

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

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

Roy W Hunter, CPA, PLLC
1890 Star Shoot Parkway
Suite 170-147
Lexington, KY 40509
Telephone (859) 806-5342
roy.hunter@cpa.com

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
JESSAMINE COUNTY OFFICIALS	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT	9
BUDGETARY COMPARISON SCHEDULES.....	22
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	27
SCHEDULE OF CAPITAL ASSETS.....	29
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - SCHEDULE OF CAPITAL ASSETS	30
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 <i>GOVERNMENT AUDITING STANDARDS</i>	32
SCHEDULE OF FINDINGS AND RESPONSES	35
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM	

Roy W Hunter, CPA, PLLC
1890 Star Shoot Parkway
Suite 170-147
Lexington, KY 40509
Telephone (859) 806-5342
roy.hunter@cpa.com

To the People of Kentucky

Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

Honorable David K. West, Jessamine County Judge/Executive

Members of the Jessamine 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 Jessamine County Fiscal Court, for the year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Jessamine 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
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable David K. West, Jessamine County Judge/Executive
Members of the Jessamine County Fiscal Court

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 Jessamine 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 Jessamine 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 Jessamine 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 Jessamine County Fiscal Court. The Budgetary Comparison Schedules and Capital Asset Schedule, are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules and Capital Asset Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the financial statement as a whole.

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

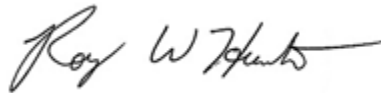
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2018, on our consideration of the Jessamine 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 Jessamine 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 Jessamine County Fiscal Court Did Not Prepare Purchase Orders
- 2017-002 The Jessamine County Jailer Lacks Internal Controls Over Receipts

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Roy W. Hunter", with a stylized flourish at the end.

Roy W. Hunter, CPA, PLLC
Lexington, Kentucky

April 23, 2018

JESSAMINE COUNTY OFFICIALS

For The Year Ended June 30, 2017

Fiscal Court Members:

David K. West	County Judge/Executive
Terry Meckstroth	Magistrate
Gary Morgan	Magistrate
April Rose Prather	Magistrate
Justin Ray	Magistrate
Tim Vaughan	Magistrate
Paul Floyd	Magistrate

Other Elected Officials:

Brian Goettl	County Attorney
Jon Sallee	Jailer
Johnny Collier	County Clerk
Doug Fain	Circuit Court Clerk
Kevin Corman	Sheriff
Brad Freeman	Property Valuation Administrator
Michael Hughes	Coroner

Appointed Personnel:

Tami East	County Treasurer
-----------	------------------

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

For The Year Ended June 30, 2017

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

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 11,170,785	\$	\$
Excess Fees	1,005,697		
Licenses and Permits	212,020		
Intergovernmental	518,009	1,097,687	713,713
Charges for Services	392,265		55,792
Miscellaneous	1,121,646	1,689	105,849
Interest	12,484	4,487	151
Total Receipts	<u>14,432,906</u>	<u>1,103,863</u>	<u>875,505</u>
DISBURSEMENTS			
General Government	3,691,357		
Protection to Persons and Property	267,303		2,166,780
General Health and Sanitation	1,317,083		
Social Services	174,575		
Recreation and Culture	715,149		
Roads		1,018,743	
Other Transportation Facilities and Services	136,248		
Debt Service	381,718		
Capital Projects	373,959	3,645	
Administration	4,260,804	86,605	315,368
Total Disbursements	<u>11,318,196</u>	<u>1,108,993</u>	<u>2,482,148</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,114,710</u>	<u>(5,130)</u>	<u>(1,606,643)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	355,000	383,457	1,620,000
Transfers To Other Funds	<u>(3,398,457)</u>	<u>(355,000)</u>	
Total Other Adjustments to Cash (Uses)	<u>(3,043,457)</u>	<u>28,457</u>	<u>1,620,000</u>
Net Change in Fund Balance	71,253	23,327	13,357
Fund Balance - Beginning (Restated)	4,365,539	772,329	25,635
Fund Balance - Ending	<u>\$ 4,436,792</u>	<u>\$ 795,656</u>	<u>\$ 38,992</u>
Composition of Fund Balance			
Bank Balance	\$ 1,578,851	\$ 801,376	\$ 40,337
Plus: Deposits In Transit			
Less: Outstanding Checks	(45,931)	(5,720)	(1,345)
Certificates of Deposit	2,903,872		
Fund Balance - Ending	<u>\$ 4,436,792</u>	<u>\$ 795,656</u>	<u>\$ 38,992</u>

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

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

Budgeted Funds		Unbudgeted Funds	Internal Service Fund	
Local Government	Emergency	Jail	Total	Health
Economic Assistance Fund	Services Fund	Commissary Fund	Funds	Insurance Fund
\$	\$ 392,505	\$	\$ 11,563,290	\$
			1,005,697	
			212,020	
200,194	460,364		2,989,967	
	2,025,597		2,473,654	
8,475	6,138	128,527	1,372,324	2,117,119
1,024	342		18,488	
209,693	2,884,946	128,527	19,635,440	2,117,119
55,000			3,746,357	1,676,031
	3,430,653		5,864,736	
			1,317,083	
			174,575	
86,083		113,593	914,825	
			1,018,743	
			136,248	
			381,718	
			377,604	
	825,682		5,488,459	441,088
141,083	4,256,335	113,593	19,420,348	2,117,119
68,610	(1,371,389)	14,934	215,092	
	1,395,000		3,753,457	
			(3,753,457)	
	1,395,000			
68,610	23,611	14,934	215,092	
131,527	76,398	67,480	5,438,908	
\$ 200,137	\$ 100,009	\$ 82,414	\$ 5,654,000	\$ 0
\$ 201,577	\$ 109,883	\$ 95,285	\$ 2,827,309	\$ 79,228
		285	285	
(1,440)	(9,874)	(13,156)	(77,466)	(79,228)
			2,903,872	
\$ 200,137	\$ 100,009	\$ 82,414	\$ 5,654,000	\$ 0

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	9
NOTE 2.	DEPOSITS	12
NOTE 3.	TRANSFERS.....	12
NOTE 4.	AGENCY TRUST FUNDS	12
NOTE 5.	LONG-TERM DEBT	13
NOTE 6.	COMMITMENTS AND CONTINGENCIES	17
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM	17
NOTE 8.	DEFERRED COMPENSATION.....	18
NOTE 9.	HEALTH REIMBURSEMENT ACCOUNT/FLEXIBLE SPENDING ACCOUNT	19
NOTE 10.	HEALTH INSURANCE FUND.....	19
NOTE 11.	INSURANCE.....	19
NOTE 12.	CONDUIT DEBT.....	19
NOTE 13.	TAX ABATEMENT	20
NOTE 14.	PRIOR PERIOD ADJUSTMENTS	20

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2017

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

JESSAMINE 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.

Emergency Services Fund - The primary purpose of this fund is to account for receipts for the county's ambulance runs and funds received from the state for emergency services.

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

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.

Internal Service Fund

Health Insurance Fund - This fund is used to account for the self-funded health insurance activity of the Jessamine County Fiscal Court.

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.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Jessamine County Elected Officials

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

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

H. Tax Abatements

GASB Statement No. 77 - Tax Abatement Disclosures is effective for reporting periods beginning after December 15, 2015.

The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public presently. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

JESSAMINE 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	Road Fund	Total Transfers In
General Fund	\$	\$ 335,000	\$ 335,000
Road Fund	383,457		383,457
Jail Fund	1,620,000		1,620,000
Emergency Services Fund	1,395,000		1,395,000
Total Transfers Out	<u>\$ 3,398,457</u>	<u>\$ 335,000</u>	<u>\$ 3,733,457</u>

Reason for transfers:

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

Note 4. Agency Trust Funds

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

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from inmates. The balance in the jail inmate fund as of June 30, 2017, was \$90,723.

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

Note 5. Long-term Debt

A. Courthouse Annex

On July 3, 1997, the Jessamine County Fiscal Court entered into a 20 year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$1,700,000 at an assumed interest rate of 4.91 percent for the construction of the courthouse annex. Payments of interest and fees are due monthly with an annual principal payment due on January 20.

The Jessamine County Fiscal Court entered into a sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), in which AOC sublets the courthouse annex. Under the agreement, AOC agreed to offset the County's commitment through payment of a use allowance for operating and maintaining the project. Interest earned on this account reduces the net amount due from the county. The outstanding principal balance was paid off as of June 30, 2017.

B. Cassity Governmental Building #1

On November 27, 2007, the Jessamine County Fiscal Court entered into a 20 year lease with the Kentucky Association of Counties Leasing Trust Program in the amount of \$500,000 at an assumed interest rate of 4.63 percent for the construction and renovation of a county administrative building. Payments of interest and fees are due monthly with an annual principal payment due on July 20. The outstanding principal balance as of June 30, 2017 is \$330,000. Future principal and interest payments are:

Fiscal Year Ending June 30	Principal	Interest
2018	\$ 25,000	\$ 14,247
2019	25,000	13,115
2020	25,000	11,985
2021	25,000	10,853
2022	30,000	9,515
2023-2027	165,000	25,910
2028	35,000	161
Totals	<u>\$ 330,000</u>	<u>\$ 85,786</u>

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

Note 5. Long-term Debt (Continued)

C. Cassity Governmental Building #2

On May 5, 2008, the Jessamine County Fiscal Court entered into another 20 year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$1,000,000 at an assumed interest rate of 4.53 percent to cover additional costs of the construction and renovation of the county administrative building. Payments of interest and fees are due monthly with an annual principal payment due on September 20. The outstanding principal balance as of June 30, 2017, is \$650,000. Future principal and interest payments are:

Fiscal Year Ending June 30	Principal	Interest
2018	\$ 50,000	\$ 27,362
2019	50,000	25,165
2020	50,000	22,973
2021	55,000	20,612
2022	55,000	18,198
2023-2027	320,000	50,438
2028	70,000	887
Totals	<u>\$ 650,000</u>	<u>\$ 165,635</u>

D. Energy Conservation

On March 22, 2011, the Jessamine County Fiscal Court entered into a ten year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$599,788 at an assumed interest rate of 4.25 percent to finance the acquisition, construction, installation, and equipping of energy savings projects including new windows and HVAC systems. Principal and interest payments are due monthly. The outstanding principal balance as of June 30, 2017, is \$224,921. Future principal and interest payments are:

Fiscal Year Ending June 30	Principal	Interest
2018	\$ 59,979	\$ 9,310
2019	59,979	6,483
2020	59,979	3,663
2021	44,984	886
Totals	<u>\$ 224,921</u>	<u>\$ 20,342</u>

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

Note 5. Long-term Debt (Continued)

E. Land #1

On February 9, 2015, the Jessamine County Fiscal Court entered into a five year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$228,225 at a fixed interest rate of 3.25 percent to finance the acquisition of land related to the jail. Principal and interest payments are due monthly. The outstanding balance as of June 30, 2017, is \$126,443. Future principal and interest payments are:

Fiscal Year Ending June 30	Principal	Interest
2018	\$ 46,138	\$ 3,426
2019	47,661	1,904
2020	32,644	399
Totals	<u>\$ 126,443</u>	<u>\$ 5,729</u>

F. Land #2

On June 23, 2015, the Jessamine County Fiscal Court entered into another five year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$50,000 at a fixed interest rate of 3.25 percent to finance the acquisition of land related to jail. Principal and interest payments are due monthly. The outstanding balance as of June 30, 2017, is \$30,945. Future principal and interest payments are:

Fiscal Year Ending June 30	Principal	Interest
2018	\$ 9,994	\$ 858
2019	10,324	528
2020	10,627	187
Totals	<u>\$ 30,945</u>	<u>\$ 1,573</u>

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

Note 5. Long-term Debt (Continued)

G. General Obligation Bonds - Series 2016

On June 16, 2016, the Jessamine County Fiscal Court issued \$699,100 of General Obligation Bonds, Series 2016. The bond issue was required by the USDA to collateralize the USDA loan (See Note 5). Proceeds from the bond will be used for the purpose of financing (a) the acquisition and development of Camp Nelson and used for a public purpose located within the geographical boundaries of the county; (b) payment in full of the outstanding balance of interim financing incurred by the county to initially finance the acquisition of Camp Nelson; (c) payment of accrued interest, if any; and (d) payment of the cost of issuance with respect to the issuance of the bonds. Interest on the outstanding principal amount shall be payable on January 1 and July 1, commencing January 1, 2017. Interest only shall be paid for the first two years from the date of the original issue. Thereafter, the bond shall mature as to principal on January 1, 2019, and each January 1 thereafter through and including January 1, 2056. The outstanding principal balance as of June 30, 2017, is \$699,100. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Interest
2018	\$	\$ 20,099
2019	10,390	20,099
2020	10,689	19,800
2021	10,943	19,547
2022	11,311	19,178
2023-2027	61,569	90,876
2028-2032	70,946	81,499
2033-2037	81,715	70,730
2038-2042	94,209	58,236
2043-2047	108,560	43,885
2048-2052	125,095	27,350
2053-2056	113,673	8,296
Totals	<u>\$ 699,100</u>	<u>\$ 479,595</u>

H. Changes In Long-term Debt

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

	Beginning Balance	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 699,100	\$	\$ 699,100	\$
Financing Obligations	1,677,628	315,319	1,362,309	191,111
Total Long-term Debt	<u>\$ 2,376,728</u>	<u>\$ 315,319</u>	<u>\$ 2,061,409</u>	<u>\$ 191,111</u>

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

Note 6. Commitments and Contingencies

The county is involved in a lawsuit that arose from the normal course of doing business. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 7. Employee Retirement System

A. Plan Description

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 \$1,795,357, FY 2016 was \$1,800,235, and FY 2017 was \$1,894,664.

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.

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

Note 7. Employee Retirement System (Continued)

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%

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/Employers/Resources/Pages/GASB.aspx>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 8. Deferred Compensation

The Jessamine 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.

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

Note 9. Health Reimbursement Account/Flexible Spending Account

The Jessamine County Fiscal Court established a health reimbursement account to provide employees an additional health benefit. The county contracted with a third-party administrator to administer the plan. The plan provides \$2,400 per employee. Employees may also contribute additional pre-tax funds through payroll deduction.

Note 10. Health Insurance Fund

Jessamine County Fiscal Court participates in a self-funded insurance plan. The county has contracted with a third-party administrator to administer the plan. The county maintains one insurance plan with various levels of coverage (i.e., single, family, etc.). The plan covers all county employees. The fiscal court elected to purchase a stop-loss policy to cover losses from individual and aggregate claims once the county reaches the individual and aggregate attachment points. Employees are required to assume liability claims in excess of maximum lifetime reimbursements established by the insurance company.

Note 11. Insurance

For the fiscal year ended June 30, 2017, the Jessamine County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 12. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance to industries in Jessamine County 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 Jessamine 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. As of June 30, 2017, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

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

Note 13. Tax Abatement

The occupational tax license fee was abated under the authority of the Kentucky Business Investment (KBI) Program. SMC, LLC (the company) is eligible to receive this tax abatement as a result of its commitment to create certain jobs and investments in Nicholasville, Kentucky. The taxes are abated by allowing the company to retain or have rebated to them 0.40 percent of subject wages and compensation earned in Jessamine County, Kentucky in accordance with the Jessamine County Occupational License Fee ordinance for ten years from approval of the project by KBI. Abatement of taxes can be suspended if the company does not maintain the required baseline of 100 employees and at least 94 employees associated with the new Kentucky Business Investment Program Project. For fiscal year ended June 30, 2017, Jessamine County Fiscal Court abated occupational taxes totaling \$4,092.

Note 14. Prior Period Adjustments

	General Fund	Jail Commissary Fund	Total Funds
Fund Balance - Beginning	\$ 4,364,501	\$ 67,355	\$ 5,437,745
Prior Year Outstanding Checks Voided	1,038	125	1,163
Fund Balance - Beginning (Adjusted)	\$ 4,365,539	\$ 67,480	\$ 5,438,908

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

JESSAMINE 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	\$ 9,932,130	\$ 9,932,130	\$ 11,170,785	\$ 1,238,655
Excess Fees	715,522	715,522	1,005,697	290,175
Licenses and Permits	149,500	149,500	212,020	62,520
Intergovernmental	606,650	606,650	518,009	(88,641)
Charges for Services	264,500	264,500	392,265	127,765
Miscellaneous	922,909	922,909	1,121,646	198,737
Interest	2,500	2,500	12,484	9,984
Total Receipts	12,593,711	12,593,711	14,432,906	1,839,195
DISBURSEMENTS				
General Government	3,945,232	3,993,274	3,691,357	301,917
Protection to Persons and Property	392,249	389,249	267,303	121,946
General Health and Sanitation	1,183,986	1,345,357	1,317,083	28,274
Social Services	184,355	184,355	174,575	9,780
Recreation and Culture	797,150	793,650	715,149	78,501
Other Transportation Facilities and Services	162,486	162,685	136,248	26,437
Debt Service	273,691	273,691	381,718	(108,027)
Capital Projects	135,000	377,263	373,959	3,304
Administration	5,700,728	5,255,353	4,260,804	994,549
Total Disbursements	12,774,877	12,774,877	11,318,196	1,456,681
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	(181,166)	(181,166)	3,114,710	3,295,876
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			355,000	355,000
Transfers To Other Funds	(3,310,000)	(3,310,000)	(3,398,457)	(88,457)
Total Other Adjustments to Cash (Uses)	(3,310,000)	(3,310,000)	(3,043,457)	266,543
Net Change in Fund Balance	(3,491,166)	(3,491,166)	71,253	3,562,419
Fund Balance - Beginning (Restated)	3,491,166	3,491,166	4,365,539	874,373
Fund Balance - Ending	\$ 0	\$ 0	\$ 4,436,792	\$ 4,436,792

JESSAMINE 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				
Intergovernmental	\$ 1,049,733	\$ 1,049,733	\$ 1,097,687	\$ 47,954
Miscellaneous	500	500	1,689	1,189
Interest	100	100	4,487	4,387
Total Receipts	<u>1,050,333</u>	<u>1,050,333</u>	<u>1,103,863</u>	<u>53,530</u>
DISBURSEMENTS				
Roads	918,217	1,179,217	1,018,743	160,474
Capital Projects	72,000	72,000	3,645	68,355
Administration	660,116	398,816	86,605	312,211
Total Disbursements	<u>1,650,333</u>	<u>1,650,033</u>	<u>1,108,993</u>	<u>541,040</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(600,000)</u>	<u>(599,700)</u>	<u>(5,130)</u>	<u>594,570</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			383,457	383,457
Transfers To Other Funds			(355,000)	(355,000)
Total Other Adjustments to Cash (Uses)			<u>28,457</u>	<u>383,457</u>
Net Change in Fund Balance	(600,000)	(599,700)	23,327	623,027
Fund Balance - Beginning	<u>600,000</u>	<u>600,000</u>	<u>772,329</u>	<u>172,329</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 300</u>	<u>\$ 795,656</u>	<u>\$ 795,356</u>

JESSAMINE 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	\$ 642,006	\$ 642,006	\$ 713,713	\$ 71,707
Charges for Services	39,400	39,400	55,792	16,392
Miscellaneous	48,500	48,500	105,849	57,349
Interest			151	151
Total Receipts	<u>729,906</u>	<u>729,906</u>	<u>875,505</u>	<u>145,599</u>
DISBURSEMENTS				
Protection to Persons and Property	2,232,481	2,232,481	2,166,780	65,701
Administration	352,159	352,159	315,368	36,791
Total Disbursements	<u>2,584,640</u>	<u>2,584,640</u>	<u>2,482,148</u>	<u>102,492</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,854,734)</u>	<u>(1,854,734)</u>	<u>(1,606,643)</u>	<u>248,091</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,620,000</u>	<u>(180,000)</u>
Total Other Adjustments to Cash (Uses)	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,620,000</u>	<u>(180,000)</u>
Net Change in Fund Balance	(54,734)	(54,734)	13,357	68,091
Fund Balance - Beginning	<u>54,734</u>	<u>54,734</u>	<u>25,635</u>	<u>(29,099)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 38,992</u>	<u>\$ 38,992</u>

JESSAMINE 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	\$ 135,000	\$ 135,000	\$ 200,194	\$ 65,194
Miscellaneous	8,475	8,475	8,475	
Interest	50	50	1,024	974
Total Receipts	<u>143,525</u>	<u>143,525</u>	<u>209,693</u>	<u>66,168</u>
DISBURSEMENTS				
General Government	55,000	55,000	55,000	
Recreation and Culture	49,585	86,097	86,083	14
Roads	33,500			
Administration	60,440	57,428		57,428
Total Disbursements	<u>198,525</u>	<u>198,525</u>	<u>141,083</u>	<u>57,442</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(55,000)</u>	<u>(55,000)</u>	<u>68,610</u>	<u>123,610</u>
Net Change in Fund Balance	(55,000)	(55,000)	68,610	123,610
Fund Balance - Beginning	<u>55,000</u>	<u>55,000</u>	<u>131,527</u>	<u>76,527</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 200,137</u>	<u>\$ 200,137</u>

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

EMERGENCY SERVICES FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 375,000	\$ 375,000	\$ 392,505	\$ 17,505
Intergovernmental	175,000	399,219	460,364	61,145
Charges for Services	2,062,000	2,062,000	2,025,597	(36,403)
Miscellaneous			6,138	6,138
Interest	200	200	342	142
Total Receipts	<u>2,612,200</u>	<u>2,836,419</u>	<u>2,884,946</u>	<u>48,527</u>
DISBURSEMENTS				
Protection to Persons and Property	3,311,123	3,556,769	3,430,653	126,116
Administration	904,049	882,922	825,682	57,240
Total Disbursements	<u>4,215,172</u>	<u>4,439,691</u>	<u>4,256,335</u>	<u>183,356</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,602,972)</u>	<u>(1,603,272)</u>	<u>(1,371,389)</u>	<u>231,883</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,510,000</u>	<u>1,510,000</u>	<u>1,395,000</u>	<u>(115,000)</u>
Total Other Adjustments to Cash (Uses)	<u>1,510,000</u>	<u>1,510,000</u>	<u>1,395,000</u>	<u>(115,000)</u>
Net Change in Fund Balance	(92,972)	(93,272)	23,611	116,883
Fund Balance - Beginning	<u>92,972</u>	<u>92,972</u>	<u>76,398</u>	<u>(16,574)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (300)</u>	<u>\$ 100,009</u>	<u>\$ 100,309</u>

JESSAMINE 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 exceeded budgeted appropriations by \$108,027.

JESSAMINE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017

JESSAMINE 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 Land Improvements	\$ 4,502,605	\$ 100,000		\$ 4,602,605
Construction In Progress	26,950	372,435		399,385
Buildings and Building Improvements	19,107,383	132,589		19,239,972
Other Equipment	4,234,784	377,675	278,643	4,333,816
Vehicles and Equipment	2,896,454	161,698	177,468	2,880,684
Vehicles and Equipment - Jail	103,297	14,500		117,797
Infrastructure	53,251,757	392,216		53,643,973
 Total Capital Assets	 <u>\$ 84,123,230</u>	 <u>\$ 1,551,113</u>	 <u>\$ 456,111</u>	 <u>\$ 85,218,232</u>

JESSAMINE 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	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Other Equipment	\$ 2,500	3-25
Vehicles and Equipment	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

**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***

Roy W Hunter, CPA, PLLC
1890 Star Shoot Parkway
Suite 170-147
Lexington, KY 40509
Telephone (859) 806-5342
roy.hunter@cpa.com

The Honorable David K. West, Jessamine County Judge/Executive
Members of the Jessamine 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 Jessamine County Fiscal Court for the fiscal year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Jessamine County Fiscal Court's financial statement and have issued our report thereon dated April 23, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, which are described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies as items: 2017-001 and 2017-002.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Jessamine 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2017-001.

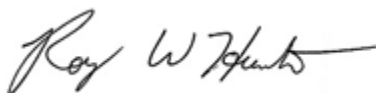
Views of Responsible Officials and Planned Corrective Action

Jessamine 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,

A handwritten signature in black ink, appearing to read "Roy W. Hunter", with a stylized flourish at the end.

Roy W. Hunter, CPA, PLLC
Lexington, Kentucky

April 23, 2018

**JESSAMINE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2017

**JESSAMINE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2017

STATE LAWS AND REGULATIONS:

2017-001 The Jessamine County Fiscal Court Did Not Prepare Purchase Orders

During testing of disbursements, auditors noted 61 of 105 tested invoices were paid without a purchase order being prepared. The invoices were for items such as utilities, phone allotments for county employees, repair services, travel expense reimbursements, and miscellaneous supplies. These invoices were noted in the general, road, jail, LGEA, and EMS funds.

Although policies were in place requiring the issuance of purchase orders, the fiscal court did not ensure that all departments adhered to established policies. As a result of the county not following their policies, funds were encumbered without ensuring that budget appropriation was available.

KRS 68.210 requires the State Local Finance Officer to create a system of uniform accounts for all counties and county officials. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for handling public funds, including required purchasing procedures for counties. These requirements prescribe that "purchases shall not be made without approval by the judge/executive (or designee) and/or department head" and "purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made."

Furthermore, per DLG's policy manual, purchase order systems are required for fiscal courts and purchase orders should be issued for all goods and services utilized by the fiscal court. In addition, DLG issued a memorandum on August 4, 2016, in which it "highly recommends" implementation of issuing purchase orders for payroll and utilities. This allows for fiscal court to ensure that sufficient budget allocation is available for all expenses and provides a better representation of financial status by reflecting more accurate encumbrances.

We recommend the Jessamine County Fiscal Court ensure that purchase orders are obtained prior to all purchases.

Update by Auditor: As of the date of the audit report, Jessamine County Fiscal Court has corrected this comment.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Since receiving the prior year audit back late in the Fiscal Year, this is a repeat comment because we had insufficient time to correct this. We have revamped our Purchase Order policy and met with all supervisors so that they are aware of these changes. Changing methodologies that have been in place for over 20 years takes adjustment for all employees and department heads.

JESSAMINE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2017
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES:

NONE NOTED.

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2017-001 The Jessamine County Fiscal Court Did Not Prepare Purchase Orders

See above – State Laws and Regulations.

2017-002 The Jessamine County Jailer Lacks Internal Controls Over Receipts

The Jessamine County Jail's inmate funds are deposited into the bank account held by their vendor. The majority of funds deposited into this account are deposited by employees of the vendor that administers the kiosk that receives funds for inmates. However, jail staff are responsible for depositing money orders received by mail into this account but did not complete daily check-out sheet for these deposits. Auditors noted on the August 2015 bank reconciliation of this account, seven outstanding deposits from 2013, 2014, and 2015 totaling \$2,941. Jail staff did not know why the deposits were outstanding or what the receipts were for.

Internal controls were not in place to ensure that the vendor bank account reconciliation is accurate or that daily check-outs are completed for manual deposits. As a result, the reconciliation and cash balances may not be accurate.

According to the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, "[a] monthly cash reconciliation shall be maintained" and "[d]aily deposits are required. At the end of each business day, the jailer or assigned personnel should separate individual receipts into categories listed on the check-out sheet. The total of each category should be entered on the appropriate space provided. The amount deposited line should equal the amount of money on hand at the end of each day less start-up cash. A maximum of fifty dollars shall be used for start-up for the next business day. All daily detail (deposit form, cash receipts, etc.) should be attached to the form. If the total daily deposit is correct, post to the Jail Commissary Fund Receipts Journal."

The jailer should regularly reconcile the vendor bank account to receipt reports, to ensure that all inmate funds received are deposited into the vendor bank account and inmate accounts are credited. Additionally, the jailer should determine if outstanding deposits are true outstanding deposits. The jailer should prepare daily check-out sheets for manual deposits.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Treasurer has no control over the Canteen Account or its procedures. It is my understanding that the Jailer has corrected this procedural flaw in the reconciliation of this account.

Jailer's Response: All money was accounted for on ledger and through receipts. We will start doing daily deposit forms.

JESSAMINE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2017
(Continued)

REVIEW OF PRIOR YEAR AUDIT FINDINGS:

2016-001	The Jessamine County Fiscal Court Did Not Prepare The Schedule Of Federal Awards
Status:	The comment was corrected.
2016-002	The Jessamine County Fiscal Court Did Not Properly Account For Debt Payments Made By Another Entity On Behalf Of The Fiscal Court And Exceeded The County's Approved Budget
Status:	The comment was corrected.
2016-003	The Jessamine County Fiscal Court Did Not Prepare Purchase Orders
Status:	The comment was repeated.
2016-004	The Jessamine County Fiscal Court Did Not Have Sufficient Support For Ambulance Receipts
Status:	The comment was corrected.
2016-005	The Jessamine County Jailer Lacks Internal Controls Over Receipts
Status:	The comment was repeated.

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

JESSAMINE COUNTY FISCAL COURT

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

Appendix A

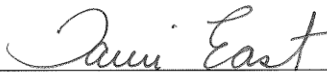
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
JESSAMINE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2017

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



County Judge/Executive



County Treasurer