention Center Lacks Adequate Internal Controls Over The Inmate Accounts
- 2017-013 The Jailer Did Not Comply With Bidding Requirements Set Forth In KRS 424.260
- 2017-014 The Rockcastle County Jailer Does Not Deposit Receipts Daily
- 2017-015 The Rockcastle County Fiscal Court Did Not Maintain Proper Records For Debt Service
- 2017-016 The Fiscal Court Had Overdrawn Bank Balances In Numerous Bank Accounts During Fiscal Year 2017

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

November 19, 2018

ROCKCASTLE COUNTY OFFICIALS**For The Year Ended June 30, 2017****Fiscal Court Members:**

Doug Bishop	County Judge/Executive
Gary Burdette	Magistrate
Shannon Bishop	Magistrate
Michael McGuire	Magistrate
William Denny	Magistrate
Bill McKinney	Magistrate

Other Elected Officials:

Jeremy Rowe	County Attorney (May 2018 - Present)
William D. Reynolds	County Attorney (July 1, 2017 thru May 2018)
Carlos McClure	Jailer
Danetta Ford Allen	County Clerk
Eliza York	Circuit Court Clerk
Michael Peters	Sheriff
Janet Vaughn	Property Valuation Administrator
Marvin Owens	Coroner

Appointed Personnel:

Joseph B. Clontz	County Treasurer
Patricia Martin	Chief Financial Officer

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

For The Year Ended June 30, 2017

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

For The Year Ended June 30, 2017

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 3,035,384	\$ 27,785	\$ 863,094
In Lieu Tax Payments	31,787	14,353	112,171
Excess Fees	80,039	506	103
Licenses and Permits	18,172		
Intergovernmental	231,774	1,298,474	863,094
Charges for Services	14,382		14,353
Miscellaneous	304,711	57,187	112,171
Interest	2,663	506	103
Total Receipts	<u>3,718,912</u>	<u>1,383,952</u>	<u>989,721</u>
DISBURSEMENTS			
General Government	1,284,392	18,000	
Protection to Persons and Property	277,780		1,046,811
General Health and Sanitation	113,238		
Social Services	10,865		
Recreation and Culture	75,762		
Roads		908,360	
Debt Service	1,534,195	1,272,433	866,194
Capital Projects	50,000		
Administration	293,779	254,040	294,415
Total Disbursements	<u>3,640,011</u>	<u>2,452,833</u>	<u>2,207,420</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>78,901</u>	<u>(1,068,881)</u>	<u>(1,217,699)</u>
Other Adjustments to Cash (Uses)			
Borrowed Money	60,000		
Lease Proceeds	785,000	985,000	700,000
Lease Premium	84,480	106,004	75,332
Transfers From Other Funds		76,046	485,000
Transfers To Other Funds	(886,604)		
Total Other Adjustments to Cash (Uses)	<u>42,876</u>	<u>1,167,050</u>	<u>1,260,332</u>
Net Change in Fund Balance	121,777	98,169	42,633
Fund Balance - Beginning (Restated)	<u>593,319</u>	<u>137,488</u>	<u>20,699</u>
Fund Balance - Ending	<u>\$ 715,096</u>	<u>\$ 235,657</u>	<u>\$ 63,332</u>
Composition of Fund Balance			
Bank Balance	\$ 727,972	\$ 257,386	\$ 63,768
Less: Outstanding Checks	(12,876)	(21,729)	(436)
Fund Balance - Ending	<u>\$ 715,096</u>	<u>\$ 235,657</u>	<u>\$ 63,332</u>

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

ROCKCASTLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2017
(Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	Forestry Fund	Fairgrounds Fund	911 Fund	Local Emergency Planning Committee Fund	Chemical Stockpile Emergency Preparedness Program Fund
\$	\$ 1,481	\$	\$ 260,187	\$	\$
191,157					279,626
6,073		38,339		909	
54	2		31		
<u>197,284</u>	<u>1,483</u>	<u>38,339</u>	<u>260,218</u>	<u>909</u>	<u>279,626</u>
38,241					
35,387	2,555		273,775	142	270,535
53,396					
995		236,303			
15,895					
34,867	4		91,339	189	30,005
<u>178,781</u>	<u>2,559</u>	<u>236,303</u>	<u>365,114</u>	<u>331</u>	<u>300,540</u>
18,503	(1,076)	(197,964)	(104,896)	578	(20,914)
20,000	1,000	150,500	120,000		34,058
<u>20,000</u>	<u>1,000</u>	<u>150,500</u>	<u>120,000</u>		<u>34,058</u>
38,503	(76)	(47,464)	15,104	578	13,144
7,469	322	55,782	19,983	1,673	25,967
<u>\$ 45,972</u>	<u>\$ 246</u>	<u>\$ 8,318</u>	<u>\$ 35,087</u>	<u>\$ 2,251</u>	<u>\$ 39,111</u>
\$ 47,821	\$ 246	\$ 8,318	\$ 37,368	\$ 2,251	\$ 53,858
(1,849)			(2,281)		(14,747)
<u>\$ 45,972</u>	<u>\$ 246</u>	<u>\$ 8,318</u>	<u>\$ 35,087</u>	<u>\$ 2,251</u>	<u>\$ 39,111</u>

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

ROCKCASTLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2017
(Continued)

	<u>Unbudgeted Fund</u>	
	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS		
Taxes	\$	\$ 3,297,052
In Lieu Tax Payments		59,572
Excess Fees		80,039
Licenses and Permits		18,172
Intergovernmental		2,864,125
Charges for Services		28,735
Miscellaneous	171,910	691,300
Interest		3,359
Total Receipts	<u>171,910</u>	<u>7,042,354</u>
DISBURSEMENTS		
General Government		1,340,633
Protection to Persons and Property		1,906,985
General Health and Sanitation		166,634
Social Services		11,860
Recreation and Culture	89,363	401,428
Roads		924,255
Debt Service		3,672,822
Capital Projects		50,000
Administration		998,638
Total Disbursements	<u>89,363</u>	<u>9,473,255</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>82,547</u>	<u>(2,430,901)</u>
Other Adjustments to Cash (Uses)		
Borrowed Money		60,000
Lease Proceeds		2,470,000
Lease Premium		265,816
Transfers From Other Funds		886,604
Transfers To Other Funds		(886,604)
Total Other Adjustments to Cash (Uses)		<u>2,795,816</u>
Net Change in Fund Balance	82,547	364,915
Fund Balance - Beginning (Restated)	<u>45,439</u>	<u>908,141</u>
Fund Balance - Ending	<u>\$ 127,986</u>	<u>\$ 1,273,056</u>
Composition of Fund Balance		
Bank Balance	\$ 130,283	\$ 1,329,271
Less: Outstanding Checks	<u>(2,297)</u>	<u>(56,215)</u>
Fund Balance - Ending	<u>\$ 127,986</u>	<u>\$ 1,273,056</u>

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

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ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2017

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Rockcastle County includes all budgeted and unbudgeted funds under the control of the Rockcastle 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.

The Rockcastle County Industrial Development Authority would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis it is no longer are required components of the reporting entity.

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.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

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.

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.

Forestry Fund - The primary purpose of this fund is to account for the forestry expenses of the county. The primary source of receipts for this fund is state grants.

Fairgrounds Fund - The primary purpose of this fund is to account for fairground expenses of the county. The primary source of receipts for this fund is from leasing or rentals of property.

911 Fund - The primary purpose of this fund is to account for emergency personnel of the county. The primary source of receipts for this fund is telephone fee collections.

Local Emergency Planning Committee (LEPC) Fund - The primary purpose of this fund is to account for emergency planning expenses of the county. The primary source of receipts for this fund is state grants.

Chemical Stockpile Emergency Preparedness Program (CSEPP) Fund - The primary purpose of this fund is to account for emergency equipment and personnel expenses of the county. The primary sources of receipts for this fund are federal and state grants.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1). The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

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.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(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. Rockcastle County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Rockcastle 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 Rockcastle County Fiscal Court.

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

F. Deposits

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.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(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, 2017, 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 2017.

	General Fund	Total Transfers In
Road Fund	\$ 76,046	\$ 76,046
Jail Fund	485,000	485,000
LGEA Fund	20,000	20,000
Forestry Fund	1,000	1,000
Fairgrounds Fund	150,500	150,500
911 Fund	120,000	120,000
CSEPP Fund	34,058	34,058
	<hr/>	<hr/>
Total Transfers Out	<u>\$ 886,604</u>	<u>\$ 886,604</u>

Reason for transfers:

To move resources from the general fund, 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 fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2017, was \$39,324.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 5. Long-term Debt

A. Financing Obligation - Financing Program Revenue Bonds, 2016 First Series C

On September 14, 2016, the Rockcastle County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Finance Corporation (KACo), using Financing Program Revenue Bonds, 2016 First Series C, to refund the outstanding debt, General Obligation Public Project Refunding Bonds, Series 2007, dated April 12, 2007, used for the jail renovations and a fire truck for Brindle Ridge Fire Department, the Series 2009 Land Purchase dated May 18, 2009, and the 2009B Road Resurfacing lease agreement dated June 22, 2009. The refunding bonds and lease agreements were paid in full in June 2017.

As of June 30, 2017 the principal balance of the lease agreement is \$2,247,500. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 290,000	\$ 94,569
2019	305,000	82,144
2020	315,000	69,181
2021	330,000	55,694
2022	335,000	41,769
2023-2025	672,500	41,425
Totals	<u>\$ 2,247,500</u>	<u>\$ 384,782</u>

B. Financing Obligation - Fire Truck Lease

On November 13, 2007, the Rockcastle County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a fire truck for the Livingston Fire Department. Principal on the agreement was \$65,000, with an effective interest rate of 4.56 percent. Monthly principal and interest payments are scheduled for a period of ten years. The principal balance outstanding as of June 30, 2017, was \$3,173. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 3,173	\$ 124
Totals	<u>\$ 3,173</u>	<u>\$ 124</u>

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 5. Long-term Debt (Continued)

C. Anchor Building

On April 12, 2012, the Rockcastle County Fiscal Court entered into a capital lease agreement with Fifth Third Bank for the purpose of purchasing a building. Principal on the agreement was \$3,000,000, with an effective interest rate of 4.55 percent. Monthly principal and interest payments are scheduled for a period of 20 years. The principal balance outstanding as of June 30, 2017, was \$2,413,343.

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 112,640	\$ 59,556
2019	128,400	61,664
2020	134,160	58,060
2021	139,920	54,298
2022	1,898,223	42,261
Totals	<u>\$ 2,413,343</u>	<u>\$ 275,839</u>

D. Financing Obligation - Industrial Authority

The Rockcastle County Industrial Development Authority entered into a loan with Community Trust Bank to construct a building. Principal on the loan was \$2,700,000, with an interest rate of 4 percent. Monthly principal and interest payments are scheduled for a period of 15 years. The principal balance outstanding as of June 30, 2017, was \$728,459. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 162,262	\$ 34,610
2019	167,614	29,257
2020	173,144	23,728
2021	178,855	18,016
2022	46,584	1,481
Totals	<u>\$ 728,459</u>	<u>\$ 107,092</u>

E. Financing Obligation - Land and Houses

On August 28, 2014, the Rockcastle County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Finance Corporation to purchase land and two houses to be leased to the Kentucky Country Music Hall of Fame. Principal on the agreement was \$415,000 with variable interest rates between 3 percent and 3.75 percent. Monthly principal and interest payments are scheduled for a period of 25 years. The principal balance outstanding as of June 30, 2017, was \$380,000. Future principal and interest requirements are:

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 5. Long-term Debt (Continued)

E. Financing Obligation - Land and Houses (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 12,500	\$ 12,613
2019	15,000	12,238
2020	15,000	11,788
2021	15,000	11,338
2022	15,000	10,888
2023-2027	75,000	47,688
2028-2032	92,500	35,356
2033-2037	102,500	18,525
2038-2039	37,500	1,875
Totals	<u>\$ 380,000</u>	<u>\$ 162,309</u>

F. Financing Obligation - Fire Trucks and Equipment

On December 14, 2014, the Rockcastle County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust to purchase fire trucks and miscellaneous equipment. Principal on the agreement was \$280,000 with a fixed rate of interest at 3.15 percent. Monthly principal and interest payments are scheduled for a period of five years. The principal balance outstanding as of June 30, 2017, was \$145,655. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 56,891	\$ 4,729
2019	58,709	2,449
2020	30,055	347
Totals	<u>\$ 145,655</u>	<u>\$ 7,525</u>

G. Financing Obligation - Excavator Lease

On April 29, 2016, the Rockcastle County Fiscal Court entered into a capital lease agreement with Wells Fargo to purchase a Bobcat Compact Excavator. Principal on the agreement was \$55,342 with a fixed rate of interest at 4.76 percent. Monthly principal and interest payments are scheduled for a period of four years with an option of a \$1 buy out at the end of the lease. The principal balance outstanding as of June 30, 2017, was \$40,145. Future principal and interest requirements are:

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 5. Long-term Debt (Continued)

G. Financing Obligation - Excavator Lease (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 13,556	\$ 1,618
2019	14,215	958
2020	12,374	272
Totals	<u>\$ 40,145</u>	<u>\$ 2,848</u>

H. Financing Obligation - Ambulance

On April 18, 2017, the Rockcastle County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust to purchase an ambulance. Principal on the agreement was \$60,000 with a fixed rate of interest at 3.09 percent. Monthly principal and interest payments are scheduled for a period of five years. The principal balance outstanding as of June 30, 2017, was \$58,210. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 11,342	\$ 2,062
2019	11,697	1,615
2020	12,064	1,153
2021	12,442	678
2022	10,665	191
Totals	<u>\$ 58,210</u>	<u>\$ 5,699</u>

I. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 740,000	\$	\$ 740,000	\$	\$
Financing Obligations (restated)	6,078,667	2,530,000	2,592,182	6,016,485	662,364
Total Long-term Debt	<u>\$ 6,818,667</u>	<u>\$ 2,530,000</u>	<u>\$ 3,332,182</u>	<u>\$ 6,016,485</u>	<u>\$ 662,364</u>

Note: The beginning balance of Financing Obligations was restated (increased) from the prior year ending balance by a total of \$53,074 to include the excavator lease and for rounding.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

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 2015 was \$391,379, FY 2016 was \$370,930, and FY 2017 was \$427,450.

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 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 four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for nonhazardous employees was 18.68 percent.

Health Insurance Coverage

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

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

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

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 6. Employee Retirement System (Continued)

Health Insurance Coverage (Continued)

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.

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

Note 7. Deferred Compensation

In June 1990, the Rockcastle 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 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2017, the Rockcastle 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.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 9. Health Reimbursement Account/Flexible Spending Account

The Rockcastle County Fiscal Court, in Fiscal Court Order No. 10, established a health reimbursement account on October 1, 2011, to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan includes a debit card to each eligible employee providing \$500 per year to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction.

Note 10. Subsequent Events

In February 2018, the Rockcastle County Fiscal Court entered into a loan agreement with Citizens Bank for \$1,425,000 at a rate of 3 percent. The funds are to be used by the Rockcastle County Industrial Development Authority (RCIDA) to provide incentives to businesses to relocate to Rockcastle County. The chairman of the RCIDA board and the president of the bank making the loan are the same person.

Note 11. Related Party Transactions

- A. During the fiscal year ending June 30, 2017, the Rockcastle County Fiscal Court paid \$1,670 to a farm equipment business for equipment and supplies. The farm equipment business is owned by a magistrate's brother.
- B. During the fiscal year ending June 30, 2017, the Rockcastle County Fiscal Court paid \$2,803 to a tire business for equipment and supplies. The tire business is owned by the former county judge/executive's nephew.

Note 12. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance to a local hospital for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Rockcastle County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement.

Note 13. Prior Period Adjustments

The county treasurer voided prior year outstanding checks for being outstanding for more than one year. This resulted in an increase to the beginning balance of the general fund by \$626 and the jail fund by \$370.

The prior year ending bank balance for the road fund was overstated by \$499 due to these funds being included in the general and road fund in error.

The prior year ending balance for the jail commissary fund was overstated by \$1,923 due to outstanding checks not being properly accounted for in the prior year.

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

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ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,770,675	\$ 3,035,980	\$ 3,035,384	\$ (596)
In Lieu Tax Payments	10,500	10,500	31,787	21,287
Excess Fees	48,409	80,039	80,039	
Licenses and Permits	18,350	18,350	18,172	(178)
Intergovernmental	241,112	264,454	231,774	(32,680)
Charges for Services	12,500	14,382	14,382	
Miscellaneous	33,063	79,140	304,711	225,571
Interest	2,000	2,376	2,663	287
Total Receipts	<u>3,136,609</u>	<u>3,505,221</u>	<u>3,718,912</u>	<u>213,691</u>
DISBURSEMENTS				
General Government	1,173,690	1,344,830	1,284,392	60,438
Protection to Persons and Property	192,859	311,106	277,780	33,326
General Health and Sanitation	119,622	129,655	113,238	16,417
Social Services	21,925	21,925	10,865	11,060
Recreation and Culture	79,750	114,358	75,762	38,596
Debt Service	655,257	506,933	1,534,195	(1,027,262)
Capital Projects		50,000	50,000	
Administration	527,092	638,715	293,779	344,936
Total Disbursements	<u>2,770,195</u>	<u>3,117,522</u>	<u>3,640,011</u>	<u>(522,489)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>366,414</u>	<u>387,699</u>	<u>78,901</u>	<u>(308,798)</u>
Other Adjustments to Cash (Uses)				
Borrowed Money		60,000	60,000	
Lease Proceeds			785,000	785,000
Lease Premium			84,480	84,480
Transfers To Other Funds	(866,414)	(1,041,018)	(886,604)	154,414
Total Other Adjustments to Cash (Uses)	<u>(866,414)</u>	<u>(981,018)</u>	<u>42,876</u>	<u>1,023,894</u>
Net Change in Fund Balance	(500,000)	(593,319)	121,777	715,096
Fund Balance - Beginning (Restated)	<u>500,000</u>	<u>593,319</u>	<u>593,319</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 715,096</u>	<u>\$ 715,096</u>

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
In Lieu Tax Payments	\$ 31,000	\$ 31,000	\$ 27,785	\$ (3,215)
Intergovernmental	1,237,700	1,298,515	1,298,474	(41)
Miscellaneous	36,000	74,396	57,187	(17,209)
Interest	425	482	506	24
Total Receipts	<u>1,305,125</u>	<u>1,404,393</u>	<u>1,383,952</u>	<u>(20,441)</u>
DISBURSEMENTS				
General Government	18,000	18,000	18,000	
Roads	854,150	971,519	908,360	63,159
Debt Service	197,297	200,079	1,272,433	(1,072,354)
Administration	335,678	428,828	254,040	174,788
Total Disbursements	<u>1,405,125</u>	<u>1,618,426</u>	<u>2,452,833</u>	<u>(834,407)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(100,000)</u>	<u>(214,033)</u>	<u>(1,068,881)</u>	<u>(854,848)</u>
Other Adjustments to Cash (Uses)				
Lease Proceeds			985,000	985,000
Lease Premium			106,004	106,004
Transfers From Other Funds		76,046	76,046	
Total Other Adjustments to Cash (Uses)		<u>76,046</u>	<u>1,167,050</u>	<u>1,091,004</u>
Net Change in Fund Balance	(100,000)	(137,987)	98,169	236,156
Fund Balance - Beginning (Restated)	<u>100,000</u>	<u>137,987</u>	<u>137,488</u>	<u>(499)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 235,657</u>	<u>\$ 235,657</u>

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 719,861	\$ 886,081	\$ 863,094	\$ (22,987)
Charges for Services	7,000	14,853	14,353	(500)
Miscellaneous	5,500	112,171	112,171	
Interest	135	135	103	(32)
Total Receipts	<u>732,496</u>	<u>1,013,240</u>	<u>989,721</u>	<u>(23,519)</u>
DISBURSEMENTS				
Protection to Persons and Property	970,292	1,067,937	1,046,811	21,126
Debt Service	103,991	103,991	866,194	(762,203)
Administration	267,235	471,033	294,415	176,618
Total Disbursements	<u>1,341,518</u>	<u>1,642,961</u>	<u>2,207,420</u>	<u>(564,459)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(609,022)</u>	<u>(629,721)</u>	<u>(1,217,699)</u>	<u>(587,978)</u>
Other Adjustments to Cash (Uses)				
Lease Proceeds			700,000	700,000
Lease Premium			75,332	75,332
Transfers From Other Funds	609,022	609,022	485,000	(124,022)
Total Other Adjustments to Cash (Uses)	<u>609,022</u>	<u>609,022</u>	<u>1,260,332</u>	<u>651,310</u>
Net Change in Fund Balance		(20,699)	42,633	63,332
Fund Balance - Beginning (Restated)		<u>20,699</u>	<u>20,699</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 63,332</u>	<u>\$ 63,332</u>

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 155,600	\$ 191,156	\$ 191,157	\$ 1
Miscellaneous		5,606	6,073	467
Interest	50	50	54	4
Total Receipts	<u>155,650</u>	<u>196,812</u>	<u>197,284</u>	<u>472</u>
DISBURSEMENTS				
General Government	52,986	53,581	38,241	15,340
Protection to Persons and Property	38,125	38,125	35,387	2,738
General Health and Sanitation	65,625	68,183	53,396	14,787
Social Services	1,000	1,000	995	5
Roads	35,600	25,464	15,895	9,569
Administration	24,675	77,789	34,867	42,922
Total Disbursements	<u>218,011</u>	<u>264,142</u>	<u>178,781</u>	<u>85,361</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(62,361)</u>	<u>(67,330)</u>	<u>18,503</u>	<u>85,833</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>59,861</u>	<u>59,861</u>	<u>20,000</u>	<u>(39,861)</u>
Total Other Adjustments to Cash (Uses)	<u>59,861</u>	<u>59,861</u>	<u>20,000</u>	<u>(39,861)</u>
Net Change in Fund Balance	(2,500)	(7,469)	38,503	45,972
Fund Balance - Beginning	<u>2,500</u>	<u>7,469</u>	<u>7,469</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 45,972</u>	<u>\$ 45,972</u>

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	FORESTRY FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,750	\$ 1,750	\$ 1,481	\$ (269)
Interest	5	5	2	(3)
Total Receipts	<u>1,755</u>	<u>1,755</u>	<u>1,483</u>	<u>(272)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,555	2,555	2,555	
Administration		522	4	518
Total Disbursements	<u>2,555</u>	<u>3,077</u>	<u>2,559</u>	<u>518</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(800)</u>	<u>(1,322)</u>	<u>(1,076)</u>	<u>246</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	500	1,000	1,000	
Total Other Adjustments to Cash (Uses)	<u>500</u>	<u>1,000</u>	<u>1,000</u>	
Net Change in Fund Balance	(300)	(322)	(76)	246
Fund Balance - Beginning	<u>300</u>	<u>322</u>	<u>322</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 246</u>	<u>\$ 246</u>

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	FAIRGROUNDS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 12,650	\$ 42,789	\$ 38,339	\$ (4,450)
Total Receipts	<u>12,650</u>	<u>42,789</u>	<u>38,339</u>	<u>(4,450)</u>
DISBURSEMENTS				
Recreation and Culture	194,150	237,416	236,303	1,113
Administration		11,655		11,655
Total Disbursements	<u>194,150</u>	<u>249,071</u>	<u>236,303</u>	<u>12,768</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(181,500)</u>	<u>(206,282)</u>	<u>(197,964)</u>	<u>8,318</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	76,500	150,500	150,500	
Total Other Adjustments to Cash (Uses)	<u>76,500</u>	<u>150,500</u>	<u>150,500</u>	
Net Change in Fund Balance	(105,000)	(55,782)	(47,464)	8,318
Fund Balance - Beginning	<u>105,000</u>	<u>55,782</u>	<u>55,782</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,318</u>	<u>\$ 8,318</u>

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 240,000	\$ 258,951	\$ 260,187	\$ 1,236
Interest	50	50	31	(19)
Total Receipts	<u>240,050</u>	<u>259,001</u>	<u>260,218</u>	<u>1,217</u>
DISBURSEMENTS				
Protection to Persons and Property	282,648	287,200	273,775	13,425
Administration	92,933	112,315	91,339	20,976
Total Disbursements	<u>375,581</u>	<u>399,515</u>	<u>365,114</u>	<u>34,401</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(135,531)</u>	<u>(140,514)</u>	<u>(104,896)</u>	<u>35,618</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>120,531</u>	<u>120,531</u>	<u>120,000</u>	<u>(531)</u>
Total Other Adjustments to Cash (Uses)	<u>120,531</u>	<u>120,531</u>	<u>120,000</u>	<u>(531)</u>
Net Change in Fund Balance	(15,000)	(19,983)	15,104	35,087
Fund Balance - Beginning	<u>15,000</u>	<u>19,983</u>	<u>19,983</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 35,087</u>	<u>\$ 35,087</u>

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	LEPC FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 1,500	\$ 1,500	\$ 909	\$ (591)
Total Receipts	<u>1,500</u>	<u>1,500</u>	<u>909</u>	<u>(591)</u>
DISBURSEMENTS				
Protection to Persons and Property	700	825	142	683
Administration	2,470	2,348	189	2,159
Total Disbursements	<u>3,170</u>	<u>3,173</u>	<u>331</u>	<u>2,842</u>
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)	<u>(1,670)</u>	<u>(1,673)</u>	<u>578</u>	<u>2,251</u>
Net Change in Fund Balance	(1,670)	(1,673)	578	2,251
Fund Balance - Beginning	<u>1,670</u>	<u>1,673</u>	<u>1,673</u>	<u>1,673</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,251</u>	<u>\$ 2,251</u>

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	CSEPP FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 319,622	\$ 319,622	\$ 279,626	\$ (39,996)
Total Receipts	319,622	319,622	279,626	(39,996)
DISBURSEMENTS				
Protection to Persons and Property	286,093	346,174	270,535	75,639
Administration	34,529	33,473	30,005	3,468
Total Disbursements	320,622	379,647	300,540	79,107
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,000)	(60,025)	(20,914)	39,111
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		34,058	34,058	
Total Other Adjustments to Cash (Uses)		34,058	34,058	
Net Change in Fund Balance	(1,000)	(25,967)	13,144	39,111
Fund Balance - Beginning	1,000	25,967	25,967	
Fund Balance - Ending	\$ 0	\$ 0	\$ 39,111	\$ 39,111

ROCKCASTLE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2017

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.

Note 2. Excess of Disbursements Over Appropriations

General fund debt service disbursements exceeded budgeted appropriations by \$1,027,262. Road fund debt service disbursements exceeded budgeted appropriations by \$1,072,354. Jail fund debt service disbursements exceeded budgeted appropriations by \$762,203.

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

For The Year Ended June 30, 2017

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ROCKCASTLE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Improvements	\$ 1,087,776	\$	\$	\$ 1,087,776
Buildings and Improvements	14,869,513	469,803	32,493	15,306,823
Vehicles and Equipment	1,718,223	89,777	35,000	1,773,000
Other Equipment	2,836,536	130,175		2,966,711
Infrastructure	7,987,952			7,987,952
Total Capital Assets	\$ 28,500,000	\$ 689,755	\$ 67,493	\$ 29,122,262

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

June 30, 2017

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.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 10,000	10-75
Buildings and Improvements	\$ 10,000	10-60
Vehicles and Equipment	\$ 10,000	10-25
Other Equipment	\$ 10,000	2-10
Infrastructure	\$ 10,000	10-60

**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 Doug Bishop, Former Rockcastle County Judge/Executive
The Honorable Howell Holbrook, Jr., Rockcastle County Judge/Executive
Members of the Rockcastle 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 Rockcastle County Fiscal Court for the fiscal year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Rockcastle County Fiscal Court's financial statement and have issued our report thereon dated November 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Rockcastle 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 Rockcastle County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rockcastle 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 2017-001, 2017-004, 2017-005, and 2017-009 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 2017-006, 2017-010, 2017-011, 2017-012, 2017-015, and 2017-016 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Rockcastle 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 2017-001, 2017-002, 2017-003, 2017-005, 2017-006, 2017-007, 2017-008, 2017-010, 2017-013, 2017-014, 2017-015 and 2017-016.

Views of Responsible Officials and Planned Corrective Action

Rockcastle 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

November 19, 2018

**ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2017

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**ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2017

FINANCIAL STATEMENT FINDINGS:

2017-001 The Rockcastle County Fiscal Court Does Not Have Adequate Internal Controls Over The Purchase Order System

This is a repeat finding and was included in the prior year audit report as finding 2016-002. The Rockcastle County Fiscal Court is not properly utilizing a purchase order system. The purchasing procedures in place do not comply with the required purchase order system required by the state local finance officer. In addition, the internal controls over the purchase order system allowed the system to be circumvented. As a result, the following occurred:

- 62 disbursements were paid without a purchase order; and
- 25 disbursements had a purchase order issued after the date of the invoice.

Internal controls over purchase orders were not operating as intended during fiscal year 2017. The executive secretary stated that each department has been given guidelines for making purchases; however, some still fail to follow guidelines and will make purchases without receiving a purchase order.

As a result of not monitoring controls, the deficiencies above occurred. These deficiencies could result in inaccurate financial reporting and misappropriation of assets.

Proper internal controls over disbursements are important to ensure purchase orders are created when sufficient funds are available. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. According to the *County Budget Preparation and State Local Finance Officer Policy Manual*, issued by the Department for Local Government (DLG), “[p]urchases shall not be made without approval by the judge/executive (or designee) and/or a department head” and “[p]urchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made.” In a memorandum dated August 4, 2016, DLG further stated, “[w]e highly recommend that counties accept the practice of issuing purchases orders for payroll and utility claims.”

We recommend the Rockcastle County Fiscal Court strengthen internal controls by ensuring that purchase orders are issued for all disbursements and sufficient funds are available prior to issuing a purchase order.

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive’s Response: The Fiscal Court has taken steps to comply with this finding.

2017-002 The Rockcastle County Fiscal Court Did Not Budget For Or Post Lease Proceeds And Debt Payments Resulting In A Materially Misstated Fourth Quarter Report And Exceeded Line Item Budgets

The Rockcastle County Fiscal Court refinanced three lease agreements: an agreement to purchase land from the general fund, a capital lease agreement for the purpose of resurfacing roads from the road fund, and a bond issuance to finance the jail renovations from the jail fund. When the debt was refinanced, the original lease agreements and bonds were paid off. The fiscal court did not budget for or post the lease proceeds and debt payments, totaling \$2,735,816, to their quarterly reports, requiring material adjustments to the financial statement and resulting in the fiscal court exceeding line item budgets as follows: general fund debt services by \$1,027,262; road fund debt services by \$1,072,354; and jail fund debt services by \$762,203. The county thought the payments should be treated as a refinanced lease rather than as debt payments.

ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-002 The Rockcastle County Fiscal Court Did Not Budget For Or Post Lease Proceeds And Debt Payments Resulting In A Materially Misstated Fourth Quarter Report And Exceeded Line Item Budgets (Continued)

Failure to submit an accurate quarterly financial report could result in misrepresentation of financial reporting and an increased risk of uncorrected errors, theft, loss, or misappropriated funds. Failure to properly budget or to amend line items as necessary resulted in non-compliance with KRS 68.300.

An accurate financial statement is necessary for Department for Local Government reporting requirements. Strong internal controls over debt service ensures accurate financial reporting. KRS 68.300 states, “[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim. The county treasurer shall be liable on his official bond for the amount of any county warrant willfully or negligently signed or countersigned by him in excess of the budget fund out of which the warrant is payable.”

We recommend the fiscal court ensure accurate amounts are shown on all financial statements presented to the public and to the Department for Local Government. We further recommend the fiscal court ensure all line items are properly budgeted and, if necessary, amendments are submitted.

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive’s Response: This finding was the result from refinancing that did not flow through the County’s bank records. The County Treasurer shall strive to correct this matter.

2017-003 The Rockcastle County Fiscal Court Did Not Obtain Bids When Required

The Rockcastle County Fiscal Court did not bid all purchases for items over \$20,000 and proper supporting documentation was not always maintained.

- One item costing over \$31,500 was not bid.
- The fiscal court orders documented that multiple bids were accepted and approved for rock contracts instead of choosing one bid.
- The Fair Board advertised for bids for a metal building to be constructed at the fairgrounds; however, supporting documentation, such as minutes of opening and accepting the bids by the fair board could not be provided. It was noted that the fiscal court minutes approved a bid; however, the minutes stated, “[t]he original bid was for \$227,500 but will be lower due to changes made.” These changes were not documented.

County officials were unaware of the requirements to select one bid for each category, as well as bid all items over \$20,000, even if there is only a sole source.

By limiting competition or not receiving bids at all, the 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. In addition, if bids are not opened publicly and supporting document maintained, the fiscal court and public cannot be sure they are being properly billed and only paying for agreed upon items.

ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-003 The Rockcastle County Fiscal Court Did Not Obtain Bids When Required (Continued)

KRS 424.260(1) states, in part, “[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), “[a]ll bids for the construction or maintenance of county roads and bridges shall be received at the time and place 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.” KRS 178.140(2) states, “[t]he 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.”

The Department for Local Government’s *County Budget Preparation and State Local Finance Officer Policy Manual* states, “[a]ll contracts, invoices, purchase orders & authorizations, vendor bidding documentation, receipts, deeds, etc. must be maintained/filed with the asset documentation records.”

We recommend the Rockcastle County Fiscal Court follow proper bid laws and regulations by ensuring all purchases of \$20,000 or more be made in compliance with KRS 424.260 and KRS 178.140. In addition, we recommend all changes be documented and supporting documentation maintained.

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive’s Response: The Fiscal Court will comply in the future.

2017-004 The Rockcastle County Detention Center Lacks Segregation Of Duties Over Receipts, Disbursements, And The Bank Reconciliation Process

This is a repeat finding and was included in the prior year audit report as finding 2016-006. The Rockcastle County Detention Center lacks internal controls and adequate segregation of duties over cash, receipts, disbursements, record keeping, report preparation, and bank reconciliations.

The Rockcastle County Detention Center’s bookkeeper’s duties include posting receipts, preparing and posting disbursements, signing checks and completing the bank reconciliation for the commissary account. The bookkeeper also counts and deposits the funds from the kiosk machine, post receipts, prepares and post disbursements, issues debit cards, and signs checks for the inmate account.

The jailer stated that funding has limited the number of staff in the office and that he has implemented some controls to help offset the lack of segregation of duties. However, during fieldwork, no compensating controls were noted and documented.

When one employee is responsible for the receipt, disbursement, and reconciliation process, the risk of misappropriation of assets, errors, and inaccurate financial reporting increases. Effective internal controls require proper segregation of duties over accounting functions, such as making deposits, preparing disbursements, and reconciling the bank account. Segregation of duties, or the implementation of compensating controls, is essential for providing protection to employees in the normal course of performing their daily responsibilities.

SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-004 The Rockcastle County Detention Center Lacks Segregation Of Duties Over Receipts, Disbursements, And The Bank Reconciliation Process (Continued)

We recommend the Rockcastle County Jailer segregate duties over receipts, disbursements, and the bank reconciliation process. If segregation of duties is not possible, the Rockcastle County Jailer could implement compensating controls over these functions by reviewing deposits, reviewing invoices, requiring two signatures on all checks, reviewing bank reconciliations, and documenting the review by initials or signature.

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive's Response: No Response from Jailer, but this matter will be brought to the court's attention.

Former Jailer's Response: No response provided.

2017-005 The Rockcastle County Detention Center Failed To Properly Reconcile The Commissary And Inmate Bank Accounts

This is a repeat finding and was included in the prior year audit report as finding 2016-007. The Rockcastle County Jailer maintains a commissary account and an inmate bank account. The reconciliations for these accounts did not properly reconcile the accounts. There was no supporting documentation that the accounts were being reconciled timely.

- The jailer maintains commissary records both electronically and manually. The bank balance as of June 30, 2017, was \$130,282. The bank reconciliation for July 2017 noted \$14,000 of outstanding checks and \$15,634 of deposits in transit; however, these transactions cleared the bank prior to June 30, 2017.
- The inmate account bank balance as of June 30, 2017, was \$32,091; however, the June 30 reconciliation included a manual adjustment reducing disbursements by \$1,021. This adjustment has been made on every reconciliation since March 2016. In addition, deposits dating as far back as April 2016 were still listed as outstanding.

There were no review procedures in place to eliminate or reduce errors. The jailer did not ensure staff were properly trained on the accounting software.

Failure to reconcile all accounts timely could result in misstatements. A misstatement could result in an increased risk of uncorrected errors, theft, loss, or misappropriated assets.

Proper internal controls over reconciliations are important to ensure accurate records and sufficient funds for disbursements. In addition, KRS 68.210 requires the state local finance officer to create a system of uniform accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual* under minimum requirements for handling of public funds, requires monthly reconciliation of bank statements.

We recommend the jailer implement controls over all bank reconciliations to ensure ending reconciled bank balances are accurate. All bank reconciliations should be reviewed by the county jailer or a person independent of the reconciliation process to verify accuracy and completeness. This could be documented by initialing the reconciliation.

ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-005 The Rockcastle County Detention Center Failed To Properly Reconcile The Commissary And Inmate Bank Accounts (Continued)

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive's Response: No Response from Jailer, this will be brought to the attention of the Jailer & Fiscal Court.

Former Jailer's Response: No response provided.

2017-006 The Rockcastle County Jailer Did Not Pay Booking Fees Over To The Fiscal Court

During fiscal year 2017, the detention center charged inmates booking fees totaling \$62,320; of this amount, \$17,804 was actually collected but not forwarded to the fiscal court as is required by KRS 441.265.

The bookkeeper is new and was unaware of the requirement to pay booking fees collected from the inmates to the fiscal court. In addition, weak internal controls have allowed this to go unnoticed. As a result, the county did not receive funds to help offset the cost of housing inmates for fiscal year 2017.

KRS 441.265(2)(a) states,

[t]he jailer may adopt, with the approval of the county's governing body, a prisoner fee and expense reimbursement policy, which may include, but not be limited to, the following:

1. An administrative processing or booking fee;
2. A per diem for room and board of not more than fifty dollars (\$50) per day or the actual per diem cost, whichever is less, for the entire period of time the prisoner is confined to the jail;
3. Actual charges for medical and dental treatment; and
4. Reimbursement for county property damaged or any injury caused by the prisoner while confined to the jail.

KRS 441.265(4) states, “[a]ny fees or reimbursement received under this section shall be forwarded to the county treasurer for placement in the jail's budget.”

We recommend the jailer pay the county \$17,803 for fiscal year 2017 booking fees collected. Any future booking fees should be paid to the fiscal court on a monthly basis in accordance with KRS 441.265.

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive's Response: As of today the Jailer has paid the Booking Fees in his possession.

Former Jailer's Response: No response provided.

2017-007 The Fiscal Court Did Not Ensure All Timesheets Were Prepared And Approved Prior To Payment

This is a repeat finding and was included in the prior year audit report as finding 2016-001. We noted the following discrepancies with timesheets during payroll testing:

- One employee did not have a timesheet for the pay period tested.
- Two employees did not have a timesheet that corresponded to the pay period tested.

ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-007 The Fiscal Court Did Not Ensure All Timesheets Were Prepared And Approved Prior To Payment
 (Continued)

- Three detention center employees did not have employee or supervisor signatures on timecards.

The fiscal court was unaware of the necessity of each employee having a timesheet that corresponded to each pay period and having the proper approvals from employees and supervisors. Improper maintenance and approval of timesheets could lead to inappropriate compensation to employees.

KRS 337.320(1) states “[e]very employer shall keep a record of: (a) [t]he amount paid each pay period to each employee; (b) [t]he hours worked each day and each week by each employee; and (c) [s]uch other information as the commissioner requires.” KRS 337.320(2) states, “[s]uch records shall be kept on file for at least one (1) year after entry. They shall be open to the inspection. . .at any reasonable time, and every employer shall furnish to the commissioner or the commissioner's authorized representative on demand a sworn statement of them.”

We recommend all employees, other than elected officials, complete a timesheet. Additionally, the fiscal court should review timesheets prior to payment for hours worked, accuracy of calculation, and approval by authorized personnel in order to ensure all employees are paid the appropriate amounts.

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive's Response: The Fiscal Court will take steps to correct this in the future.

2017-008 The Fiscal Court And The Detention Center Have Conflicting Personnel Policies

This is a repeat finding and was included in the prior year audit report as finding 2016-004. The detention center states in their policies and procedures that employees are covered under the County's Administrative Code. The County's Administrative Code states that the detention center has established their own policies and procedures for the accrual and usage of leave time. Detention center employees accrue leave time annually, which is inconsistent with the rest of the county.

The county and the jailer assumed that each of their policies were sufficient to cover the detention center employees. The county and detention center personnel policies do not agree as to which policy is governing the detention center employees. The detention center employees were not covered under either policy and are accruing leave time differently than all other county employees.

According to the counties administrative policy “[f]or all full-time employees during their first twenty four (24) months of service, three (3.0) hours per pay period [of leave time], accruable from the date of hire. For all full-time employees with two (2) years of service: Four and one-half (4.5) hours per pay period shall be accrued.” The policy further states, “[n]o employee may be compensated at a rate greater than his/her accrued personal time.”

We recommend that the jailer adhere to the county's administrative policy with regard to leave time accrual. If the jailer wishes to establish a separate administrative policy, this policy needs to be documented. The county's policy supersedes any other policy unless the county states that the detention center employees are covered under a separate policy.

ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-008 The Fiscal Court And The Detention Center Have Conflicting Personnel Policies (Continued)

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive's Response: Agree, this will be brought to the Court's attention.

Former Jailer's Response: No response provided.

2017-009 The Rockcastle County Jailer Lacks Adequate Internal Controls Over The Overall Environment Of The Detention Center

The jailer was not involved in the daily activities of his office. Numerous weaknesses in the control environment of the Rockcastle County Detention Center significantly increase the risk of fraud and misappropriation of funds, and decrease the accuracy of records provided.

The following issues were noted:

- The detention center lacks segregation of duties over receipts, disbursements, and the bank reconciliation process.
- The detention center lacks adequate internal controls over the inmate accounts:
 - April 14, 2017 through August 28, 2017 information on inmates' accounts was not forwarded to the company providing collection services for the jailer.
 - Funds deposited into the kiosk machine were not properly applied to the inmates' accounts.
 - Inmates are not signing for commissary items received.
 - Inmates beginning/ending balance on commissary receipts did not always agree to the inmates detail reports.
 - Inmates' bank accounts were allowed to go into the negative.
 - Deposits are made weekly.
 - The inmate bank account is not being properly reconciled.
- Booking fees were not paid over to the fiscal court.
- The jailer has entered into contracts with vendors that were not approved by the fiscal court.
- Sales tax returns are not being properly calculated.
- The detention center did not have sufficient internal controls over disbursements.
 - Three disbursement had no invoices;
 - Six invoices were copies or faxes;
 - Seven invoices did not document items had actually been received;
 - Sales tax of \$8 was paid; and
 - One invoice was past due.
- The financial statement did not agree to the Inmate Cash Balance Report or to the bank balances as of June 30, 2017.
- The jailer is not in compliance with his policy on medical billing of inmates.
- The jailer did not comply with bidding requirements set forth in KRS 424.260.
- The commissary and inmate bank accounts were not properly reconciled.
- A complete annual commissary financial report was not submitted to the county treasurer.
- Receipts were not deposited daily.

ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-009 The Rockcastle County Jailer Lacks Adequate Internal Controls Over The Overall Environment Of The Detention Center (Continued)

This condition is a result of poorly designed policies and procedures; inconsistent, incomplete, and inaccurate implementation of controls; and lack of management oversight and involvement.

The noted weaknesses, such as inadequate segregation of duties and inaccurate or incomplete financial reports and ledgers, could affect the jailer's ability to ensure that financial data is recorded, processed, and reported in an accurate and reliable manner. This impacts the jailer's ability to ensure that assets were sufficiently safeguarded. The cumulative effect of these control weaknesses increases the risk of material misstatement caused by error or fraud.

Management has a responsibility to design and implement internal controls that provide reasonable assurance regarding the reliability of financial reporting. Internal control is a management process for keeping an entity on course in achieving its business objectives. Internal controls should ensure resources are protected from waste, loss, and misuse and ensure reliable data is obtained, maintained, and fairly disclosed. Entities are required to establish controls to provide reasonable assurance that the recording, processing, and reporting of data is properly performed within the framework of financial management systems.

The following recommendations are supplemented by additional recommendations presented throughout this report:

- The jailer should be more diligent in the day-to-day operations of his office by providing direct oversight of financial reporting for all receipts and disbursements.
- The jailer should implement internal controls over the financial accounting system that ensure an adequate internal control structure, including management oversight; provides reasonable assurance that assets are safeguarded and transactions are processed in accordance with applicable laws and regulations; and transactions are recorded, reconciled, processed, and summarized to permit the preparation of reliable financial data.
- The jailer should segregate duties so that no one person can both create and conceal fraudulent activity or commit an undetected material error.
- The jailer should train employees to ensure that each employee understands both the activities and the accounting principles needed for their positions.
- The jailer should implement sufficient supervisory review of key functions and activities, and ensure managers clearly understand their roles in the supervisory process. All supervisory reviews should be evidenced in writing.

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive's Response: No Response from the Jailer. This matter will be brought to the attention of the Jailer and before the Fiscal Court.

Former Jailer's Response: No response provided.

ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-010 The Rockcastle County Jailer Did Not Have Sufficient Internal Controls Over Disbursements

Internal controls over disbursements were not operating as intended during fiscal year 2017. Proper procedures were not followed over disbursement and supporting documentation was not maintained and appropriate. Of the 12 disbursements tested, the following exceptions were noted:

- Three disbursement had no invoices;
- Six invoices were copies or faxes;
- Seven invoices did not document items had actually been received;
- Sales tax of \$8 was paid;
- One invoice was past due; and
- One regular medical bill was paid to the fiscal court.

Review procedures in place were not adequate to eliminate or reduce errors or to ensure sufficient supporting documentation was maintained. The jailer disbursed funds without documentation that the disbursements are valid expenditures and proper use of the jail funds.

Good internal controls require proper supporting documentation to be maintained to support disbursements.

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 441.135(2) states, “[a]ll profits from the canteen shall be used: (a) [f]or the benefit and to enhance the well-being of the prisoners[.]”

We recommend the Rockcastle County Jailer strengthen internal controls over disbursements to ensure all purchases are supported by original receipts, all items are actually received, no sales tax is paid, invoices are paid timely, and only allowable disbursements are paid.

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive’s Response: No Response from Jailer. This matter will be brought to the Fiscal Court’s attention.

Former Jailer’s Response: No response provided.

2017-011 The Jail Financial Statement Did Not Agree To The Inmate Cash Balance Report Or To The Bank Balances As Of June 30, 2017

The jailer uses a computer program to maintain the inmate’s financial information. As of June 30, 2017, the confirmed bank account balance was \$32,091, while the computer program reported the audited balance was \$26,283. The balance per the computer program consisted of \$3,625, which was listed as inmate funds, and \$22,658, which was listed as outstanding liabilities. However, when the inmate balance of \$3,625 from the financial statement was compared to the inmate cash balance report, a variance of \$100 was noted. With further research, it was determined that inmate funds had not been properly applied to their account. Some of the \$22,658 has been listed as a liability since 2015, when the jailer started using the computer program.

ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-011 The Jail Financial Statement Did Not Agree To The Inmate Cash Balance Report Or To The Bank Balances As Of June 30, 2017 (Continued)

The jailer has had three bookkeepers since the computer program was installed to maintain the inmates' financial records. However, since the program's audited financial statement has items outstanding since 2015, it appears the bookkeepers were not sufficiently trained on the program.

Inmate accounts, as well as the jailer's commissary account, may not have full use of all the funds they are entitled to since the account is not being properly maintained and liabilities are not being paid timely. Good internal controls dictate all bank accounts be reconciled accurately and timely.

We recommend the jailer establish a policy requiring monthly reconciliations of ledger and bank balances to minimize financial reporting errors and ensure proper disbursement of funds. We further recommend the inmates' funds, which had not been properly applied to their account, be applied to their account (if still in custody) or be paid to the inmate (if they have left the facility).

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive's Response: No Response from Jailer. This will be brought to the Fiscal Court's attention.

Former Jailer's Response: No response provided.

2017-012 The Rockcastle County Detention Center Lacks Adequate Internal Controls Over The Inmate Accounts

During a review of the inmates' accounts, the following issues were noted:

- April 14, 2017 through August 28, 2017 information on inmates' accounts was not forwarded to the company providing collection services for the jailer;
- Funds deposited into the kiosk machine were not properly applied to the inmates accounts;
- Inmates are not signing for commissary items received;
- Inmates beginning/ending balance on commissary receipts did not always agree to the inmates detail report;
- Inmates accounts were allowed to go into the negative;
- Deposits are done weekly; and
- The inmate account is not being properly reconciled.

In 2015, the jailer started using a new computer program to maintain the inmate accounts and all financial information related to them. Since 2015, the jailer has had three bookkeepers. The present bookkeeper does not have sufficient understanding of the program and a clear understanding of the products the program can produce. The bookkeeper has not been properly trained on the program and its capabilities which has allowed some of the issues noted above to go unnoticed and uncorrected.

Failure to properly maintain inmate records has led to inaccurate records being used to determine if funds are available for inmates to expend either on the commissary, medical billing, or housing. In addition, lack of good internal controls can lead to inaccurate financial reporting to outside agencies, allow errors to go undetected, and leaves the jail susceptible to fraud.

**ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-012 The Rockcastle County Detention Center Lacks Adequate Internal Controls Over The Inmate Accounts (Continued)

Good internal control dictate that employees be knowledgeable about the requirements of their jobs. In addition, good internal controls also dictate the employees be trained for any computer system used to assist in the performance of their jobs. Furthermore, all personnel reviewing the accounting work should have a working knowledge of accounting and the program being used for this function prior to reviewing financial information.

We recommend the jailer ensure all employees have been properly trained to use the computer programs provided for the accounting function. In addition, the jailer should ensure supervisors who review the financial information have a working knowledge of accounting and understand the expected results of each report they are required to review. Lastly, the jailer should ensure all inmate accounts are properly maintained, reconciled, agree to detail ledgers, and not with negative balances.

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive's Response: No Response from Jailer but will be brought before the Fiscal Court.

Former Jailer's Response: No response provided.

2017-013 The Jailer Did Not Comply With Bidding Requirements Set Forth In KRS 424.260

The jail commissary paid a total of \$21,450 to a single vendor for electronic cigarettes and paid another vendor \$35,864 for soda products purchased for resale through the jail commissary fund without obtaining bids.

Jail commissary purchases of electronic cigarettes consisted of nine separate purchases from the same vendor, all of which were less than \$20,000 each. The jailer further purchased \$35,864 of soda products from the same vendor over the fiscal year of 2017. The jailer was unaware of the requirement to obtain bids for these items.

The jailer cannot be sure that the items were procured at the best price available without obtaining bids.

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."

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.

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive's Response: No Response from Jailer. This matter will be brought to the attention of the Jailer and Fiscal Court.

Former Jailer's Response: No response provided.

ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-014 The Rockcastle County Jailer Does Not Deposit Receipts Daily

Deposits into the inmate account are from monies put into a kiosk machine. Funds are retrieved by the bookkeeper from the kiosk randomly and deposited. The report from the kiosk machine is produced the day of the deposit; however, deposits are made approximately once a week, with overages and shortages noted.

In addition, the bookkeeper issues a check out of the inmate account once a week to transfer funds from the inmate account to the commissary account for sales of commissary items. The transfer does not reconcile to any report, no receipt is issued, and no daily checkout sheet is used for the commissary account.

According to the jailer, this condition is a result of a limited staff. Failure to deposit timely resulted in variances in amounts reported by the kiosk machine and amounts deposited and increased the risk of misappropriation of funds.

The Department for Local Government (DLG) was given the authority by KRS 68.210 to prescribe a uniform system of accounts. The minimum requirements for handling public funds in *County Budget Preparation and State Local Finance Officer Policy Manual* states, “daily deposits intact into a federally insured banking institution.” Additionally, the practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most susceptible to possible theft. Timely deposits would increase the likelihood of correcting and detecting an error and ensure the accounts are properly maintained.

We recommend the jailer make daily deposits for the jail commissary fund and inmate fund to ensure compliance with the Department for Local Government requirements.

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive Response: No Response from Jailer. This matter will be brought to the attention of the Jailer and the Fiscal Court.

Former Jailer’s Response: No response provided.

2017-015 The Rockcastle County Fiscal Court Did Not Maintain Proper Records For Debt Service

The Rockcastle Fiscal Court did not have proper records for debt services. The Rockcastle County Industrial Development Authority paid a total of \$227,998 on behalf of the fiscal court; however, the debt was not included in the fiscal court ledgers. The fiscal court did not maintain ledgers for receipts and disbursements, did not prepare bank reconciliations, and did not prepare financial statements for the fiscal year ended June 30, 2017. The fiscal court failed to include the receipts and disbursements of the debt on the county’s quarterly report.

The treasurer was unaware of the requirement to report the funds for the Industrial Development Building as receipts and disbursements of the county. As a result, the fiscal court is unable to keep track of the receipts and disbursements of all debt services. The fiscal court is also unable to accurately assess the level of debt for which it is responsible.

The fiscal court is legally obligated and financially accountable for the debt of the Industrial Development Building Loan; therefore, these funds should be handled in accordance with the requirements for county funds.

ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-015 The Rockcastle County Fiscal Court Did Not Maintain Proper Records For Debt Service
(Continued)

KRS 68.210 gives the state local finance officer authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the Department for Local Government *County Budget Preparation and State Local Finance Officer Policy Manual*, includes, but is not limited to: maintaining receipts and disbursement journals, performing monthly bank reconciliations, and preparing an annual financial statement. The annual financial statement should appropriately include a schedule that reflects outstanding debt for which the county can be held liable for.

We recommend the fiscal court prepare and maintain ledgers for the receipts and disbursements of all debt services. We also recommend the fiscal court prepare monthly bank reconciliations and an end-of-the-year financial statement for the Industrial Development Building loan. We further recommend the fiscal court include the debt for the justice center corporation on its quarterly financial reports.

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive's Response: This audit finding is confusing. The Rockcastle County Industrial Authority has been receiving monthly rental income payments and has applied it to the County's debt since 2009. This is the first audit comment pertaining to this debt service arrangement. I disagree that the Fiscal Court is unable to accurately assess the level of debt for which it is responsible. The quarterly financial report reflects all of the County's debt and is updated quarterly.

Auditor's Reply: The fiscal court is financially accountable and legally obligated for this debt and should maintain appropriate records for all activities.

2017-016 The Fiscal Court Had Overdrawn Bank Balances In Numerous Bank Accounts During Fiscal Year 2017

The fiscal court had negative bank balances in numerous county bank accounts due to checks being written on accounts which had insufficient funds to cover the disbursements. This practice resulted in the following negative cash balances on various dates within bank accounts for the following funds:

General Fund		Jail Fund		CSEPP Fund	
03/14/17	(\$4,794)	03/10/2017	(\$3,777)	01/23/2017	(\$2,344)
		03/13/2017	(\$1,337)		
		05/22/2017	(\$14,055)		
Anchor Building Account		911 Fund			
07/01/2016	(\$15,871)	10/07/2016	(\$4,605)		
07/05/2016	(\$15,591)	01/07/2017	(\$2,958)		
03/01/2017	(\$21)				
03/02/2017	(\$58)				
03/08/2017	(\$122)				
03/09/2017	(\$130)				

ROCKCASTLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-016 The Fiscal Court Had Overdrawn Bank Balances In Numerous Bank Accounts During Fiscal Year 2017 (Continued)

According to the treasurer, the overdrafts were due to a timing error and all fees charged by the bank were reimbursed. The fiscal court is not in compliance with the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* requirements.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires the county treasurer to countersign checks only if the following conditions exist: Claim reviewed by the fiscal court, sufficient fund balance in the bank to cover check, and adequate free balance in the appropriation account to cover the check.

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

We recommend the fiscal court refrain from issuing payment for disbursements when there is no available cash in bank accounts to cover those disbursements. We also recommend the county treasurer comply with all applicable requirements outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*.

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive's Response: Agreed.

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

ROCKCASTLE COUNTY FISCAL COURT

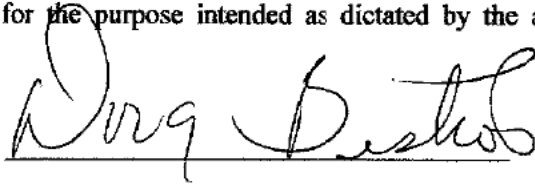
For The Year Ended June 30, 2017

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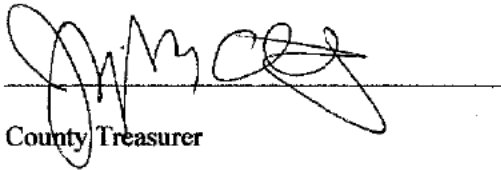
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
ROCKCASTLE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2017

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

A handwritten signature in black ink, appearing to read "Doug Beshoff", written over a horizontal line.

County Judge/Executive

A handwritten signature in black ink, appearing to read "Jim [unclear]", written over a horizontal line.

County Treasurer